

The background of the cover is a photograph of a Statoil gas station. Two men are standing in the foreground, engaged in a conversation. The man on the left is wearing a dark jacket and holding a clipboard. The man on the right is wearing a light-colored checkered shirt, dark trousers, and a grey baseball cap, and is smiling. Above them is a curved orange canopy with a blue stripe. The title text is overlaid on the top left of the image.

*Statoil Fuel & Retail*  
***Annual report 2010***

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*Board of Directors' report*

# *Well positioned for further growth*



# Well positioned for further growth

## Highlights 2010

2010 was an eventful year for Statoil Fuel & Retail<sup>1</sup>, with the highlight of moving from being an integrated part of Statoil ASA to an independent, publicly listed fuel retailer.

The financial results improved compared with previous years, with operations being stronger and more streamlined.

Gross profit for the full year 2010 was NOK 10,532 million compared with NOK 10,105 million in 2009. Operating profit for the full year 2010 was NOK 2,342 million compared with NOK 1,186 million in 2009. This translates into an after tax annual return on capital employed (ROCE<sup>2</sup>) of 11.1 percent, compared with 5.4 percent in 2009. Earnings per share were NOK 5.29, compared to NOK 2.41 the previous year. Based on Statoil Fuel & Retail's sound financial standing, financial flexibility, expected cash flow, capital expenditure plans and financing requirements, the Board of Directors proposes to pay a dividend of 57 percent of 2010 earnings per share, amounting to NOK 3.0 per share.

## Separation from Statoil

On 3 February 2010, Statoil ASA announced its board of directors' decision to evaluate a new ownership structure for the company's energy and retail business.

On 17 March 2010 it was confirmed that the new structure would be established through an IPO and listing of Statoil Fuel & Retail as a separate, stand-alone company. The basis for the decision was the board's belief that the energy and retail business' growth and further development would be best achieved as an independent company with direct access to the capital markets. On 1 October 2010, the energy and retail business was transferred from Statoil ASA to Statoil Fuel & Retail ASA.

## IPO and listing

In September 2010, Statoil Fuel & Retail applied for listing on the Oslo Børs (the stock exchange in Oslo, OSE).

In connection with the listing, Statoil ASA sold a total of 138 million shares and remained the owner of 162 million shares in Statoil Fuel & Retail ASA, equalling 54 percent of the shares and votes in the company. The offer was significantly oversubscribed and the shares were priced at NOK 39 per share with a corresponding market capitalisation of NOK 11.7 billion. Statoil Fuel & Retail ASA was listed on the OSE main list on 22 October 2010. Approximately 93 percent of the shares in the offering were allotted to institutional investors with seven percent going to retail investors (including employees). Following the offering, Statoil Fuel & Retail ASA had slightly more than 5,000 shareholders.

## The business

Statoil Fuel & Retail is the leading Scandinavian road transportation fuel retailer with more than 100 years of operations and experience in Scandinavia and approximately 20 years in Central and Eastern Europe. At the end of December 2010 the Group has a broad retail network across Scandinavia, Poland, the Baltic States and Russia with 2,283 service stations including full service (fuel and convenience) and automated/fuel-only stations. In addition, Statoil Fuel & Retail is involved in the sale of stationary energy (LPG, heating oil and kerosene) and marine fuel (marine gasoil and heavy fuel) as well as aviation fuel, lubricants and chemicals.

The Group's operations are organised and report under three business areas (or "segments") and three functional units (or "business drivers") which drive development, improvement initiatives and the application of best practice across the business areas. Further descriptions of Statoil Fuel & Retail's business operations are available in Statoil Fuel & Retail's 2011 corporate brochure, *TouchPoint*.

<sup>1</sup> Statoil Fuel & Retail ASA (or "the Company") is a public limited company with a governance structure based on Norwegian law. Its shares are listed on the Oslo Børs (the stock exchange in Oslo, OSE) with the ticker: "SFR". Statoil Fuel & Retail ASA is the parent company of the group comprising Statoil Fuel & Retail ASA and its subsidiaries ("Statoil Fuel & Retail" or "the Group")

<sup>2</sup> ROCE, defined as adjusted operating profit after tax divided by average capital employed for the last twelve months; a tax rate of 25 percent is used in the calculation; capital employed equals total assets less non-interest bearing liabilities (comprising deferred tax liabilities, pension liabilities, provisions, trade and other payables, trade and other payables related parties, current tax payable and derivative financial instruments).

## Strategy and execution

Statoil Fuel & Retail believes that its significant improvement in financial performance over the past three years and the identified potential for further operational improvements and profitable growth in selected markets is driven primarily by a focused and clearly defined strategy. The Group aims to continue to build on its strategic platform to be a leading fuel retailer in Scandinavia and Central and Eastern Europe, with road transportation fuel retail as its core business and with an integrated convenience offering that provides synergies and traffic to the stations as well as a significant gross profit contribution. The Group has identified the following near- to medium-term strategic objectives:

- Maintain fuel volume leadership in Scandinavia
- Increase share of Central and Eastern European business
- Further develop an attractive and profitable destination products offering
- Build sustainable competitive advantage through customer perception of site quality
- Implement cost efficiency measures
- Improve capital efficiency through balance sheet optimisation
- Attract and develop passionate fuel and retail professionals

## Market conditions

Competition in the retail road transportation fuel business in the various countries in which Statoil Fuel & Retail operates largely consists of price competition at the pump, customer offer and product differentiation. There is currently a trend towards product differentiation in the fuel retail industry as retailers seek to distinguish their fuel products from those of their competitors.

The offering of convenience products and services at service stations represents a significant part of the fuel retail business. It drives customer loyalty and creates opportunities for cross-selling of road transportation fuel and convenience products and services. The offerings vary from car-related products and services to more food-related products such as fast food, coffee, bakery goods and beverages.

Statoil Fuel & Retail has a leading market position by volumes sold in the road transportation fuel business in all the Scandinavian countries and an overall market share of approximately 33 percent. Its market position has been further strengthened through organic volume growth during 2010. The business has improved through its Swedish turnaround, the divestment of non-core businesses and the integration of its JET-branded stations, while focusing on operational excellence and engaging the customer. In addition to strong financial results and positive road transportation fuel volume development, health, safety and environment (HSE) results have improved significantly, with a reduction in robberies of 34 percent compared with 2009.

Statoil Fuel & Retail has a strong market position in the Baltic States, and interesting growth opportunities in Poland and Russia. The company is the largest road transportation fuel retailer in Estonia and Latvia and the second largest in Lithuania. In Poland, Statoil Fuel and Retail has grown to become the fifth largest road transportation fuel retailer and the only one with a fuel station network comprising both full-service and automated stations. The operation in Russia is limited, but the company has recently applied its insights in the Russian market to pursue selective expansion in the St. Petersburg and Pskov regions. Development in Central and Eastern Europe in 2010 was characterised by growth in Poland and Russia and a gradual recovery in the Baltic States. Profitability was strengthened through higher sales and cost reductions.

## Financial statements

### Going concern

In the opinion of the Board of Directors, the consolidated financial statements provide a true and fair view of the Group's financial performance during 2010 and its financial position at 31 December 2010. According to section 3-3 of the Norwegian Accounting Act, the Board confirms that the consolidated financial statements and the financial statements of the parent company have been prepared based on the going concern assumption and that it is appropriate to use this assumption.

### Gross profit

Gross profit for the year ending 31 December 2010 totalled NOK 10,532 million, an increase of 4.2 percent compared with 2009. The positive development in gross profit was primarily driven by growth in road transportation fuel volumes and road transportation fuel unit margin development.

Gross profit from convenience decreased reflecting increased competition from the grocery sector, partly offset by an increased average basket size and an improved product mix. Preliminary market surveys indicate that Statoil Fuel & Retail has improved its market position in the convenience market in Scandinavia. In 2010, Statoil Fuel & Retail's service stations in Poland were rated best for service in three different independent surveys.

Gross profit from other products increased compared with 2009. This was driven primarily by an increase in gross profit from aviation fuel and higher demand for stationary energy (LPG, heating oil and kerosene) driven by cold weather and high electricity costs. Gross profit from miscellaneous for the year ending 31 December 2010 decreased compared with 2009. In 2010, gross profit from miscellaneous consisted primarily of income from cards, car rentals, other rental income, corporate and Group eliminations.

## Distribution and administrative costs

Despite the increase in road transportation fuel volumes in Scandinavia in 2010 and the full consolidation of JET-branded stations from the second half of 2009, distribution costs were reduced by NOK 438 million for the

year ending 31 December 2010 compared with 2009. This reduction is primarily explained by the divestment of non-core business activities, improved station optimisation, reduced costs related to retail operations and reduced credit losses in Central and Eastern Europe. In addition to divesting non-core business activities, Statoil Fuel & Retail has during 2010 closed down stations with low throughput and low profitability in Scandinavia. Together with increased road transportation fuel volumes and network optimisation, the consolidation of JET-branded stations improved the average throughput per station.

Depreciation, amortisation and impairments decreased by NOK 31 million to NOK 1,299 million for the year ending 31 December 2010 compared with 2009, while administration expenses increased by NOK 31 million to NOK 222 million. Increased administrative expenses were primarily related to one-off costs associated with the separation from Statoil ASA.

### Other gain/(loss), net

In 2010, the majority of the gain of NOK 276 million was related to the sale of Swedegas (an energy gas transmission company in Sweden) in the first quarter 2010.

### Operating profit

For the year ending 31 December, operating profit was NOK 2,342 million, an increase of NOK 1,156 million compared with the same period in 2009. The improvement in operating profit was driven by Scandinavia, explained by the consolidation of JET-branded stations in the second half of 2009, the implementation of the company-owned, company-operated (CoCo) fuel concept and improved use of micro market pricing. In addition, Statoil Fuel & Retail strengthened its market position. The turnaround in Sweden was an important contributor to the positive development and demonstrates Statoil Fuel & Retail's focus on operational excellence.

### Net finance expenses

For the year ending 31 December 2010, net finance expense totalled NOK 419 million, a decrease of NOK 33 million compared with 2009. The reduction was due to a decrease in net interest, as net interest bearing debt decreased substantially. The interest effect was partly offset by a foreign exchange loss of NOK 37 million for the full year 2010.

### Income tax expense

For 2010, the income tax expense was NOK 342 million, equivalent to an effective tax rate of 17.7 percent. The effective income tax rate was positively influenced by the utilisation of previously unrecognised tax losses in Denmark and the gain on the sale of Swedegas AB, which was not assessable for income tax.

### Cash flow

Cash flow provided by operating activities for the year ending 31 December 2010 was NOK 4,913 million, an increase of NOK 2,941 million from the year ending 31 December 2009. In 2010, changes in working capital had a positive effect on cash flow from operating activities of NOK 1,907 million, compared with a positive effect of NOK 221 million in 2009.

Cash used in investing activities was NOK 10 million in the year ending 31 December 2010, compared with NOK 166 million in 2009. In 2010, investment activity was low due to group-wide restrictions on capital expenditure imposed by Statoil ASA in the latter part of 2009. In 2010, Statoil Fuel & Retail spent NOK 824 million on investments in property, plant and equipment and intangible assets. The Group recorded total proceeds from the sale of property, plant and equipment of NOK 297 million, mainly related to the sales of rental cars in Sweden. In addition, net proceeds from the disposal and acquisition of businesses and equity securities of NOK 518 million were recorded during 2010, including proceeds from the sale of Swedegas and the domestic heating gas business in Norway.

Cash used in financing activities was NOK 5,026 million in 2010, compared with NOK 1,449 million in 2009. In 2010, long-term loans and short-term intra-group bridging loans from Statoil ASA were replaced by a new bank facility agreement after the listing. The bank facility agreement included a term loan and a revolving loan facility totalling NOK 7 billion. At 31 December 2010, NOK 4 billion was utilised on the term loan and NOK 300 million was utilised on the short-term revolving loan facility.

### Balance sheet

During 2010, total assets were reduced by approximately NOK 2,426 million to NOK 23,725 million. This was predominantly due to reductions in trade and other

receivables from related parties following transactions with Statoil ASA related to the IPO and a reduction in property, plant and equipment.

At year end 2010, net debt was NOK 3,500 million. Cash and cash equivalents were NOK 1,533 million. Current financial liabilities were NOK 932 million, including a NOK 300 million revolving credit facility and an overdraft of approximately NOK 600 million. Non-current financial liabilities amounted to NOK 4,140 million.

Statoil Fuel & Retail's capital flexibility for future investments and growth through undrawn borrowing facilities stood at NOK 2,700 million at the end of 2010.

## Segment reporting

Statoil Fuel & Retail has three formal reporting segments: Scandinavia, Central & Eastern Europe and Special Products.

### Scandinavia

Scandinavia strengthened its market position during the year, delivering its best-ever annual results. In 2010 the business improved through its Swedish turnaround, the divestment of non-core businesses and the integration of its JET-branded stations, focusing on operational excellence and engaging the customer. In addition to strong financial results and positive road transportation fuel volume development, there was positive development in the health, safety and environment (HSE) results.

Gross profit for the full year 2010 was NOK 7,727 million, an increase of 6.0 percent compared with 2009, following higher gross profit from road transportation fuel and other products, partly offset by lower gross profit from convenience and miscellaneous.

The increase in gross profit from road transportation fuel followed higher road transportation fuel volumes and unit margins. The road transportation fuel volume increase was mainly related to the consolidation of JET-branded stations in the second half of 2009 and organic growth in Norway. The increase in road transportation fuel unit margins was primarily driven by the recovery in the Swedish market and improved execution of micro market pricing. Lower

convenience sales as a result of increased competition from the grocery sector were partly offset by increased basket size and an improved product mix. Surveys show that Statoil Fuel & Retail has improved its market position in the convenience market. Higher demand for heating oil drove the increase in gross profit from other products. Gross profit from miscellaneous, mainly consisting of income from cards, car rental and other rental incomes, decreased.

Distribution costs for 2010 decreased by 7.2 percent to NOK 5,782 million, despite increased road transportation fuel volumes and the full consolidation of the JET-branded stations. The decrease was mainly due to divested non-core business activities and cost reductions through improved station operations. Average throughput per station rose, reflecting network optimisation efforts.

Operating profit in 2010 was NOK 1,835 million compared with NOK 966 million in 2009. The implementation of the CoCo fuel concept and improved micro market pricing processes have reduced the differences in road transportation fuel unit margins between the Scandinavian markets. At the same time, Statoil Fuel & Retail has been able to grow organically and improve its market position. Through the "PerfectStation" concept (lean operations), retail operation costs have been reduced and profitability improved.

#### Central & Eastern Europe

In 2010 development in Central & Eastern Europe was characterised by growth in Poland and Russia and a gradual recovery in the Baltic States. Statoil Fuel & Retail has been able to improve profitability through cost reductions. Reported gross profit for 2010 was NOK 1,744 million, down 5.2 percent compared with 2009, primarily explained by lower gross profit from miscellaneous. The underlying gross profit development for Statoil Fuel & Retail's business in road transportation fuel and convenience showed improvement towards the end of 2010, but with somewhat lower gross profit compared with 2009.

Road transportation fuel unit margin improved in 2010. This improvement is explained by the competitive situation in the markets, but also by Statoil Fuel & Retail's ability to work with micro market pricing and product differentiation. Compared with 2009, the business-to-consumer (B2C)

share of road transportation fuel volumes increased, with a positive impact on the road transportation fuel margin.

Gross profit from convenience and like-for-like non-fuel sales declined as a result of a slow start to 2010, due to the financial crises in the Baltic States. Demand picked up as the year progressed, resulting in higher sales and profitability. Statoil Fuel & Retail's service stations were, in three different independent surveys conducted in the Polish market in the third and fourth quarters of 2010, rated as the best for service. Gross profit from miscellaneous declined during the year, mainly due to reclassifications and other adjustments recorded in 2009.

In Central & Eastern Europe a number of cost saving initiatives have been implemented in order to reduce distribution costs related to retail operations, logistics and sales and marketing. In addition to improved operational efficiency due to lean operations initiatives and improved procurement processes, credit loss in 2010 returned to normalised levels in the aftermath of the financial crisis, thanks to improved governance and credit restrictions imposed on B2B (business-to-business) customers. Costs associated with the roll out of an additional 19 new stations are included in the cost base for 2010. The implementation of new stations has accelerated during 2010, with nine new stations in the fourth quarter.

Operating profit in 2010, at NOK 230 million, was down 16.4 percent compared with 2009. The decrease was due to the decline in gross profit as discussed above, partly offset by lower distribution costs.

#### Special Products

Gross profit for 2010 was NOK 882 million, an increase of 11.1 percent compared with 2009, primarily due to positive currency effects in the aviation fuel business. Lubricant sales volumes rose compared with 2009, particularly in Central and Eastern Europe. A lower unit margin, following the change in geographical mix, resulted in a lower contribution from lubricants.

Distribution costs for 2010 were down 9.5 percent compared with 2009, mainly due to restructuring costs related to the lubricants organisation of more than 15 percent and the closure of the blending plant in Norway. Operating profit in 2010 was NOK 122 million, an increase of NOK 163 million. The underlying financial performance for Special Products in 2010 was on a par with 2009.

### **Research and development**

Statoil Fuel & Retail undertakes research and development in automotive, industrial and marine lubricants and metalworking fluids, currently offering around 750 different products. A special area of competence is environmentally adapted lubricants (EALs), where the Group has a strong position within selected industries such as hydro power, offshore and special marine applications. Statoil Fuel & Retail works closely with customers helping them drive technical development through dedicated cooperation in long-term partnerships.

### **Risk and risk management**

Statoil Fuel & Retail is, through its activities in the transportation fuel retailer industry, exposed to various financial, operational and market-related risk factors. The Board has established a framework for risk management to ensure the company has good internal control and expedient systems for risk management that are adapted to the scope and nature of Statoil Fuel & Retail's activities. The Group's total risk exposure is analysed and evaluated at corporate level and integrated in all business activities. Below is a list of the most important risk factors for the Group.

### **Financial risk**

#### **Financing**

Statoil Fuel & Retail is dependent on current financing agreements, renewal of these and/or on obtaining new financing agreements to fund its operations, additional acquisitions, working capital or capital expenditures. An increase in the Group's level of debt financing and/or adverse changes in the terms for its current financing agreements such as changes in the interest rate may increase financing costs and reduce the Group's profitability.

#### **Currency rate risk**

Statoil Fuel & Retail operates internationally and is exposed to currency risk arising from various currency exposures, such as translation of transactions in foreign currencies into the Statoil Fuel & Retail entities' functional currencies. Exchange rate risk also arises when subsidiaries enter into transactions denominated in currencies other than their own functional currency and through assets and liabilities related to working capital and monetary items being denominated in various currencies.

The group is managed as a NOK company for currency management purposes with primary focus on NOK cash flow. Subsidiaries with functional currencies other than NOK do not hedge NOK positions versus their own functional currencies. The Group has limited activity related to currency trading on its own account.

#### **Credit risk**

Credit risk is the risk that the Group's customers or counterparties will cause the Group financial loss by failing to honour their obligations. Credit risk mainly arises from credit exposures with customer accounts receivables and deposits with financial institutions. Prior to entering into transactions with new counterparties, the Group's credit policy requires all counterparties to be formally identified, approved, and assigned internal credit ratings as well as exposure limits. Once established, all counterparties are monitored continuously and re-assessed at least annually.

#### **Liquidity risk**

Liquidity risk is the risk that Statoil Fuel & Retail will not be able to meet obligations associated with financial liabilities when due. The Group focuses on liquidity and short term borrowing as a means of managing its exposure to this risk and maintains what the Board of Directors believes is a conservative liquidity management policy.

#### **Operational risk**

Statoil Fuel & Retail's operations primarily involve the storage, transportation and sale of fuel products. Such activities expose it to certain risks, particularly at its terminals and other storage facilities where large quantities of fuel are stored, and at its service stations. Statoil Fuel & Retail has both an extensive health, safety and environmental programme and extensive insurance arrangements, but if accidents or incidents occur and the

Group is not adequately insured, significant costs may be incurred. Additionally, such accidents may affect Statoil Fuel & Retail's reputation which could lead to a decline in the sales of its products and services.

Statoil Fuel & Retail offers a range of convenience products, including food and beverage products. Although it has implemented guidelines such as its food safety programme, the products may be mishandled at the service stations or be spoilt or contaminated before reaching the service stations.

#### **Market risk**

Statoil Fuel & Retail's performance depends on the demand for its key products and services. General economic and market conditions in the countries in which the Group sells its products and services influence consumer confidence and consumer purchasing power and thereby demand for the Group's products and services.

#### **Convenience**

The effect of economic conditions on demand is particularly relevant to the convenience business, whose products are generally available to price-sensitive customers at lower prices at other retail outlets, such as grocery stores or supermarkets.

#### **Road transportation fuel**

Prices of crude oil and refined oil products are volatile and depend upon many factors that are beyond the Group's control and which could have a materially adverse effect on the Group's profitability. While Statoil Fuel & Retail seeks to pass on any increases in purchase costs to its consumers, its margins are also driven by industry dynamics and other factors that affect crude oil and refined oil product prices. These factors include the supply of, and demand for, crude oil and any other feedstock for the Group's products as well as the supply and demand for gasoline, diesel and other refined oil products generally in the market.

Statoil Fuel & Retail operates in a highly competitive industry and competitive pressures may materially and adversely affect its results. Structural changes in the retail road transportation fuel market may increase levels of competition in the Group's markets.

### **Corporate responsibility**

Statoil Fuel & Retail wishes to promote sustainable development through business operations that emphasise environmental, ethical and social considerations. The Group is committed to ensuring that human and labour rights, environmental considerations and the fight against corruption are respected in its business activities and by its suppliers. Statoil Fuel & Retail should be characterised by high ethical standards. Further details about Statoil Fuel & Retail's corporate responsibility activities are available in the Group's 2011 corporate brochure, *TouchPoint*.

### **Health, safety and the environment (HSE)**

Statoil Fuel & Retail emphasises HSE. The Group has adopted HSE policies to comply with applicable regulations and to maintain and develop its HSE standards. HSE is a key performance indicator for Statoil Fuel & Retail, and the Group has received numerous awards for its HSE-related activities, such as a first prize in the EU's Excellence in Road Safety Awards in 2006 and the Norwegian Petroleum Institute's HSE prize in 2008 and 2009.

An HSE governance standardisation process was completed in Statoil Fuel & Retail in 2010, standardising governance of all key HSE areas, such as emergency response, security, environmental management, work environment and authority relations. This is expected to further reduce the risk of injuries and accidents, as well as non-compliance with legal requirements and the Group's more stringent HSE policies. Further, Statoil Fuel & Retail has introduced Synergi, a web-based system for recording and following up incidents that ensures continual feedback in connection with the Group's development of organisation-wide HSE practices.

Statoil Fuel & Retail has required its suppliers to meet a new, standardised specification for the tanker trucks that deliver its products. This specification features lower emissions and significantly reduced contamination and spillage risks. The Group has directly invested in cash handling equipment which reduces the risk of robberies.

Statoil Fuel & Retail intends to focus increasingly on HSE policies and programmes, not only as a matter of compliance but as a competitive advantage - for instance by remaining at the forefront of developments in the biofuels market and by interacting with B2B customers on HSE programmes.

Statoil Fuel & Retail focuses on delivering transport fuel responsibly. The Group takes its share of responsibility for the well-being of its employees, customers and the environment. For the year ending 31 December 2010 the Group's Serious Incident Frequency (the number of serious incidents per million manhours worked) was 2.0, reflecting 53 serious incidents. This compares with 3.0 or 80 serious incidents for the year ending 31 December 2009. The 53 incidents recorded in 2010 included 31 robberies or attempted robberies, two vehicle crashes, six spillages and a number of slips, trips and other work-related illnesses.

The positive development in the Serious Incident Frequency in 2010 is primarily due to a 34 percent reduction in the number of robberies in Scandinavia compared with 2009. Statoil Fuel & Retail has implemented an anti-robbery policy which includes robbery prevention training for all its employees. The Group has also made significant investments in improving its cash handling systems by physically limiting employees' access to cash at the majority of its stations in Scandinavia.

The focus of the work with robbery prevention is also to improve the experience customers have when visiting one of Statoil Fuel & Retail's service stations. The decrease in the number of robberies at Statoil Fuel & Retail's stations in Scandinavia is better than for the retail market as a whole in all three Scandinavian countries.

In the fourth quarter 2010, Statoil Fuel & Retail started a new project focusing on managing food safety. The purpose of the project is to improve food safety even further across Statoil Fuel & Retail's entire network of stations by working more closely with its business partners as well as improving operations in its stations.

### Environmental impact of our own operations

Statoil Fuel & Retail has implemented many practices aimed at reducing the carbon footprint of the Group's own operations, including:

- Sourcing (an HSE declaration has to be signed by each supplier, with our procurement function conducting periodical audits)
- Established a new, standardised specification featuring lower emissions and significantly reduced contamination and spillage risks for the tanker trucks that deliver its products
- Videoconferencing facilities in all Statoil Fuel & Retail headquarters to reduce travel needs
- Carbon offsetting for employees' travel by air

*Energy consumption and CO<sub>2</sub> emissions from all activities, including transport, heating of service stations, terminals, factories and offices, and electricity supply to service stations, terminals, factories and offices*

| Energy use (gross) (MWh) | 2008           | 2009           | 2010           |
|--------------------------|----------------|----------------|----------------|
| Central & Eastern Europe | 169,813        | 192,976        | 201,748        |
| Scandinavia              | 385,432        | 396,585        | 344,720        |
| Special Products         | 6,208          | 10,046         | 9,229          |
| <b>Total</b>             | <b>561,453</b> | <b>599,607</b> | <b>555,697</b> |

| Carbon dioxide emissions (tonnes of CO <sub>2</sub> ) | 2008          | 2009          | 2010          |
|-------------------------------------------------------|---------------|---------------|---------------|
| Central & Eastern Europe                              | 18,050        | 30,302        | 25,052        |
| Scandinavia                                           | 55,551        | 32,017        | 37,111        |
| Special Products                                      | 1,487         | 1,893         | 1,895         |
| <b>Total</b>                                          | <b>75,088</b> | <b>64,212</b> | <b>64,057</b> |

*Accidental oil spills to sea/water or land in all activities, including service stations, terminals, factories and offices. Net follows clean-up and remediation.*

| Accidental oil spills             | 2008   | 2009   | 2010   |
|-----------------------------------|--------|--------|--------|
| Number of spills (net volume > 0) | 216    | 258    | 204    |
| Gross volume (m <sup>3</sup> )    | 164.11 | 154.46 | 166.98 |
| Net volume (m <sup>3</sup> )      | 141.28 | 35.26  | 16.96  |

In Sweden Statoil Fuel & Retail has, for several years, been working with a climate and environmental strategy called "505050". This strategy aims, by 2020, to reduce carbon emissions from the Group's own operations by 50 percent, to reduce energy costs by 50 percent and to help 50 percent of consumers to see Statoil as the leading brand in the transportation fuel industry on climate and environmental issues. In 2010 Statoil Fuel & Retail's station operations in Sweden reduced their electricity consumption by 550,000 KWh per year by installing energy-efficient refrigerators. Partly as a result of this action, energy consumption in the Swedish operations has been reduced by 19 percent since 2007.

Statoil Fuel & Retail's Latvian operations have reduced the consumption of electricity in their stations by 10 percent in 2010. The decrease has been made possible by the installation of sensor-activated systems in car washes, rest rooms and storage spaces. Statoil Fuel & Retail in Denmark has, for the last five years, prioritised a range of energy saving activities that have also proven to be cost efficient. Energy usage in the Danish stations is centrally managed, with energy-efficient interior and exterior lighting, automatic switching and movement sensors in stores and rest rooms, and recycled water in car washes.

### *People and the organisation*

As of 31 December 2010, Statoil Fuel & Retail employed approximately 8,400 people on a full-time equivalent basis in eight countries. In addition, more than 10,000 people are employed at the Group's franchisee stations.

The Board of Directors believes in the importance of attracting and retaining skilled and motivated employees and managers with a strong commitment to operations in line with Statoil Fuel & Retail's code of conduct. The Group's ethical guidelines express the Board's objectives for the Group's work with HR, working environment and safety.

Principles for good working conditions have also been included in Statoil Fuel & Retail's sustainability principles. All employees are guaranteed a high level of safety in their work. Further, the ethical guidelines stipulate that the Group will work to offer employees good and competitive working conditions, a good physical and psychological

working environment, and opportunities for personal and career development.

Statoil Fuel & Retail is committed to ensuring diversity in the Group. The aim is to be a workplace with no discrimination due to gender, ethnicity, national origin, skin colour, language, religion, faith or functional ability. The Group is working actively in the areas of recruitment, salary and working conditions, promotion, development opportunities and protection against harassment to reach this aim. The working environment in Statoil Fuel & Retail is considered to be healthy and stable. Scores in the "Global People Survey", an organisation and working environment survey addressing issues vital to individual wellbeing and organisational performance, ranged between 4.2 and 5.4 on a 6 point scale. The Group continuously develops and deploys its people through the People@SFR process, a common process for performance, reward, development and deployment.

Sickness absence in Statoil Fuel & Retail was 3.9 percent in 2010, comprising a total of 77,512 sick absence days.

The reward system in Statoil Fuel & Retail is non-discriminatory and supports equal opportunities. Given the same position, experience and performance, men and women will be at the same salary level. However, due to differences between types of positions and number of years' experience, there are some differences in compensation when comparing the general pay levels of men and women in the Group.

As of end 2010, the ratio of male to female employees in the Group was 50:50. In 2010, Statoil Fuel & Retail had female managers in the senior management teams of most subsidiaries. The Group continues to work actively to have diversity in all its senior management. Statoil Fuel & Retail's global management team in 2010 consisted of eleven persons of whom two were women. Of the eight members of the Board, there are three women.

No special measures were implemented to promote anti-discrimination, availability or equal opportunity in 2010. Further details about HR-related issues are available in the Statoil Fuel & Retail's 2011 corporate brochure, *TouchPoint*.

## Board and executive management

The management of Statoil Fuel & Retail is the responsibility of the Company's Board of Directors and the Group's senior management. In accordance with Norwegian law, the Company's Board of Directors is responsible for, among other things, supervising the general and day-to-day management of the Group's business; ensuring proper organisation; preparing plans and budgets for its activities; ensuring that the Group's activities, accounts and asset management are subject to adequate controls; and undertaking investigations necessary to perform its duties.

Statoil Fuel & Retail has agreed with its employees not to establish a corporate assembly (a supervisory body under the Norwegian Public Limited Companies Act). As a result of the decision not to have a corporate assembly, the Company's Board of Directors will, in accordance with Norwegian law, be elected at general meetings of the shareholders of the Company and will assume all responsibilities otherwise attributable to the corporate assembly.

## Corporate governance

Statoil Fuel & Retail's corporate governance principles are based on, and comply with, the Corporate Governance Code, with the following exceptions:

- a nomination committee will be appointed at the Annual General Meeting of the Company's shareholders to be held in 2011; and
- Statoil Fuel & Retail will adopt guidelines for remuneration of the Group's management at the Annual General Meeting of the Company's shareholders to be held in 2011.

Further information about Statoil Fuel & Retail's corporate governance is available in the "Corporate governance" section of this annual report.

## Statoil Fuel & Retail ASA

Statoil Fuel & Retail ASA is the parent company in the Group. The Company is established to serve as the parent company for the Group and has no operations other than headquarter functions. Statoil Fuel & Retail ASA derives its

revenues primarily from the allocation of headquarter costs to its subsidiaries and provides financing to its subsidiaries. Profit for the period is NOK 203 million and the Board of Directors proposes the following allocations:

- Transferred to retained earnings: NOK 203 million

## Dividend policy

In 2010, Statoil Fuel & Retail posted a profit of NOK 1,585 million. Statoil Fuel & Retail's ambition is to distribute at least 50 percent of its earnings per share. Based on Statoil Fuel & Retail's sound financial standing, financial flexibility, expected cash flow, capital expenditure plans and financing requirements, the Board of Directors proposes to pay a dividend of 57 percent of 2010 earnings per share, amounting to NOK 3.0 per share.

Distributable equity in Statoil Fuel & Retail ASA amounted to NOK 72 million at year end 2010. As Statoil Fuel & Retail ASA is a newly formed company, there is insufficient distributable equity to pay out dividends directly. This will be done through a capital reduction in accordance with the requirements of the Norwegian Public Limited Companies Act.

## Outlook

Assessments of future conditions are subject to uncertainty.

Statoil Fuel & Retail aims to maintain its strong position in Scandinavia, focusing on offering premium fuel and convenience products. Given the positive economic outlook for Scandinavia, overall fuel demand is expected to remain stable. The general decline in convenience sales is expected to continue; however Statoil Fuel & Retail will continue to develop its value proposition to customers, aiming at improving the product mix and profitability.

Statoil Fuel & Retail will continue to pursue its growth strategy in Central and Eastern Europe, expanding the station networks in Poland and Russia. Pending approval from the competition authorities, Statoil Fuel & Retail will integrate the Polish St1 business, which will add 16 automated stations to the Polish network. Overall fuel demand in Central and Eastern Europe is expected to rise following improving economic conditions, more relaxed

credit restrictions and new regulations aimed at reducing the grey market. Statoil Fuel & Retail's expansion and the outlook of economic recovery are expected to have a positive impact on the convenience business. Statoil Fuel & Retail will continue to concentrate its efforts on improving the overall product mix and profitability.

Statoil Fuel & Retail aims to strengthen its position in lubricants, targeting industrial segments and growth markets in particular. For aviation fuel, efforts will be concentrated on improving profitability through utilising the Group's strong position in Scandinavia and focusing on growth in selected markets in Central and Eastern Europe.

Several cost efficiency measures will be implemented in 2011. These will include consolidation of lubricants blending to one plant in Sweden, centralisation to one warehouse for Scandinavia, the consolidation of all our distribution planning in Riga, a leaner haulier portfolio on transport fuel and outsourcing of facilities management. The processes related to balance sheet optimisation have commenced.

Given its key priority of maintaining a robust dividend capacity, Statoil Fuel & Retail will continue to focus on capital efficiency and cash flows.

## Statement on compliance

Today the Board of Directors, the Chief Executive Officer and the Chief Financial Officer reviewed and approved the Board of Directors' report and the Statoil Fuel & Retail ASA consolidated and separate annual financial statements as of 31 December 2010.

To the best of our knowledge, we confirm that:

- the Statoil Fuel & Retail ASA consolidated annual financial statements for 2010 have been prepared in accordance with IFRSs and IFRICs as adopted by the European Union (EU), IFRSs as issued by the International Accounting Standards Board (IASB) and additional Norwegian disclosure requirements in the Norwegian Accounting Act
- the separate financial statements for Statoil Fuel & Retail ASA have been prepared in accordance with the Norwegian Accounting Act and Norwegian Accounting Standards
- the Board of Directors' report for the Group and the parent company is in accordance with the requirements in the Norwegian Accounting Act and Norwegian Accounting Standard no 16
- the information presented in the financial statements gives a true and fair view of the Company's and the Group's assets, liabilities, financial position and results for the period viewed in their entirety
- the Board of Directors' report gives a true and fair view of the development, performance, financial position, principle risks and uncertainties of the Company and the Group.

Oslo, 14 March 2011

The Board of Directors of Statoil Fuel & Retail ASA

Birger Magnus  
Chair

Per Bjørgås  
Board member

Ann-Charlotte Lundén  
Board member

Jon Arnt Jacobsen  
Board member

Marte Hoff  
Board member

Ketil Johannessen  
Board member  
(employee representative)

Petter Vådal  
Board member  
(employee representative)

Anne Martha Støver  
Board member  
(employee representative)

Jacob Schram  
CEO



# *Consolidated financial statements*



# Consolidated financial statements

## Consolidated statement of income

| (in NOK million)                                                                                | Notes     | 2010          | 2009          |
|-------------------------------------------------------------------------------------------------|-----------|---------------|---------------|
| Revenues                                                                                        | 3         | 65,830        | 57,277        |
| Cost of goods sold                                                                              | 3         | ( 55,298)     | ( 47,172)     |
| <b>Gross profit</b>                                                                             |           | <b>10,532</b> | <b>10,105</b> |
| Distribution costs                                                                              | 9,8,16    | ( 8,244)      | ( 8,682)      |
| Administrative expenses                                                                         | 9,10      | ( 222)        | ( 191)        |
| Other gain/ (loss), net                                                                         | 7         | 276           | ( 46)         |
| <b>Operating profit/(loss)</b>                                                                  |           | <b>2,342</b>  | <b>1,186</b>  |
| Financial income                                                                                |           | 78            | 115           |
| Financial expenses                                                                              |           | ( 497)        | ( 566)        |
| <b>Net financial expenses</b>                                                                   | <b>11</b> | <b>( 419)</b> | <b>( 452)</b> |
| Net income from associated companies                                                            |           | 4             | 9             |
| <b>Profit/(loss) before income tax</b>                                                          |           | <b>1,927</b>  | <b>743</b>    |
| Income tax (expense)/benefit                                                                    | 12        | ( 342)        | ( 14)         |
| <b>Profit/(loss) for the period</b>                                                             |           | <b>1,585</b>  | <b>728</b>    |
| <b>Profit/(loss) attributable to:</b>                                                           |           |               |               |
| Equity holders of the company                                                                   |           | 1,586         | 724           |
| Non-controlling interest                                                                        |           | ( 1)          | 4             |
| Earnings per share for income attributable to equity holders of the company - basic and diluted | 13        | 5.29          | 2.41          |
| Weighted average number of shares (in million)                                                  |           | 300           | 300           |

## Consolidated statement of comprehensive income

| (in NOK million)                                                          | Notes | 2010         | 2009            |
|---------------------------------------------------------------------------|-------|--------------|-----------------|
| <b>Profit/(loss) for the period</b>                                       |       | <b>1,585</b> | <b>728</b>      |
| Foreign currency translation                                              |       | ( 40)        | ( 1,283)        |
| Actuarial gains/ (losses) on defined retirement benefit plans, before tax |       | 80           | 256             |
| Income tax on income and expense recognised directly in OCI               | 12    | ( 22)        | ( 72)           |
| <b>Other comprehensive income/(loss)</b>                                  |       | <b>18</b>    | <b>( 1,099)</b> |
| <b>Comprehensive income/(loss)</b>                                        |       | <b>1,603</b> | <b>( 371)</b>   |
| <b>Attributable to:</b>                                                   |       |              |                 |
| Equity holders of the company                                             |       | 1,604        | ( 375)          |
| Non-controlling interest                                                  |       | ( 1)         | 4               |
| <b>Comprehensive income/(loss)</b>                                        |       | <b>1,603</b> | <b>( 371)</b>   |

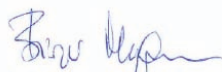
## Consolidated statement of financial position at 31 December

| (in NOK million)                            | Notes   | 2010          | 2009          |
|---------------------------------------------|---------|---------------|---------------|
| <b>ASSETS</b>                               |         |               |               |
| Intangible assets                           | 6,15,16 | 791           | 880           |
| Deferred tax assets                         | 12      | 681           | 554           |
| Property, plant and equipment               | 6,14,26 | 10,323        | 10,983        |
| Investments in associated companies         | 17      | 43            | 202           |
| Pension assets                              | 18      | 159           | 110           |
| Financial investments and receivables       | 19      | 6             | 97            |
| Financial receivables related parties       | 29      | 24            | 674           |
| Other non-current receivables               | 20      | 13            | 76            |
| <b>Total non-current assets</b>             |         | <b>12,040</b> | <b>13,577</b> |
| Inventories                                 | 21      | 1,847         | 1,737         |
| Trade and other receivables                 | 22      | 7,857         | 8,011         |
| Trade and other receivables related parties | 29      | 448           | 1,664         |
| Derivative financial instruments            | 23      | -             | 86            |
| Cash and cash equivalents                   | 24      | 1,533         | 1,076         |
| <b>Total current assets</b>                 |         | <b>11,685</b> | <b>12,574</b> |
| <b>TOTAL ASSETS</b>                         |         | <b>23,725</b> | <b>26,151</b> |

| (in NOK million)                                                  | Notes     | 2010          | 2009          |
|-------------------------------------------------------------------|-----------|---------------|---------------|
| <b>EQUITY AND LIABILITIES</b>                                     |           |               |               |
| <b>Equity</b>                                                     |           |               |               |
| Share capital                                                     |           | 1,500         | -             |
| Additional paid-in capital                                        |           | 5,848         | -             |
| Retained earnings                                                 |           | 492           | -             |
| Equity from parent                                                |           | -             | 7,837         |
| Other comprehensive income                                        |           | 58            | (89)          |
| <b>Total equity attributable to equity holders of the company</b> | <b>34</b> | <b>7,899</b>  | <b>7,749</b>  |
| <b>Non-controlling interests</b>                                  |           | <b>8</b>      | <b>13</b>     |
| <b>Total equity</b>                                               |           | <b>7,907</b>  | <b>7,762</b>  |
| <b>Liabilities</b>                                                |           |               |               |
| Financial liabilities                                             | 25        | 4,140         | 187           |
| Financial liabilities related parties                             | 29        | -             | 8,693         |
| Deferred tax liabilities                                          | 6,12      | 228           | 185           |
| Pension liabilities                                               | 18        | 434           | 486           |
| Provisions                                                        | 27        | 463           | 397           |
| <b>Total non-current liabilities</b>                              |           | <b>5,264</b>  | <b>9,949</b>  |
| Trade and other payables                                          | 27,28     | 6,808         | 6,580         |
| Trade and other payables related parties                          | 29        | 2,496         | 1,701         |
| Current tax payable                                               | 12        | 318           | 74            |
| Financial liabilities                                             | 25        | 932           | -             |
| Derivative financial instruments                                  | 23        | -             | 86            |
| <b>Total current liabilities</b>                                  |           | <b>10,554</b> | <b>8,441</b>  |
| <b>Total liabilities</b>                                          |           | <b>15,818</b> | <b>18,390</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b>                               |           | <b>23,725</b> | <b>26,151</b> |

Oslo, 14 March 2011

The Board of Directors of Statoil Fuel &amp; Retail ASA


Birger Magnus  
Chair

Ann-Charlotte Lundén  
Board member

Per Bjørgås  
Board member

Anne Martha Støver  
Board member  
Employee representative

Petter Vådal  
Board member  
Employee representative

Jon Arnt Jacobsen  
Board member

Marthe Hoff  
Board member

Ketil Johannessen  
Board member  
Employee representative

Jacob Schram  
CEO

## Consolidated statement of changes in equity

| (in NOK million)                                    | Notes  | Share capital | Equity from parent | Additional paid-in capital | Retained earnings | Foreign currency translation | SFR shareholders' equity | Non-controlling interest | Total         |
|-----------------------------------------------------|--------|---------------|--------------------|----------------------------|-------------------|------------------------------|--------------------------|--------------------------|---------------|
| <b>At 31 December 2008</b>                          |        | -             | <b>9,268</b>       | -                          | -                 | <b>1,195</b>                 | <b>10,463</b>            | <b>10</b>                | <b>10,473</b> |
| Profit/(loss) for the period                        |        | -             | 724                | -                          | -                 | -                            | 724                      | 4                        | 728           |
| Foreign currency translation                        |        | -             | -                  | -                          | -                 | (1,283)                      | (1,283)                  | -                        | (1,283)       |
| Actuarial gain/(loss)                               | 18     | -             | 184                | -                          | -                 | -                            | 184                      | -                        | 184           |
| Total other comprehensive income                    |        | -             | 184                | -                          | -                 | (1,283)                      | (1,099)                  | -                        | (1,099)       |
| Total comprehensive income                          |        | -             | 908                | -                          | -                 | (1,283)                      | (375)                    | 4                        | (371)         |
| Transfer to Statoil ASA and other changes in equity | 33     | -             | (2,339)            | -                          | -                 | -                            | (2,339)                  | -                        | (2,339)       |
| Distribution to non-controlling interests           |        | -             | -                  | -                          | -                 | -                            | -                        | (1)                      | (1)           |
| <b>At 31 December 2009</b>                          |        | -             | <b>7,837</b>       | -                          | -                 | <b>(89)</b>                  | <b>7,749</b>             | <b>13</b>                | <b>7,762</b>  |
| Profit/(loss) for the period                        |        | -             | 1,266              | -                          | 320               | -                            | 1,586                    | (1)                      | 1,585         |
| Foreign currency translation                        |        | -             | -                  | -                          | -                 | (40)                         | (40)                     | -                        | (40)          |
| Actuarial gain/(loss)                               | 18     | -             | (2)                | -                          | 60                | -                            | 58                       | -                        | 58            |
| Total other comprehensive income                    |        | -             | (2)                | -                          | 60                | (40)                         | 18                       | -                        | 18            |
| Total comprehensive income                          |        | -             | 1,264              | -                          | 380               | (40)                         | 1,604                    | (1)                      | 1,603         |
| Transfer to Statoil ASA and other changes in equity | 33     | -             | (1,641)            | -                          | -                 | 187                          | (1,454)                  | -                        | (1,454)       |
| Separation agreements 1 October 2010                | 30, 33 | 1,500         | (7,460)            | 5,848                      | 112               | -                            | -                        | -                        | -             |
| Distribution to non-controlling interests           |        | -             | -                  | -                          | -                 | -                            | -                        | (4)                      | (4)           |
| <b>At 31 December 2010</b>                          |        | <b>1,500</b>  | -                  | <b>5,848</b>               | <b>492</b>        | <b>58</b>                    | <b>7,899</b>             | <b>8</b>                 | <b>7,907</b>  |

## Consolidated statement of cash flow

| (in NOK million)                                                                                            | Notes     | 2010           | 2009           |
|-------------------------------------------------------------------------------------------------------------|-----------|----------------|----------------|
| <b>OPERATING ACTIVITIES</b>                                                                                 |           |                |                |
| Profit/ (loss) before income tax                                                                            |           | 1,927          | 743            |
| <u>Adjustments to reconcile profit before income tax to net cash flows provided by operating activities</u> |           |                |                |
| Depreciation, amortisation and impairment losses                                                            | 13,14     | 1,299          | 1,213          |
| Net interest                                                                                                |           | 230            | 289            |
| Foreign exchange losses/(gains) on operating activities                                                     |           | (59)           | 167            |
| Other changes                                                                                               |           | (97)           | (7)            |
| <u>Cash flows from/ (to) changes in working capital</u>                                                     |           |                |                |
| Inventories                                                                                                 |           | (111)          | 419            |
| Trade and other receivables                                                                                 | 20        | 328            | 2,485          |
| Trade and other payables                                                                                    | 26        | 1,690          | (2,409)        |
| Adjustments to changes in working capital *                                                                 |           | -              | (274)          |
| Interest received                                                                                           |           | 59             | 106            |
| Interest paid                                                                                               |           | (263)          | (394)          |
| Taxes paid                                                                                                  | 12        | (90)           | (367)          |
| <b>Net cash flow provided by operating activities</b>                                                       |           | <b>4,913</b>   | <b>1,972</b>   |
| <b>INVESTING ACTIVITIES</b>                                                                                 |           |                |                |
| Purchases of property, plant and equipment and intangible assets                                            | 35        | (824)          | (1,564)        |
| Proceeds from sale of property, plant and equipment                                                         | 35        | 297            | 257            |
| Additions through business combinations                                                                     | 6         | -              | 547            |
| Proceeds from sale of financial investments                                                                 |           | -              | 20             |
| Disposals of businesses and equity securities                                                               | 35        | 518            | 574            |
| <b>Cash flows used in investing activities</b>                                                              |           | <b>(10)</b>    | <b>(166)</b>   |
| <b>FINANCING ACTIVITIES</b>                                                                                 |           |                |                |
| Proceeds from long term borrowings                                                                          | 25        | 3,911          | -              |
| Proceeds from short term borrowings                                                                         | 25        | 300            | -              |
| Proceeds from short term borrowings, related parties                                                        | 29,33     | 5,000          | -              |
| Repayment of short term borrowings, related parties                                                         | 29,33     | (5,000)        | -              |
| Proceeds from/ (repayments of) financial liabilities related parties, net                                   | 29        | (7,633)        | 695            |
| Repayment of financial liabilities                                                                          |           | -              | (129)          |
| Proceeds from issuance of new share capital from Statoil ASA                                                | 33        | 500            | -              |
| Net equity contribution (to)/from Statoil ASA                                                               |           | (2,104)        | (2,015)        |
| <b>Cash flows used in financing activities</b>                                                              |           | <b>(5,026)</b> | <b>(1,449)</b> |
| <b>Net increase/ (decrease) in cash</b>                                                                     |           | <b>(123)</b>   | <b>357</b>     |
| Effect of exchange rate changes on cash and cash equivalents                                                |           | (22)           | (104)          |
| Cash and cash equivalents at 1 January                                                                      |           | 1,076          | 823            |
| <b>Cash and cash equivalents at 31 December</b>                                                             | <b>35</b> | <b>931</b>     | <b>1,076</b>   |

\* This line covers consolidation of JET companies not affecting cash flow from operating activities in 2009.

## Notes to the consolidated financial statements

### 1 General information

Statoil Fuel & Retail ASA is incorporated and domiciled in Norway. The address of its registered office is Sørkedalsveien 8, N-0369 OSLO, Norway.

Statoil Fuel & Retail ASA was incorporated as a public limited liability company on 18 May 2010 as wholly-owned subsidiary of Statoil ASA ("Statoil") to serve as the parent company for the Fuel and Retail business, which historically was a business cluster within the Manufacturing and Marketing reporting segment of Statoil.

Effective 1 October 2010, Statoil transferred all activities and subsidiaries relating to its Fuel and Retail business to Statoil Fuel & Retail ASA. On 22 October 2010, the shares of Statoil Fuel & Retail ASA were listed on the Oslo Stock Exchange. In conjunction with the listing, Statoil sold 46 percent of its shares. As of 31 December 2010, Statoil remains the majority shareholder in Statoil Fuel & Retail ASA, owning 54 percent of the shares, and Statoil Fuel & Retail ASA continues to be a subsidiary of Statoil.

Statoil Fuel & Retail ASA and its subsidiaries ("the Group" or "Statoil Fuel & Retail") operates fuel service stations both under dealer and franchise operating models, as well as company operated models. Statoil Fuel & Retail sells road transportation fuel, lubricants, heating oil and convenience products in Scandinavia, Eastern Europe and Russia. In addition, the Group produces and sells lubricant oils and supplies aviation fuel at major airports in Europe.

### 2 Significant accounting policies

#### General

The Group consists of Statoil Fuel & Retail ASA (or "the Company") and its subsidiaries and the Group's interests in associated companies.

#### Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB) and approved by the European Union (EU).

#### Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, except for defined benefit plan assets and derivative financial instruments that are recognised at fair value.

#### Basis of consolidation

The consolidated financial statements include Statoil Fuel & Retail ASA and subsidiaries where the Group holds, directly or indirectly, the majority of voting rights. Controlling interest is usually achieved when Statoil Fuel & Retail has more than 50 percent of voting rights. In some situations de facto control of an entity may be achieved through other means than voting rights, such as through contractual agreements. Subsidiaries that are acquired or sold during the year are included or excluded from consolidation when the Group achieves control or ceases to have control. Changes in ownership interest of a subsidiary, without loss of control, is treated as an equity transaction.

Transactions and inter-company balances between subsidiaries and associated companies are eliminated. Transactions with associated companies are eliminated according to the Group's share in the associated company.

Non-controlling interest in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interest consist of the amount of those interests at the date of the original business combination (see below) and the non-controlling share of changes in equity since the date of the combination. Losses are attributed to the non-controlling interest even if that results in a deficit balance. Prior to January 1, 2010 losses attributable to the non-controlling interest in excess of the non-controlling interest in the subsidiary's equity is allocated against the interests of the Group except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses.

## Foreign currencies

### Translation to Norwegian kroner (NOK) of foreign companies

The individual financial statements of a subsidiary company are prepared in the company's functional currency, normally the currency of the country where the company is located. Statoil Fuel & Retail ASA uses NOK as its functional currency, which is also used as the presentation currency for the consolidated financial statements. In preparing the consolidated financial statements, the financial statements of foreign operations are translated using the exchange rates at year-end for statement of financial position items and monthly average exchange rates for statement of income items.

Translation gains and losses are included in shareholder's equity as a separate component. The translation difference derived from each foreign subsidiary, associated company or joint venture is reversed through the statement of income as part of the gain or loss arising from the divestment or liquidation of such a foreign entity when there is a loss of control, joint control or significant influence, respectively.

### Assets and liabilities in foreign currency

In individual companies, transactions in currencies other than the entity's functional currency are recorded at the exchange rate at the date of transaction. Monetary items denominated in foreign currencies are translated at the exchange rate at the consolidated statement of financial position date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

### Presentation

Expenses are presented on a functional basis in the statement of income in conformity with industry practice.

### Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Goodwill is recognised as the excess of consideration and amount recognised for the non-controlling interest and the acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 R (2008) Business combinations, are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current assets held for sale and discontinued operations, which are recognised and measured at fair value less cost to sell.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the consolidated statement of income. The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

### Acquisition of non-controlling interest

When acquiring non-controlling interest the difference between the cost of the non-controlling interest and the non-controlling interest's share of the assets and liabilities reflected in the consolidated statement of financial position at the date of acquisition of the non-controlling interest is as an equity transaction.

### Revenue recognition

Revenues are recognised when title and risk pass to the customer, which is normally at the point of delivery of the goods based on the contractual terms of the agreements, if any. In markets where the Group purchases refined oil products excluding excise duties (such as in Scandinavia, Estonia, Latvia and Lithuania), revenues from sale to customers are reported net of duties taxes. In markets where the Group purchases refined oil products including excise duties, such as in Poland and Russia, its revenues and cost of goods sold are reported including these duties. Revenues are presented net of discounts.

Franchise fees are recognised as the service is provided or over the period the rights are used by the franchisee.

### Cost of goods sold

Cost of goods sold is direct expense related to the products sold by the Group. This includes costs of finished goods and input materials and costs of transportation of fuel products to company owned and operated fuel stations. For the Group's own production, such as production of lubricants, cost of goods sold also includes direct labour costs, production overhead, production facility operating costs and depreciation related to production facilities.

### **Distribution costs**

This includes selling and marketing expenses, payroll costs for the Group's employees involved in sales, marketing and distribution, advertising costs, salespersons' expenses, agents' commissions payable by the Group, warehouse costs for finished goods, transport costs arising out of the distribution of the Group's products (other than transportation costs of road transportation fuel products to fuel stations operated under models where the Group owns and operate the fuel stations) and costs of insurance purchased by the Group related to items included within distribution costs. Costs associated with the promotion and operation of Statoil Fuel & Retail's loyalty programs and the branding of the Group's trucks, fuel stations, depots and terminals are also included in distribution costs. Any environmental liabilities arising from the distribution of the Group's products and costs associated with maintenance of the Group's terminals, depots, transportation network and the storage facilities for the Group's fuel products at its fuel stations are also included in distribution costs. Depreciation, amortisation and impairment charges relating to distribution assets are reflected in distribution costs.

**Administrative expenses.** Administrative expenses mainly include salaries related to employees in management, staff and support functions with no or limited direct operational responsibility. In addition, administration expenses include cost of professional services and allocations from Statoil's shared and corporate services.

**Other gain/(loss), net.** This includes gains and losses from sales of assets by the Group, such as sales of subsidiaries or fuel stations, plants, depots or terminals, and impairment of held-for-sale assets.

### **Financial income/(expense)**

#### **Dividends received**

Dividends from investments are recognised in the consolidated statement of income when the Group has a right to receive the dividends.

#### **Interest income/(expense)**

Interest income/(expense) is recognised in the consolidated statement of income as it is accrued, based on the effective interest method.

### **Income tax**

Income tax expense comprises current tax and deferred tax.

#### **Current tax**

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

#### **Deferred tax**

Deferred tax assets and liabilities are recognised for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the financial statements and their respective tax bases, subject to the initial recognition exemption. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the consolidated statement of financial position date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. In order for a deferred tax asset to be recognised based on future taxable profits, convincing evidence is required.

### **Current and deferred tax for the period**

Current and deferred tax are recognised as expense or income in the consolidated statement of income, except when they relate to items recognised directly to equity, in which case the tax is also recognised as other comprehensive income.

### **Intangible assets**

Intangible assets are stated at cost, less accumulated amortisation and accumulated impairment losses. Intangible assets acquired separately are carried initially at cost. An intangible asset acquired as part of a business combination is recognised separately from goodwill at its fair value if the asset is separable or arises from contractual or other legal rights.

Intangible assets are amortised on a straight-line basis over their expected useful lives. The expected useful lives of the assets are reviewed on an annual basis and changes in useful lives are accounted for prospectively.

## Goodwill

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the business combination. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

## Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of a decommissioning obligation, if any, and, for qualifying assets, borrowing costs. Exchanges of assets are measured at the fair value of the asset given up unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable.

Each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately on a straight-line basis over the estimated useful life of the component. Maintenance expenses are recognised in the statement of income as incurred.

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

## Impairment of intangible assets and property, plant and equipment

For impairment of intangible assets and property, plant and equipment the Company assesses assets or Groups of assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Individual assets are grouped to a level that provides separately identifiable and largely independent cash flows.

In assessing whether a write-down of the carrying amount of a potentially impaired asset is required, the asset's carrying amount is compared to the recoverable amount. Frequently the recoverable amount of an asset proves to be the Group's estimated value in use, which is determined using a discounted cash flow model. The estimated future cash flows are adjusted for risks specific to the asset and discounted using a real post-tax discount rate. The use of post-tax discount rates in determining value in use does not result in a materially different determination of the need for, or the amount of, impairment that would be required if pre-tax discount rates had been used.

If assets are determined to be impaired, the carrying amounts of those assets are written down to the recoverable amount which is the higher of fair value less costs to sell and value in use. Impairments are reversed as applicable to the extent that conditions for impairment are no longer present.

## Impairment of goodwill

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. At the acquisition date, any goodwill acquired is allocated to each of the cash generating units expected to benefit from the business combination's synergies.

The Company has identified the following cash-generating units:

- the network of Statoil Fuel & Retail service stations in each country. In total the Company operates in eight countries
- the network of JET unserviced stations in each country. The Group operates the JET network of unserviced stations in Sweden and Denmark. At the acquisition date of JET Sweden and JET Denmark the Company allocated all goodwill arising on the acquisitions to the two cash-generating units. See note 6 business combinations for additional information
- aviation, by country

The assessments at network and country levels are appropriate because each service station plays a role in the network and contributes to the cash flow of the network of service stations.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised, first on goodwill and then on a pro-rata basis to the other assets of that unit. Impairments of goodwill once recorded are not reversed in future periods.

### **Associated companies**

Associated companies are entities in which Statoil Fuel & Retail has significant influence but not control, generally accompanying a shareholding of between 20 percent and 50 percent of the voting rights. Investments in associates are accounted for using the equity method. The Group's investment in associated companies includes goodwill identified at the acquisition date which is not amortised or individually tested for impairment.

The Group's share of its associated companies' post-acquisition profits or losses is recognised in the statement of income on a single line, and its share of post-acquisition other comprehensive income is recognised in the statement of comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

If there is evidence that the investment in the associated company is impaired, the difference between the recoverable amount and the carrying value is recognised in the net income from associated companies line of the consolidated statement of income.

### **Employee benefits**

Wages, salaries, bonuses, social security contributions, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by employees of the Group. The accounting policy for share-based payments and pension obligations is described below.

### **Share-based payments**

The employees of Statoil Fuel & Retail have been included in the employee bonus share program of Statoil. The cost of equity-settled transactions (bonus share awards) with employees is measured by reference to the estimated fair value at the date at which they are granted and is recognised as an expense over the vesting period.

### **Leases**

Leases, for which the Group assumes substantially all the risks and rewards of the ownership, are reflected as finance leases within property, plant and equipment and financial liabilities, respectively. All other leases are classified as operating leases and the costs are charged to the statement of income on a straight line basis over the lease term, unless another basis is more representative of the benefits of the lease to the Group.

Finance lease assets are reflected at an amount equal to the lower of fair value and the present value of the minimum lease payments at inception of the lease, and subsequently reduced by accumulated depreciation and impairment losses, if any. The assets are depreciated over the shorter of the estimated useful life of the asset or the lease term on a straight-line basis.

The Group distinguishes between lease contracts and capacity contracts. Lease contracts provide the right to use a specific asset for a period of time. Capacity contracts confer the right to and the obligation to pay for availability of certain capacity volumes related primarily to transportation. Such capacity contracts that do not involve specified single assets or that do not involve substantially all the capacity of an undivided interest in a specific asset are not considered by the Group to qualify as leases for accounting purposes. Capacity payments are recognised in the statements of income as an expense for the function for which the capacity contractually is used by the Group.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the first-in first-out method and comprises costs of finished goods and input material costs, cost of production, including direct labour, production overheads and transportation.

### **Financial assets**

Financial assets are initially recognised at fair value when the Company becomes a party to the contractual provisions of the asset. For additional information on fair value methods, refer to the measurement of fair values section below. The subsequent measurement of the financial assets depends on which category they have been classified into at inception.

At initial recognition the Group classifies its financial assets into the following three main categories; financial instruments at fair value through profit or loss (held for trading assets); loans and receivables; and available for sale financial assets.

Financial assets classified in the loans and receivables category are carried at amortised cost using the effective interest method. Gains and losses are recognised in the statement of income when the loans and receivables are derecognised or impaired, as well as through the amortisation process. Trade and other receivables are carried at the original invoice amount, less a provision for doubtful receivables, which is made when there is objective evidence that the Group will be unable to recover the balances in full.

Financial assets classified as fair values through profit or loss (held for trading assets) comprise electricity derivative financial instruments. Such financial instruments are carried on the consolidated statement of financial position at fair value, with the change in fair value recognised in the consolidated statement of income as distribution costs.

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Financial assets are presented as current if they contractually will expire or otherwise are expected to be recovered within 12 months after the consolidated statement of financial position date, or if they represent derivative financial instruments held for the purpose of being traded. Other financial assets expected to be recovered more than 12 months after the consolidated statement of financial position date and for which there is no plan of realisation are classified as non-current.

Financial assets are derecognised when the contractual rights to the cash flows expire or substantially all risks and rewards related to the ownership of the financial asset are transferred to a third party. Financial assets and financial liabilities are shown separately in the consolidated statement of financial position unless the Group has both a legal right and a demonstrable intention to net settle certain balances payable to and receivable from the same counterparty, in which case they are shown net in the consolidated statement of financial position.

### **Impairment of financial assets**

For impairment of financial assets, the Group assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired, except for the financial assets classified in the fair value through profit and loss category. If there is objective evidence that an impairment loss has been incurred for assets carried at amortised cost, the carrying amount of the asset is reduced, with the amount of the loss recognised in the consolidated statement of income. Any subsequent reversal of an impairment loss also is recognised in the consolidated statement of income.

### **Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits with banks, other current highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within trade and other payables in the statement of financial position. For the consolidated statement of cash flows, cash and cash equivalents include bank overdrafts, see note 35.

### **Own shares**

When own shares are repurchased, the amount of consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity. Gain/loss from the sale of own shares is recognised as a change in equity.

### **Dividends**

Dividends are recognised as a liability in the period that they are declared by the Annual General Meeting.

### **Financial liabilities**

Financial liabilities are initially recognised at fair value when the Company becomes a party to the contractual provisions of the liability. For additional information on fair value methods, refer to the measurement of fair values section below.

The subsequent measurement of the financial liabilities depends on which category they have been classified into. The categories applicable for the Group are either financial liabilities at fair value through profit or loss or financial liabilities measured at amortised cost using the effective interest method.

Trade and other payables are carried at cost.

Financial liabilities classified as fair value through profit or loss comprises electricity derivative financial instruments. Such financial instruments are carried on the consolidated statement of financial position at fair value, with the change in fair value recognised in the consolidated statement of income as distribution costs.

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

Financial liabilities are derecognised when the contractual obligation expires, is discharged or cancelled. The gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognised either in financial income or in financial expenses in the consolidated statement of income.

### **Pension liabilities**

The Company has pension plans for employees that either provides a defined pension benefit upon retirement, or a pension dependent on defined contributions.

### **Defined benefit plans**

For defined benefit plans, the benefit to be received by employees depends on many factors including length of service, retirement date and future salary levels.

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their services in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the consolidated statement of financial position date reflecting the maturity dates approximating the terms of the Group's obligations. The calculation is performed by an external actuary.

Current service cost is an element of net periodic pension cost and recognised in the consolidated statement of income. The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest cost is recognised in the consolidated statement of income as a part of the net periodic pension cost.

Past service cost is recognised immediately when the benefits become vested or on a straight-line basis until the benefits become vested. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are re-measured using current actuarial assumptions and the gain or loss is recognised in the consolidated statement of income during the period in which the settlement or curtailment occurs.

Actuarial gains and losses are recognised in full in the consolidated statement of comprehensive income in the period in which they occur.

### **Defined contribution plans**

Contributions to defined contribution schemes are recognised in the consolidated statement of income in the period in which the contribution amounts are earned by the employees.

### **Provisions and contingent assets and liabilities**

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

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

Possible assets arising from past events that will only be confirmed by future uncertain events and are not wholly within the Group's control (contingent assets), are not recognised, but are disclosed when an inflow of economic benefits is probable.

### **Onerous contracts**

The Group recognises as provisions the obligation under contracts defined as onerous. Contracts are deemed to be onerous if the unavoidable cost of meeting the obligations under the contract exceeds the economic benefits expected to be received in relation to the contract.

### **Asset retirement obligations (ARO)**

Liabilities for decommissioning costs are recognised when the Group has an obligation to dismantle and remove a facility or an item of property, plant and equipment and to restore the site on which it is located, and when a reliable estimate of that liability can be made.

For retail outlets, decommissioning provisions are estimated on a portfolio basis for each cash-generating unit in each country of operations. When a liability for decommissioning cost is recognised, a corresponding amount is recorded to increase the related property, plant and

equipment. This is subsequently depreciated as part of the costs of the facility or item of property, plant and equipment. Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the corresponding property, plant and equipment.

### **Restructuring**

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

### **Measurement of fair values**

Observable prices quoted in an active market represent the best evidence of fair value, and are used by the Group in determining the fair values of assets and liabilities to the extent possible.

A financial instrument is regarded as quoted in an active market if the prices quoted are readily and regularly available, normally through an exchange, and the prices quoted by the exchange represent actual and regularly occurring market transactions that in all significant aspects are identical to the instrument being valued. The Group considers both the actual volume and the timing of recent market transactions in determining whether prices are quoted in a sufficiently active market.

Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's-length market transactions; reference to other instruments that are substantially the same; discounted cash flow analysis; and pricing models. In the valuation techniques the Group also takes into consideration counterparty and own credit risk. This is either reflected in the discount rate used, or through direct adjustments to the calculated cash flows. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at amortised cost.

### **Key sources of estimation uncertainty, judgements and assumptions**

#### **General**

The preparation of consolidated financial statements in accordance with IFRSs and applying the chosen accounting policies requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies applied by Statoil Fuel & Retail in which judgements, estimates and assumptions may significantly differ from actual results are discussed.

#### **Revenue recognition - gross versus net presentation excise duties**

Excise duties related to sale of petroleum products represent significant amounts for the Group, and therefore their presentation gross or net in revenues has a significant effect on the consolidated financial statements. Revenues include inflows of economic benefits receivable by the Group. Excise duties computed and collected directly on behalf of authorities in connection with the Group's sales consequently are not reflected as revenues. This applies in markets where the Group purchases refined oil products exclusive of excise duties (Scandinavia and the Baltics). Revenues are reflected gross including excise duties in markets where purchases of refined oil products involve not returnable payment of excise duties (Poland and Russia). When applying this policy management has considered the detailed criteria for revenue recognition, in particular assessed the risks related to the applicable excise duties.

#### **Presentation of dealer/franchise agreements**

A number of the service stations are operated through dealer/franchise agreements between the Group and various dealers/franchisees. The franchisees' activity is not consolidated into the Group's financial statements, based on an assessment of the requirements in IAS 27 Consolidation and separate financial statement, and SIC-12 Consolidation - special purpose entities, and application of the standard's definition of the term control.

A subsidiary is defined as an entity, including an unincorporated entity such as a partnership that is controlled by the parent company. Further the definition of control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activity. Management's judgement is that the franchisees' activity is not controlled by the Group as the Group does not obtain the majority of the benefits from that activity. On this basis the franchisees' activity is not consolidated into the consolidated financial statement.

Franchise fees are recognised in the consolidated statement of income under revenues.

### **Lease arrangements**

The Group distinguishes between leases, which provide the right to use a specific asset for a period of time, and capacity contracts, which provide the Group the right to and the obligation to pay for certain capacity volume availability, related particularly to transportation agreements. Such capacity contracts are not considered by the Group to qualify as leases for accounting purposes. In determining whether or not an arrangement represents a lease, management determines the substance of the arrangement and assesses whether the fulfilment of the arrangement is dependent on the use of a specific asset, if the arrangement conveys a right to use that asset, and if the right in question is related to an integrated part of a larger asset.

Determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the Group. Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term and determining an appropriate discount rate to calculate the present value of the minimum lease payments. The Group's activity involves a considerable number of lease agreements, most of which are determined to be operational in nature. The lease accounting evaluations include determining the classification of long term leases of land and separating the assets in multi-component lease arrangements.

### **Cash generating units for impairment testing**

A cash generating unit (CGU) is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Stations in each country are managed as a network and not as a chain of individual stations. Optimisation of the network is the main goal as each station plays a role in the network and contributes to the cash inflow of the network of stations. The cash flow of each station is largely dependant on being part of the network of stations due to geographic coverage, customer loyalty programs (credit cards, brand etc.), pricing strategy etc. Based on an evaluation of such factors the management has assessed that country level is the lowest level at which independent cash inflows can be measured. In each relevant country the portfolio of service stations, the portfolio of JET unserviced stations and the Aviation business are considered separate CGU's.

### **Impairment of assets and CGUs**

The Group has significant investments in property, plant and equipment, as well as goodwill and intangible assets. Changes in the economic environment or expectations of future performance of an individual asset, group of assets or CGU may be an indicator that the asset is impaired requiring the book value to be written down to its recoverable amount. Impairments are reversed if the conditions for impairment are no longer present. Estimating recoverable amounts involves judgement and complexity in estimating relevant future cash flows discounted to their present value. Impairment testing requires long-term assumptions to be made concerning a number of often volatile economic factors such as future market prices, currency exchange rates, discount rates and political and country risk among others, in order to establish expected future cash flows. Impairment testing frequently also requires judgement to be applied as regards applicable probabilities and probability distributions as well as levels of sensitivity inherent in the establishment of recoverable amount estimates.

### **Business combinations and purchase price allocations**

The Group accounts for business combinations, except for transactions between entities under common control, using the acquisition method of accounting. The acquired identifiable tangible and intangible assets, liabilities and contingent liabilities are measured at their fair values at the date of the acquisition. Any excess of the consideration over the net fair value of the identifiable assets acquired is recognised as goodwill. Determination of the fair value of the acquired assets and liabilities requires judgement and use of assumptions that, if changed, may materially affect the consolidated statement of income and consolidated statement of financial position.

### **Asset retirement obligations and environmental costs**

Statoil Fuel and Retail's future asset retirement obligations and environmental cost depends on a number of uncertain factors, such as the extent and type of remediation required. Due to uncertainties inherent in the estimation process, it is possible that such estimates could be revised in the near term. In addition, conditions that could require future expenditures may exist for various sites, including stations, facilities and product storage terminals. Such future costs are not determinable due to the unknown timing and extent of corrective actions that may be required.

Statoil Fuel and Retail's operations are subject to environmental laws and regulations. These laws and regulations are subject to change, and such changes may require that the Group makes investments and/or incurs costs to meet more stringent emissions standards or to take remedial action related to soil contamination.

## Carve out adjustments prior to 1 October 2010

### General

Prior to 1 October 2010, the fuel and retail business did not constitute an independent reporting segment within the Statoil Group. Consequently, historical consolidated financial information for the fuel and retail business was not available. Therefore, financial statements of the Group for the period of 1 January to 30 September 2010 and for the year 2009 have been extracted, or carved-out, from the consolidated financial statements of the Statoil Group and became the historical Group consolidated financial statements.

The historical results of operations and carrying amounts of assets and liabilities of the Fuel and Retail business were arrived at by combining the financial information of all entities and of the assets and liabilities that were identified as being within the Fuel and Retail business during the periods presented. To the extent items have been allocated, the principles and reasons for such allocations are described below.

**Fuel inventories.** Fuel inventories at terminals and depots were owned by Statoil's legal entities in the respective country of operation. The ownership of the inventories was divided between the non-fuel and retail business of Statoil and Statoil Fuel & Retail, where the most significant inventory volumes remain with Statoil. Inventories held at import terminals in Norway, Sweden and Denmark were not transferred to Statoil Fuel & Retail, and consequently not included in the financial statements. However, inventories at fuel service stations and secondary storage were transferred to Statoil Fuel & Retail.

**Storage costs.** Historically, costs related to the storage of fuel inventories that remained with Statoil were not fully allocated to the fuel and retail business. In the statement of income, charges have been allocated to Statoil Fuel & Retail based on Statoil's cost for holding the inventory storage since this cost relates to Statoil Fuel & Retail's operation.

**General and overhead costs.** The majority of general and overhead costs originate in the individual entities. Costs related to Statoil's shared services and corporate services, such as legal, IT, human resources services, financial services, facility management and procurement have been charged to the entities conducting fuel and retail business based on services delivered in each period. Certain of Statoil's corporate expenses related to preparing its consolidated financial statements, complying with requirements for Statoil's listing on public exchanges and certain other activities that do not directly relate to Statoil Fuel & Retail's activities were not allocated.

**Debt.** Statoil uses a centralised approach to financing of its operations. As a result, the fuel and retail business had no separate external financing except for certain lease financing. There was no allocation of Statoil's external debt to the fuel and retail business. Intercompany loans held by legal entities transferred to Statoil Fuel & Retail ASA were included in the statement of financial position of the Company, except for inter-company debt which has financed non-fuel and retail business of Statoil in entities in Sweden and Denmark. Interest expenses have been included in the statement of income to the extent the corresponding debt has been recognised.

**Income taxes.** Income taxes was allocated to Statoil Fuel & Retail on a separate return basis from Statoil's consolidated financial statements. Under the separate return method, differences between tax expenses or benefits calculated on a separate return basis, and cash paid or received by the legal entities, was treated as a contribution to capital. The income tax balance sheet for these legal entities was calculated on a separate return basis, reflecting the tax effect of the difference between the amount recognised in the financial statements and the tax base of assets, liabilities and loss carry forwards that were transferred to Statoil Fuel & Retail at the separation from Statoil. The income tax payable that is included in the financial statements was based on the actual amount that payable by the Statoil Fuel & Retail legal entities. However, the tax expense in the financial statements may not reflect what the tax expense would have been had the fuel and retail business been a stand-alone company during the period presented.

## Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective.

**IAS 24 Related Party Disclosures (Amendment).** The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. The Group does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

**IAS 32 Financial Instruments: Presentation - Classification of Rights Issues (Amendment).** The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the Group after initial application.

**IFRS 9 Financial Instruments: Classification and Measurement.** IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in early 2011. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

**IFRIC 14 Prepayments of a minimum funding requirement (Amendment).** The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no impact on the financial statements of the Group.

**IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.** IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the Group.

**Improvements to IFRSs** (issued in May 2010). The IASB issued *Improvements to IFRSs*, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011. The amendments listed below, are considered to have a reasonable possible impact on the Group:

- IFRS 3 Business Combinations
- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Presentation of Financial Statements
- IAS 27 Consolidated and Separate Financial Statements
- IFRIC 13 Customer Loyalty Programmes

The Group, however, expects no impact from the adoption of the amendments on its financial position or performance.

### 3 Segments

Statoil Fuel & Retail manages its operations in three segments; Scandinavia, Central & Eastern Europe and Special Products. The Scandinavia and Central & Eastern Europe segments derive their revenue primarily from the sale of fuel and convenience products on a retail basis. The Special Products segment derives its revenue primarily from production and sale of lubricants and sale of aviation fuel on a wholesale basis. No segments have been aggregated to form these reporting segments.

Corporate consists of the activities of corporate services, corporate centre and group finance. Eliminations includes elimination of internal revenues. Internal sales are based on terms estimated to approximate those that prevail in arm's length transactions with third parties.

Operating segments align with internal management reporting to the Group's chief operating decision maker, defined as the Corporate Executive Committee (CEC). The operating segments are determined based on differences in the nature of their operations, products, services and geographical location of the activity.

The CEC assesses the performance of the operating segments based on a measure of gross profit and operating profit. The gross profit measure comprises total revenues less cost of goods sold. The operating profit measure includes distribution costs and administrative expenses as well as the effects of less frequent recurring items from the operating segments such as restructuring cost and goodwill impairments. The measure also includes other gains or losses usually related to the disposal of assets or operations. The CEC does not assess financial items or total liabilities on segment level.

The measurement basis for total revenue, gross profit and cost of goods sold follows the accounting principles used in the consolidated financial statement as described in note 2 significant accounting policies.

Segment data provided to the CEC for the reportable segments for the years ended 31 December 2010 and 2009 is as follows:

## 2010

| (in NOK million)                                   | Scandinavia   | Central & Eastern Europe | Special Products | Corporate    | Eliminations   | Total         |
|----------------------------------------------------|---------------|--------------------------|------------------|--------------|----------------|---------------|
| External revenue                                   | 45,079        | 12,999                   | 7,543            | 209          | -              | 65,830        |
| Internal revenue                                   | 36            | 7                        | 231              | 632          | (906)          | -             |
| <b>Total revenues</b>                              | <b>45,114</b> | <b>13,006</b>            | <b>7,774</b>     | <b>841</b>   | <b>(906)</b>   | <b>65,830</b> |
| Cost of goods sold                                 | (37,388)      | (11,263)                 | (6,891)          | (0)          | 244            | (55,298)      |
| <b>Gross profit</b>                                | <b>7,727</b>  | <b>1,744</b>             | <b>882</b>       | <b>840</b>   | <b>(662)</b>   | <b>10,532</b> |
| <b>Operating profit</b>                            | <b>1,835</b>  | <b>230</b>               | <b>122</b>       | <b>154</b>   | <b>-</b>       | <b>2,342</b>  |
| <b>Significant non-cash items:</b>                 |               |                          |                  |              |                |               |
| Depreciation and amortisation                      | (927)         | (233)                    | (17)             | (24)         | -              | (1,202)       |
| Impairment                                         | -             | (72)                     | (24)             | -            | -              | (96)          |
| <b>Total non-current assets</b>                    | <b>7,902</b>  | <b>3,685</b>             | <b>304</b>       | <b>1,849</b> | <b>(1,699)</b> | <b>12,040</b> |
| <b>Additions to PP&amp;E and intangible assets</b> | <b>656</b>    | <b>75</b>                | <b>103</b>       | <b>11</b>    | <b>-</b>       | <b>844</b>    |

## 2009

| (in NOK million)                                                | Scandinavia   | Central & Eastern Europe | Special Products | Corporate   | Eliminations | Total         |
|-----------------------------------------------------------------|---------------|--------------------------|------------------|-------------|--------------|---------------|
| External revenue                                                | 38,955        | 11,645                   | 6,489            | 188         | -            | 57,277        |
| Internal revenue                                                | 29            | 1                        | 269              | 453         | (753)        | -             |
| <b>Total revenues</b>                                           | <b>38,985</b> | <b>11,647</b>            | <b>6,758</b>     | <b>641</b>  | <b>(753)</b> | <b>57,277</b> |
| Cost of goods sold                                              | (31,698)      | (9,806)                  | (5,963)          | -           | 295          | (47,172)      |
| <b>Gross profit</b>                                             | <b>7,287</b>  | <b>1,840</b>             | <b>794</b>       | <b>641</b>  | <b>(458)</b> | <b>10,105</b> |
| <b>Operating profit</b>                                         | <b>966</b>    | <b>275</b>               | <b>(41)</b>      | <b>(14)</b> | <b>-</b>     | <b>1,186</b>  |
| Restructuring costs                                             | (52)          | -                        | (86)             | -           | -            | (138)         |
| <b>Significant non-cash items:</b>                              |               |                          |                  |             |              |               |
| Depreciation and amortisation                                   | (917)         | (256)                    | (30)             | (10)        | -            | (1,213)       |
| Impairment <sup>1)</sup>                                        | (117)         | -                        | -                | -           | -            | (117)         |
| <b>Total non-current assets</b>                                 | <b>8,316</b>  | <b>4,118</b>             | <b>198</b>       | <b>953</b>  | <b>(8)</b>   | <b>13,577</b> |
| <b>Additions to PP&amp;E<sup>2)</sup> and intangible assets</b> | <b>2,251</b>  | <b>366</b>               | <b>36</b>        | <b>46</b>   | <b>-</b>     | <b>2,699</b>  |

<sup>1)</sup> Loss from sales/impairment recognised in other gain/(loss), net in the consolidated statement of income. See note 7 other gain/(loss), net for further information.

<sup>2)</sup> Including additions through business combination of NOK 385 million in the Scandinavian segment

### Geographical areas

The Group is present in eight countries. In presenting information on the basis of geographical areas, revenue from external customers are attributed to the country of the legal entity excluding internal sales. Non-current assets are based on the geographical location of the assets.

Geographical data for the years ended 31 December 2010 and 2009 is presented below

| (in NOK million) | External revenue |               | Non-current assets |               |
|------------------|------------------|---------------|--------------------|---------------|
|                  | 2010             | 2009          | 2010               | 2009          |
| Norway           | 18,130           | 14,124        | 3,065              | 3,365         |
| Sweden           | 22,492           | 18,672        | 3,387              | 4,120         |
| Denmark          | 11,146           | 11,836        | 1,839              | 1,873         |
| Poland           | 8,361            | 7,204         | 2,342              | 2,471         |
| Latvia           | 2,307            | 2,063         | 434                | 494           |
| Lithuania        | 1,391            | 1,468         | 451                | 660           |
| Estonia          | 881              | 900           | 197                | 230           |
| Russia           | 563              | 408           | 271                | 279           |
| Other *          | 560              | 602           | 54                 | 86            |
| <b>Total</b>     | <b>65,830</b>    | <b>57,277</b> | <b>12,040</b>      | <b>13,577</b> |

\* Other mainly consists of external revenue and total non-current assets in Finland and Germany. Reclassifications have been made for 2009 in order to be consistent with the current period classification.

### Product groups

Revenue from external customers are derived from the sale of road transportation fuel, aviation fuel, lubricants, convenience and other products. The table below summarises revenue for each of these product groups

| (in NOK million)         | 2010          | 2009          |
|--------------------------|---------------|---------------|
| Road transportation fuel | 44,473        | 32,148        |
| Convenience              | 5,935         | 6,717         |
| Aviation fuel            | 6,170         | 5,252         |
| Lubricants (wholesale)   | 1,489         | 1,498         |
| Other products           | 7,764         | 11,662        |
| <b>Total revenues</b>    | <b>65,830</b> | <b>57,277</b> |

Other products consist of stationary energy, marine fuels (in Scandinavia only) and chemicals (in Special Products only). Other products also include lubricants sold on a retail basis through the Scandinavia or Central & Eastern Europe segments.

### Major customers

The Group does not have transactions with single external customers where revenues amount to more than 10 percent of the Group's total revenue.

## 4 Financial risk management

### General information relevant to risks

Through its business activities Statoil Fuel & Retail is exposed to the following financial risks:

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

The funding and managing of these risks are performed by Statoil Fuel & Retail's finance function.

### Market risk

Statoil Fuel & Retail is exposed to various market risks, including fluctuations in commodity prices, foreign currency rates and interest rates, which can affect the revenues and costs of operating, investing and financing.

### Commodity price risk

Statoil Fuel & Retail's sales of refined oil products, which include road transportation fuel, stationary energy, aviation fuel and lubricants, constitute a material share of its gross profit. As a result, the Group's business, financial position, results of operation and cash flow are affected by commodity prices of such products.

The Group seeks to pass on any increases in purchase prices to its customers by adjusting sales prices to reflect changes in refined oil products prices. The time lag between an increase in refined oil products prices and an increase of prices of fuel sold by the Group can result in a reduction in the margin of sales of these products.

At 31 December 2010, Statoil Fuel & Retail had not entered into any commodity-based derivative contracts to hedge potential market risk, and was therefore not exposed to commodity price risk from derivative financial instruments. At 31 December 2009, the Group had derivative financial instruments related to the electricity business, as described in note 23 derivative financial instruments.

### Currency risk

Statoil Fuel & Retail operates internationally and is exposed to currency risk arising from foreign currency exposures. As the Group reports its consolidated results in NOK, any change in exchange rates between its operating subsidiaries' functional currencies, primarily with respect to changes in the SEK, DKK, EUR, PLN, and USD, and the NOK affects its consolidated statement of income and consolidated statement of financial position when the results of those operating subsidiaries are translated into NOK for reporting purposes. Exchange rate risk also arises when subsidiaries enter into transactions denominated in currencies other than their own functional currency and through assets and liabilities related to working capital and monetary items being denominated in various currencies.

The Group is managed as a NOK company for currency management purposes with primary focus on NOK cash flow. Subsidiaries with functional currency other than NOK, do not hedge NOK positions versus their own functional currency.

The Group has limited activity related to currency trading on its own account. There were no unrealised trading positions at 31 December 2010 or 2009.

For currency risk sensitivities see note 32 financial instruments: measurement and market risk sensitivities.

### Interest rate risk

Statoil Fuel & Retail is exposed to interest rate risk through funding and cash management activities. Liquid assets and interest bearing financial liabilities have primarily floating interest rates. For more information on the Group's financial liabilities, see note 25 financial liabilities.

The Group has not entered into any hedging transactions to manage its interest rate risk on interest bearing financial liabilities at 31 December 2010 or 2009.

For interest risk sensitivities see note 32 financial instruments: measurement and market risk sensitivities.

### Equity price risk

Statoil Fuel & Retail holds limited non-listed equity securities which are recognised in financial investments and receivables in the consolidated statement of financial position as available for sale assets. By holding these assets the Group is exposed to equity price risk, defined as the risk of declining equity prices, which can result in a decline in the carrying value of the Group's assets.

For more information about the Group's non-listed equity securities see note 19 financial investments and receivables.

### Liquidity risk

Liquidity risk is the risk that Statoil Fuel & Retail will not be able to meet obligations associated with financial liabilities when due. The Group focuses on liquidity and short term borrowing as a means of managing its exposure to this risk and maintains, what management believes is, a conservative liquidity management policy.

Due to monthly payments of significant amounts of VAT and excise duties and payments for product supplies which occur three times each month, the Group experiences significant intra-month fluctuations in liquidity. The Group has established overdraft facilities to provide for its intra-month and inter month working capital needs.

Statoil Fuel & Retail's finance policy provides targets for minimum liquidity reserve and maximum short term borrowing. Non-compliance with these requirements is used as a trigger for long term funding considerations.

For information on, and the maturity of, the Group's financial liabilities see note 25 financial liabilities. For information on maturity of the Group's remaining financial liabilities, see note 26 leases and note 27 provisions.

### Credit risk

Credit risk is the risk that Statoil Fuel & Retail's customers or counterparties will cause the Group financial loss by failing to honour their obligations. Credit risk mainly arises from credit exposures with customer accounts receivables and deposits with financial institutions. Theoretically, the Group's maximum credit exposure for financial assets is the aggregated statement of financial position carrying amounts of financial loans and receivables before provisions for bad debt, which equals NOK 8,512 million at 31 December 2010, in addition to the credit risk exposure related to the Statoil/MasterCard credits cards as described below.

Key elements of the Statoil Fuel & Retail's credit risk management approach include credit risk policies, credit mandates, an internal credit rating process, credit risk mitigation tools and continuous monitoring and managing credit exposures. Prior to entering into transactions with new counterparties, the Group's credit policy requires counterparties to be formally identified, approved, and assigned internal credit ratings as well as exposure limits. Once established, counterparties are re-assessed according to policy and monitored continuously. Counterparty risk assessments are based on a quantitative and qualitative analysis of recent financial statements and other relevant business information. In addition, the Group evaluates any past payment performance, the counterparties' size and business diversification, and the inherent industry risk. The internal credit ratings reflect the Group's assessment of the counterparties' credit risk. Statoil Fuel & Retail has pre-defined limits for the minimum average credit rating allowed at any given time on the Group's portfolio level as well as maximum credit exposures for individual counterparties. Statoil Fuel & Retail monitors outstanding balances and individual exposures against limits on a regular basis.

The Group offers a variety of transportation fuel loyalty cards to its business-to-business and business-to-consumer customers as a means of attracting and retaining customers. These cards provide for approximately 10 to 45 days delayed payment terms depending on applicable credit criteria. The Group also offers various credit or delayed payment terms to its stationary energy (fuel products used for heating or industrial purposes), lubricants and aviation fuel customers.

In the Norwegian and Swedish markets customers can settle their purchases by use of a combined Statoil/MasterCard credit card. The Group has entered into agreements whereby the risks and rewards related to the credit cards, such as fee income, administration expenses and bad debt, are shared equally between the Group and external banks. Outstanding balances are charged to the customers monthly. In light of accurate credit assessments and continuous monitoring of outstanding balances, Statoil Fuel & Retail believes that the credits do not represent any significant risk. The income and risks related to these arrangements with the banks are reported, settled and accounted for on a monthly basis.

The following table contains the carrying amount of external accounts receivables split by the Group's assessment of the counterparty's credit risk.

| (in NOK million)                   | Notes     | 2010         | 2009         |
|------------------------------------|-----------|--------------|--------------|
| Investment grade, rated A or above |           | 2,842        | 2,917        |
| Other investment grade             |           | 3,113        | 2,454        |
| Non-investment grade or not rated  |           | 1,901        | 2,640        |
| <b>Trade and other receivables</b> | <b>22</b> | <b>7,857</b> | <b>8,011</b> |

## 5 Capital management

### Capital management

Statoil Fuel & Retail's capital management policy is to maximise value creation over time, while aiming to maintain a strong financial position. The Group also aims to have a capital structure which is in line with an investment grade profile and as such have an implicit credit rating, which falls within the investment grade category.

Management makes regular use of free funds from operations over net adjusted debt (FFO/ND) and net adjusted debt over capital employed (ND/CE) ratios in its assessment of the Group's financial flexibility and ability to incur additional debt.

FFO is net operating cash flows from operations after tax with the addition of certain adjustments employed by major rating agencies. These adjustments include cash effects from operating leases, post retirement benefit obligations, capitalised interest, asset retirement obligations and reclassifications of working capital cash flow changes.

ND in this respect is defined as the Group's current and non-current interest bearing debt adjusted for liquidity positions and taking into account the adjustments mentioned above.

CE is the Group's total equity plus net interest bearing debt, including debt adjustments.

### Capital distribution

Shareholder return consists of dividend payments, share buy-backs and share price development.

Statoil Fuel & Retail's ambition is to distribute at least 50 percent of the Group's earnings per share. When deciding the annual distribution level, the Board of Directors will take into consideration expected cash flow, capital expenditure plans, financing requirements and needs for appropriate financial flexibility. In addition to cash dividends, Statoil Fuel & Retail may buy back shares as part of its total distribution of capital to the shareholders.

Distribution of dividends is resolved by a majority vote at the Annual General Meeting of the shareholders of Statoil Fuel & Retail ASA, and on the basis of a proposal from the Board of Directors. The Annual General Meeting has the power to reduce, but cannot increase, the dividend proposed by the Board of Directors.

Although it is the intention to pay annual dividends on ordinary shares, it cannot be guaranteed that dividends will be paid or the amount of any such dividend. Future dividends will depend on factors prevailing at the time the Board of Directors considers any dividend payment.

The Norwegian Public Limited Companies Act provides several constraints on the distribution of dividends. As Statoil Fuel & Retail is a newly formed company, it has to convert some of its contributed capital to distributable reserves before making any distribution. Any dividend authorised by the shareholders at the Annual General Meeting on such basis shall be distributable only after the expiry of a two-month creditor's notice period and provided that no creditor has filed an objection to the capital reduction, or alternatively that the Group has settled the claims of any objecting creditors in accordance with the provisions of the Norwegian Public Limited Companies Act.

For fiscal year 2010 the Board of Directors' has proposed a dividend of NOK 3.00 per share, by way of a capital reduction in Statoil Fuel & Retail ASA.

## 6 Business combinations

### JET Acquisition

In September 2007 Statoil entered into a purchase agreement to acquire all of the shares in ConocoPhillips Jet AS (JET Norway), ConocoPhillips Denmark A/S (JET Denmark) and ConocoPhillips Nordic AB (JET Sweden). Subsequent to the purchase agreement, Statoil notified the EU Commission competition authority of the proposed acquisition.

On 21 October 2008, the EU Commission competition authority granted permission for Statoil to acquire the JET network in Denmark and Sweden subject to certain terms. To comply with the terms set by the Commission, Statoil was required to sell 118 Swedish Hydro/Uno-X branded unstaffed stations, 40 Swedish JET-branded unserved stations (consideration NOK 122 million) and all of the 40 Norwegian JET-branded unserved stations. In addition, the EU required that a "monitoring trustee" be established to operate the acquired stations until such time as the required stations were sold (see discussion of the sale in note 7 other gain/(loss), net and disposals).

On 31 October 2008, the shares in JET Norway, JET Sweden and JET Denmark were transferred to Statoil Fuel & Retail for a consideration of NOK 1,575 million. ING Group was elected "monitoring trustee" by Statoil in November 2008 to supervise Statoil's compliance with conditions in the EU decision of 21 October 2008, and received power of attorney to manage the rights as shareholder for Statoil. As the EU Commission decision and the power of attorney prevented Statoil Fuel & Retail from controlling the financial and operating policies of the acquired entities, the acquired entities were considered financial assets and classified as non-current financial assets held as available for sale.

On 1 June 2009 and 1 September 2009 when the EU Commission competition authority granted approval, the acquired companies, JET Denmark and JET Sweden (together the JET business) were consolidated in Statoil Fuel & Retail's accounts in accordance with IAS 27, Consolidated and separate financial statements, because these were the dates Statoil Fuel & Retail obtained control. The JET acquisition has been accounted for as a business combination in accordance with the acquisition method of accounting.

The assets and liabilities as of 1 June 2009 and 1 September 2009 arising from the acquisition of the JET business in Sweden and Denmark are as follows:

| (in NOK million)                                                            | Notes | Acquirees<br>carrying<br>amount | Fair value<br>adjustments | Fair values  |
|-----------------------------------------------------------------------------|-------|---------------------------------|---------------------------|--------------|
| Property, plant and equipment                                               | 14    | 327                             | 16                        | 342          |
| Intangible assets                                                           | 15    | 10                              | 55                        | 65           |
| Other non-current receivables                                               |       | 70                              | -                         | 70           |
| Inventories                                                                 |       | 269                             | -                         | 269          |
| Trade and other receivables                                                 |       | 336                             | -                         | 336          |
| Cash and cash equivalents                                                   |       | 547                             | -                         | 547          |
| Trade and other payables                                                    |       | (913)                           | -                         | (913)        |
| Deferred tax liabilities                                                    | 12    | (44)                            | (8)                       | (52)         |
| <b>Total identifiable net assets</b>                                        |       | <b>600</b>                      | <b>63</b>                 | <b>663</b>   |
| Goodwill arising on acquisition                                             | 15    |                                 | 567                       | 567          |
| <b>Total purchase consideration</b>                                         |       |                                 | <b>629</b>                | <b>1,230</b> |
| Purchase consideration settled in cash in 2008                              |       |                                 |                           | 1,230        |
| - Cash and cash equivalents in subsidiary acquired and consolidated in 2009 |       |                                 |                           | (547)        |
| <b>Cash outflow on acquisition</b>                                          |       |                                 |                           | <b>683</b>   |

Capitalised transaction cost for the JET business amounted to NOK 30 million.

Goodwill arising from the acquisitions has been included in intangible assets in the consolidated statement of financial position. See note 15 intangible assets for additional information on intangible assets and note 16 for additional disclosure on impairment testing and sensitivity analyses.

The JET business contributed NOK 2,307 million to revenues and NOK 102 million loss to operating profit in the consolidated statement of income to the the Group for the period from consolidation to 31 December 2009. Had the consolidation occurred on 1 January 2009, the additional contribution to the Group's revenues would have been NOK 1,951 million and operating profit would have been NOK 123 million higher. These amounts have been calculated using the Group's accounting policies. The results of the JET business have been adjusted to reflect the additional

depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2009, together with the resulting tax effects.

## 7 Other gain/(loss), net and disposals

The table below summarises gains or losses related to disposals in 2010 and 2009 that have been included in other gain/(loss), net in the consolidated statement of income.

| (in NOK million)                                                          | 2010       | 2009        |
|---------------------------------------------------------------------------|------------|-------------|
| Gain on sale of land and related service stations in Norway               | -          | 19          |
| Gain from sale of Swedegas AB in Sweden                                   | 264        | -           |
| Loss from sale and impairment of JET and Uno-X sites in Norway and Sweden | -          | (66)        |
| Gain from sale of Bitumen business                                        | -          | 34          |
| Gain from sale of LPG bottle business                                     | 5          | 46          |
| Loss from sale of wood pellets businesses in Sweden and Norway            | -          | (51)        |
| Impairment of house heating gas business                                  | -          | (22)        |
| Gain from sale of electricity business in Norway                          | 20         | -           |
| Other                                                                     | (13)       | (6)         |
| <b>Other gain/(loss), net</b>                                             | <b>276</b> | <b>(46)</b> |

### 2010

Other gain/(loss), net recorded in 2010 mainly comprise the gains associated with the sale of Swedegas AB, a natural gas transmission business involved in the sale of natural gas in Sweden, and gains from the sale of the electricity business in Norway. Total gross consideration received for the sale of Swedegas AB was NOK 436 million.

### 2009

During 2009 the Statoil Fuel & Retail sold its Bitumen business and LPG bottle business in Norway resulting in a gain of NOK 34 million and NOK 46 million, respectively. The sales of the wood pellets businesses were finalised during 2009, resulting in a loss of NOK 51 million. In addition, based on indicative bids received during 2009, the Group recorded an impairment of NOK 22 million related to the house heating gas business which was sold in 2010. The Group also sold certain land and related service station properties in Norway resulting in a gain of NOK 19 million.

As required by the EU Commission competition authority, the Group divested 118 Uno-X stations and 80 JET stations as a condition for the JET acquisition as described in note 6 business combinations.

All items referred to as other gain/(loss) for the years 2010 and 2009 in the table above relates to the Scandinavian segment, except for the gain from the sale of Swedegas, which is reported as part of Corporate.

Impairment recognised as other gain/(loss) was related to investments classified as held-for-sale in the statement of financial position.

## 8 Restructuring costs

The table below summarises the Group's restructuring programmes and associated costs in 2010 and 2009. All items have been included in distribution costs in the consolidated statement of income.

| (in NOK million)                                                        | 2010       | 2009         |
|-------------------------------------------------------------------------|------------|--------------|
| Cost reduction and efficiency initiatives in Norway, Sweden and Denmark | -          | (89)         |
| Dismantling cost Fagerstrand plant                                      | (4)        | (49)         |
| <b>Total restructuring cost</b>                                         | <b>(4)</b> | <b>(138)</b> |

### 2010

In 2010 the Group incurred restructuring cost of NOK 4 million in relation to the closure of Fagerstrand lubricants plant.

### 2009

The Group's cost cutting and efficiency initiatives in Norway, Sweden and Denmark, referred to as "Project Blue", which was initiated in 2008 continued in 2009. This initiative involved the reduction of approximately 120 personnel in Scandinavia. This resulted in restructuring costs of NOK 89 million mainly comprising NOK 73 million for termination benefits. For further details on termination benefits see note 18 retirement benefit obligations.

In addition the Group downsized the Fagerstrand lubricants plant to optimise its lubricants production operations. The plant shut-down resulted in early retirement and pension costs, environmental clean-up costs and dismantlement costs for property, plant and equipment amounting to NOK 49 million.

## 9 Salaries and personnel expenses

Total salaries and personnel expenses recognised in distribution costs and administrative expenses in the consolidated statement of income:

| (in NOK million except number of man-labour year) | Notes | 2010         | 2009         |
|---------------------------------------------------|-------|--------------|--------------|
| Salaries                                          |       | 2,043        | 1,976        |
| Pension costs                                     | 18    | 260          | 354          |
| Payroll tax                                       |       | 292          | 381          |
| Other compensations and social costs              |       | 151          | 61           |
| <b>Total payroll costs</b>                        |       | <b>2,746</b> | <b>2,772</b> |
| Number of man labour year                         |       | 8,932        | 8,910        |

### Salaries and personnel expenses for the Corporate Executive Committee (in NOK thousand)

#### 2010

| Members of Corporate Executive Committee | Salary <sup>(1)</sup> | Annual variable pay <sup>(2)</sup> | Long term variable pay <sup>(3)</sup> | Other benefits | Pensions costs | Loans outstanding |
|------------------------------------------|-----------------------|------------------------------------|---------------------------------------|----------------|----------------|-------------------|
| Jacob Schram                             | 4,524                 | 1,093                              | 599                                   | 189            | 1,359          | 420               |
| Klaus-Anders Nysteen <sup>(4)</sup>      | 2,518                 | 468                                | -                                     | 116            | 1,491          | -                 |
| Jan Dahm-Simonsen                        | 2,058                 | 500                                | -                                     | 174            | 767            | -                 |
| Hans-Olav Høidahl                        | 2,031                 | 594                                | -                                     | 223            | 427            | 473               |
| Jørn Madsen                              | 2,536                 | 573                                | -                                     | 339            | DKK 181        | -                 |
| Jonas Palm                               | SEK 1,627             | SEK 275                            | -                                     | SEK 142        | SEK 298        | -                 |
| Lars Gaustad                             | 1,402                 | 338                                | -                                     | 157            | 400            | 188               |
| Ina Strand                               | 1,798                 | 737                                | -                                     | 168            | 502            | 145               |
| Karl Kristian Mydske                     | 1,390                 | 318                                | -                                     | 165            | 342            | 250               |
| Bård Standal                             | 1,400                 | 237                                | -                                     | 171            | 276            | 198               |
| Karen Romer                              | 1,284                 | 182                                | -                                     | 137            | 515            | -                 |

<sup>1)</sup> Including holiday pay.

<sup>2)</sup> Paid in 2010 based on the fulfillment of 2009 and 2010 performance criteria. Accrued, but not paid annual variable pay per 31 December 2010 amounts to NOK 1 366 thousand.

<sup>3)</sup> Paid in 2010 based on the fulfillment of 2007 - 2009 performance criteria.

<sup>4)</sup> Included in salary are one-off payments totalling NOK 1 041 333, for loss of compensation from previous employer.

## 2009

| Members of Corporate Executive Committee | Salary <sup>(1)</sup> | Annual variable pay <sup>(2)</sup> | Long term variable pay <sup>(3)</sup> | Other benefits | Pensions costs | Loans outstanding |
|------------------------------------------|-----------------------|------------------------------------|---------------------------------------|----------------|----------------|-------------------|
| Jacob Schram                             | 2,398                 | 349                                | 2,605                                 | 148            | 1,131          | 473               |
| Jan Dahm-Simonsen                        | 1,766                 | -                                  | -                                     | 178            | 704            | -                 |
| Hans-Olav Høidahl                        | 1,493                 | 566                                | 369                                   | 200            | 308            | -                 |
| Jørn Madsen                              | 2,039                 | 193                                | 563                                   | 174            | 337            | -                 |
| Jonas Palm                               | SEK 1,432             | -                                  | -                                     | SEK 87         | SEK 259        | -                 |
| Lars Gaustad                             | 868                   | 52                                 | -                                     | 129            | 177            | -                 |
| Ina Strand                               | 1,364                 | 627                                | -                                     | 152            | 302            | 181               |
| Karl Kristian Mydske                     | 969                   | 211                                | -                                     | 159            | 228            | 304               |
| Bård Standal                             | 1,042                 | 57                                 | -                                     | 146            | 219            | 245               |
| Karen Romer <sup>(4)</sup>               | 409                   | -                                  | -                                     | 64             | -              | -                 |

<sup>1)</sup> Including holiday pay.

<sup>2)</sup> Paid in 2009 based on the fulfillment of 2008 and 2009 performance criteria.

<sup>3)</sup> Paid in 2009 based on the fulfillment of 2006 -2008 performance criteria.

<sup>4)</sup> Employed from July 2009.

For information on shares held by members of the Corporate Executive Committee, see note 34 shareholder information.

**Salaries and personnel expenses for the Board of Directors (in NOK thousand)**

In the period commencing 18 May 2010, the date of inception, and until the listing of Statoil Fuel & Retail ASA the Company had an interim board with five shareholder-elected members. Three of these members were replaced during the first month after the listing. Total salaries and personnel expenses for the interim board, interim members and the current Board of Directors is included in the table below.

For information on shares held by members of the Board of Directors, see note 34 shareholder information.

**2010**

| Members of the Board                                              | Position            | Board remuneration | Audit committee | Compensation committee | Total remuneration |
|-------------------------------------------------------------------|---------------------|--------------------|-----------------|------------------------|--------------------|
| Birger Magnus<br>(member since 22.10.2010)                        | Chair               | 260                | -               | -                      | 260                |
| Jon Arnt Jacobsen<br>(member since 18.05.2010)                    | Board member        | -                  | -               | -                      | -                  |
| Marthe Hoff<br>(member since 30.08.2010)                          | Board member        | -                  | -               | -                      | -                  |
| Anne Martha Støver<br>(member since 01.10.2010)                   | Board member        | -                  | -               | -                      | -                  |
| Ketil Johannessen<br>(member since 01.10.2010)                    | Board member        | -                  | -               | -                      | -                  |
| Petter Vådal<br>(member since 01.02.2011)                         | Board member        | -                  | -               | -                      | -                  |
| Per Bjørgås<br>(member since 22.10.2010)                          | Board member        | 100                | -               | -                      | 100                |
| Ann-Charlotte Lundén<br>(member since 22.10.2010)                 | Board member        | 100                | -               | -                      | 100                |
| Paul Piché<br>(member in the period 01.10.2010 - 01.02.2011)      | Board member        | -                  | -               | -                      | -                  |
| Tom Melbye Eide<br>(member in the period 18.05.2010 - 22.10.2010) | Chair               | -                  | -               | -                      | -                  |
| Eldar Sætre<br>(member in the period 18.05.2010 - 22.10.2010)     | Board member        | -                  | -               | -                      | -                  |
| Helga Nes<br>(member in the period 18.05.2010 - 22.10.2010)       | Board member        | -                  | -               | -                      | -                  |
| Cathrine Støle<br>(member in the period 18.05.2010 - 30.08.2010)  | Board member        | -                  | -               | -                      | -                  |
| Ellen Mikalsen<br>(member since 01.10.2010)                       | Board member        | -                  | -               | -                      | -                  |
| Petter Vådal<br>(member in the period 01.10.2010 - 01.02.2011)    | Deputy board member | -                  | -               | -                      | -                  |
| Odd Arne Rasmussen<br>(member since 01.10.2010)                   | Deputy board member | -                  | -               | -                      | -                  |
| Cathrine Henriksen Jørgensen<br>(member since 01.10.2010)         | Deputy board member | -                  | -               | -                      | -                  |
| Egle Merkevičienė<br>(member since 01.10.2010)                    | Deputy board member | -                  | -               | -                      | -                  |
| Jørn Bjarne Eide<br>(member since 01.10.2010)                     | Deputy board member | -                  | -               | -                      | -                  |
| Rolv Bjørn Jernskau<br>(member since 01.10.2010)                  | Deputy board member | -                  | -               | -                      | -                  |
| Total                                                             |                     | 460                | -               | -                      | 460                |

## Statement on remuneration for Statoil Fuel & Retail's Corporate Executive Committee

In accordance with the Norwegian Public Limited Liability Companies Act section 6-16 a) the Board of Directors has the intention to present the following statement regarding remuneration of the Corporate Executive Committee to the general meeting at the 2011 annual meeting:

### Remuneration policy and concept for the accounting year 2011

#### 1. Remuneration policy and principles

The established remuneration principles and concepts from Statoil will be continued in Statoil Fuel & Retail for the accounting year 2011. In the longer term the remuneration principles and concepts in general will be reviewed, taking into account the stock listing of the new company, a new competitive situation and market adjustments.

Statoil Fuel & Retail's policy concerning remuneration of the Corporate Executive Committee is to provide remuneration opportunities which:

- Are competitive to recruit and retain executives
- Reward the members of CECs' performance, measured as his/her contribution to the overall success of Statoil Fuel & Retail
- Support the creation of sustainable shareholder value

#### 2. Decision-making process

The decision-making process for establishing and changing the remuneration policy and determining salaries and other remuneration of the Corporate Executive Committee are based on the provisions of the Norwegian Public Limited Liability Companies Act sections 5-6, 6-14 and 6-16a) and the Board's rules of procedure.

The Board has established a separate compensation committee, which is a body preparing cases for the Board. The main goal of the committee is to assist the Board in its work on determining the salary and working terms for Statoil Fuel & Retail's chief executive officer (CEO), and the main principles and strategy for remuneration and management development of the Group's top management.

#### 3. Remuneration concept for the Corporate Executive Committee

Statoil Fuel & Retail's remuneration concept for the Corporate Executive Committee consists of the following main elements:

- Fixed salary
- Variable pay
- Long-term incentive (LTI)
- Pensions and insurance schemes
- Severance pay arrangements
- Other benefits

##### 3.1 Fixed salary

The fixed salary consists of a basic salary and a long-term incentive system. The base salary shall be competitive in the markets in which the Group operates and shall reflect the responsibility and performance of each individual. The basic salary is normally reviewed once a year.

##### 3.2 Variable pay

Statoil Fuel & Retail will in general continue its system for variable pay in 2011. Based on performance the CEO is entitled to an annual bonus with a maximum potential of 50 percent of the fixed salary. The executive vice presidents receive an equivalent annual bonus with a maximum potential ranging from 35 to 45 percent of their annual base salary. Expected payment based on solid deliveries is two thirds of the maximum potential.

##### 3.3 Long-term incentive

Statoil Fuel & Retail has established a long-term incentive system for a limited number of senior managers, including members of the Corporate Executive Committee. The LTI system and the annual variable pay system form a remuneration concept focusing on both short-term and long-term goals and results. The long-term incentive helps strengthen the common interests between the Group's top management and the shareholders.

##### 3.4 Pensions and insurance schemes

Statoil Fuel & Retail's pension plan is a performance based arrangement with a pension level amounting to 66 percent of the final salary, provided at least 30 years service period. Pension from the national insurance scheme is considered in the calculation. The retirement age is 67 years.

##### 3.5 Severance pay

If Statoil Fuel & Retail gives the CEO notice of termination, he/she is entitled to a severance pay corresponding to 12 months of base salary calculated from the expiry of the notice period. This also applies if the parties agree that the employment should be discontinued and the CEO gives notice pursuant to a written agreement with the Board.

Executive vice presidents are entitled to a severance pay equivalent to six months of salary, excluding the term of notice of six months, when the resignation is at the request from Statoil Fuel & Retail. The same severance pay will also be paid if the parties agree that the employment should be discontinued and the executive vice president gives notice pursuant to a written agreement with Statoil Fuel & Retail. Any other payments earned by the CEO or executive vice president during the period in which severance pay is payable will proportionally reduce the severance pay. This relates to earnings from any employment relationship or business activity in which the executive vice president has active ownership.

The entitlement to severance pay is conditional on the CEO or the executive vice president not being guilty of gross misconduct or gross negligence, disloyalty or other breach of his/her duties.

The CEO's or executive vice president's own notice will as a general rule not release any severance pay.

### 3.6 Other benefits

Certain employees of Statoil Fuel & Retail, including the Corporate Executive Committee, participated in Statoil's share saving plan for 2010.

The share saving plan gave the employees the opportunity to buy Statoil ASA's shares in the market for an amount limited to five percent of their annual base salary. If the shares are held for two whole calendar years of continued employment, the employee will be allocated bonus shares in proportion to their savings. The shares used in the programme are acquired by Statoil in the market, as per authorisation from the Annual General Meeting. This plan has now been closed and settled.

A new share saving plan for Statoil Fuel & Retail ASA will be developed and implemented during 2011. Conditions of the new share saving plan have not yet been determined.

The members of the Corporate Executive Committee also receive benefits such as free telephone.

### 4. Special comments for the Corporate Executive Committee

Two of the executive vice presidents have signed employment contracts in Denmark and Sweden, which also means that they are covered by the local pensions and insurance schemes applicable to the legal entities in these countries.

In addition to the pension benefits described above, the executive vice presidents are offered compensation as per Statoil Fuel & Retail's general pension plan, including pension from the age of 67 based on the national pension scheme. Members of the Corporate Executive Committee are covered by the general insurance schemes applicable within Statoil Fuel & Retail.

### Remuneration Principles and implementation previous accounting year

As Statoil Fuel & Retail was established during 2010 the Corporate Executive Committee has been part of the remuneration principles and concepts of Statoil in the previous accounting year

### Conclusion

Statoil Fuel & Retail's remuneration policy and the different solutions are still rooted in the Group's overall personnel policy and integrated with the Group's values-based performance framework. In addition, the remuneration systems and the practice applied are transparent and in line with applicable guidelines and the principles for good corporate governance.

### Long-term incentive schemes

The Group operates various equity-settled share based schemes for certain employees.

#### 1. Frontloading

On 9 December 2010 the Board of Directors agreed to invite members of the Corporate Executive Committee to participate in a one-time equity settled share-based incentive program.

The incentive program has certain vesting conditions such as employment within the Group. When the granted member of the Corporate Executive Committee has remained in the Group's employ for a period of three years, 60 percent of the award vests. The remaining 40 percent of the award vests after the fourth year of employment in the Group.

Number of shares to be granted to members of the Corporate Executive Committee is calculated based on the salary per 31 December 2010 multiplied by a predefined factor divided by Statoil Fuel & Retail ASA's share price at the time of Oslo Stock Exchange closure on 9 December 2010. Number of shares allocated to members of the Corporate Executive Committee at 31 December 2010 is disclosed in the following table:

| CEC member                    | Base salary | LTI%    | Base salary * LTI% | After tax base salary LTI | Strike per share | Number of shares |
|-------------------------------|-------------|---------|--------------------|---------------------------|------------------|------------------|
| Jacob Schram                  | 3,500,000   | 100.0 % | 3,500,000          | 1,750,000                 | 50.00            | 35,000           |
| Klaus-Anders Nysteen          | 2,700,000   | 80.0 %  | 2,160,000          | 1,080,000                 | 50.00            | 21,600           |
| Hans-Olav Høidahl             | 2,000,000   | 70.0 %  | 1,400,000          | 700,000                   | 50.00            | 14,000           |
| Jørn Madsen                   | 2,035,000   | 70.0 %  | 1,424,500          | 712,250                   | 50.00            | 14,245           |
| Lars Gaustad                  | 1,750,000   | 60.0 %  | 1,050,000          | 525,000                   | 50.00            | 10,500           |
| Ina Strand                    | 1,700,000   | 60.0 %  | 1,020,000          | 510,000                   | 50.00            | 10,200           |
| Jan Dahm-Simonsen             | 1,700,000   | 60.0 %  | 1,020,000          | 510,000                   | 50.00            | 10,200           |
| Jonas Palm                    | 1,417,500   | 60.0 %  | 850,500            | 425,250                   | 50.00            | 8,505            |
| Karl Kristian Mydske          | 1,600,000   | 60.0 %  | 960,000            | 480,000                   | 50.00            | 9,600            |
| Bård Standal                  | 1,325,000   | 50.0 %  | 662,500            | 331,250                   | 50.00            | 6,625            |
| Karen Romer                   | 1,200,000   | 50.0 %  | 600,000            | 300,000                   | 50.00            | 6,000            |
| <b>Total number of shares</b> |             |         |                    |                           |                  | <b>146,475</b>   |

## 2. Long term incentive scheme

In addition to the one-time equity settled incentive program the Board of Directors agreed to invite members of the Corporate Executive Committee to participate in an ordinary equity settled share-based incentive program. The vesting period for this program starts at 1 January 2011, and the allocated shares vests after three years of employment within the Group.

Number of shares to be granted to members of the Corporate Executive Committee is calculated based on the salary per 31 December 2010 multiplied by a predefined factor divided by Statoil Fuel & Retail ASA's share price at the time of Oslo Stock Exchange closure on 3 January 2011. Number of shares allocated to members of the Corporate Executive Committee at 31 December 2010 is disclosed in the following table.

| CEC member                    | Base salary | LTI%   | Base salary * LTI% | After tax base salary LTI | Strike per share | Number of shares |
|-------------------------------|-------------|--------|--------------------|---------------------------|------------------|------------------|
| Jacob Schram                  | 3,500,000   | 35.0 % | 1,225,000          | 612,500                   | 53.05            | 11,546           |
| Klaus-Anders Nysteen          | 2,700,000   | 30.0 % | 810,000            | 405,000                   | 53.05            | 7,634            |
| Hans-Olav Høidahl             | 2,000,000   | 27.5 % | 550,000            | 275,000                   | 53.05            | 5,184            |
| Jørn Madsen                   | 2,035,000   | 27.5 % | 559,625            | 279,813                   | 53.05            | 5,275            |
| Lars Gaustad                  | 1,750,000   | 25.0 % | 437,500            | 218,750                   | 53.05            | 4,123            |
| Ina Strand                    | 1,700,000   | 25.0 % | 425,000            | 212,500                   | 53.05            | 4,006            |
| Jan Dahm-Simonsen             | 1,700,000   | 25.0 % | 425,000            | 212,500                   | 53.05            | 4,006            |
| Jonas Palm                    | 1,417,500   | 25.0 % | 354,375            | 177,188                   | 53.05            | 3,340            |
| Karl Kristian Mydske          | 1,600,000   | 25.0 % | 400,000            | 200,000                   | 53.05            | 3,770            |
| Bård Standal                  | 1,325,000   | 20.0 % | 265,000            | 132,500                   | 53.05            | 2,498            |
| Karen Romer                   | 1,200,000   | 20.0 % | 240,000            | 120,000                   | 53.05            | 2,262            |
| <b>Total number of shares</b> |             |        |                    |                           |                  | <b>53,643</b>    |

The grant date for both incentive programs are subject to approval at the Annual General Meeting which is to be held on the 27 April 2011.

Since the granted Corporate Executive Committee member is required to complete a specific period of service before the equity instrument vests, the services obtained by the Group are expensed over that period.

## 3. Bonus shares

Certain of Statoil Fuel & Retail's employees were, for the years 2010 and 2009, included in Statoil's share saving plan. This plan provided employees with the opportunity to purchase Statoil shares through monthly salary deductions and a contribution by Statoil. If the shares were kept for two calendar years of continued employment, the employees would be allocated one bonus share for each one they have purchased.

Estimated compensation expense including the contribution by Statoil for purchased shares, amount vested for bonus shares granted and related social security tax was NOK 21 million and NOK 11 million related to the 2010 and 2009 programs, respectively.

## 10 Other expenses

### Auditors' remuneration

The table below shows total auditors' remuneration recognised in the consolidated statement of income:

| (in NOK million, excluding VAT) | Audit fee | Audit related fee | Other service fee | Total     |
|---------------------------------|-----------|-------------------|-------------------|-----------|
| <b>2010</b>                     |           |                   |                   |           |
| Ernst & Young - Norway          | 2         | -                 | -                 | 2         |
| Ernst & Young - outside Norway  | 8         | 1                 | -                 | 9         |
| <b>Total</b>                    | <b>10</b> | <b>1</b>          | <b>-</b>          | <b>11</b> |
| <b>2009</b>                     |           |                   |                   |           |
| Ernst & Young - Norway          | 2         | -                 | -                 | 2         |
| Ernst & Young - outside Norway  | 5         | -                 | 1                 | 6         |
| <b>Total</b>                    | <b>7</b>  | <b>-</b>          | <b>1</b>          | <b>8</b>  |

### Research and development expenditures

The Group did not have any significant R&D expenditure in 2010 or 2009.

## 11 Net financial expenses

The table below specifies financial income and financial expenses recognised in the consolidated statement of income in 2010 and 2009.

| (in NOK million)                | 2010         | 2009         |
|---------------------------------|--------------|--------------|
| Interest income                 | 59           | 120          |
| Other financial income          | 19           | (5)          |
| <b>Financial income</b>         | <b>78</b>    | <b>115</b>   |
| Interest expenses               | (289)        | (469)        |
| Other financial expenses        | (171)        | (103)        |
| Foreign exchange gains/(losses) | (37)         | 5            |
| <b>Financial expenses</b>       | <b>(497)</b> | <b>(566)</b> |
| <b>Net financial expenses</b>   | <b>(419)</b> | <b>(452)</b> |

For information on the Group's interest bearing debt, see note 25 financial liabilities. An interest rate risk sensitivity is presented in note 32 financial instruments: measurement and market risk sensitivities.

## 12 Income tax

### Income tax expense

| (in NOK million)                    | 2010         | 2009        |
|-------------------------------------|--------------|-------------|
| Current taxes expense               | (247)        | 29          |
| Change in deferred tax              | (95)         | (43)        |
| <b>Income tax (expense)/benefit</b> | <b>(342)</b> | <b>(14)</b> |

### Reconciliation of Norwegian nominal statutory tax rate to effective tax rate

| (in NOK million)                                  | 2010         | 2009        |
|---------------------------------------------------|--------------|-------------|
| Income before tax                                 | 1,927        | 743         |
| Nominal tax rate 28%                              | (540)        | (208)       |
| <i>Tax effect of:</i>                             |              |             |
| Permanent differences                             | (8)          | (8)         |
| Utilisation of previously unrecognised tax losses | 100          | 164         |
| Non-taxable gain on sale of subsidiary            | 67           | -           |
| Tax rates different from nominal tax rate         | 41           | 4           |
| Other                                             | (2)          | 33          |
| <b>Total</b>                                      | <b>(342)</b> | <b>(14)</b> |
| Effective tax rate (%)                            | 17.7 %       | 1.9 %       |

For 2010, the income tax expense was NOK 342 million, equivalent to a tax rate of 17.7 percent. The effective income tax was positively influenced by the utilisation of previously unrecognised tax losses in Denmark and the non-taxable gain on the sale of Swedegas.

For 2009, the income tax expense was NOK 14 million, equivalent to a tax rate of 1.9 percent. The effective income tax was positively influenced by the utilisation of previously unrecognised tax losses, mainly in Sweden.

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

| (in NOK million)                           | 2010       | 2009       |
|--------------------------------------------|------------|------------|
| Deferred tax assets                        |            |            |
| Bad debt provision                         | 39         | 41         |
| Loss carried forward                       | 178        | 252        |
| Property, plant and equipment              | 355        | 221        |
| Other items                                | 209        | 73         |
| <b>Total deferred tax assets</b>           | <b>781</b> | <b>588</b> |
| Deferred tax liabilities                   |            |            |
| Property, plant and equipment              | 260        | 190        |
| Other items                                | 68         | 29         |
| <b>Total deferred tax liabilities</b>      | <b>328</b> | <b>219</b> |
| <b>Net deferred tax assets 31 December</b> | <b>453</b> | <b>369</b> |

Of the tax loss carry forward at 31 December 2010, NOK 129 millions are related to Denmark. This tax loss carry forward relates to the refinery business in Denmark, which is not transferred to the Group. However, the tax loss carry forwards remains with the legal entity that was transferred to the Group.

#### Unrecognised deferred tax assets

| (in NOK million)           | 2010 | 2009 |
|----------------------------|------|------|
| Tax losses carried forward | -    | 206  |

At the end of 2009, Statoil Fuel & Retail, had an unrecognised tax loss carry-forward in Denmark. During 2010, all tax loss carry-forward in Denmark has either been utilised or recognised.

#### Movement in deferred tax

| (in NOK million)                                                               | 2010       | 2009       |
|--------------------------------------------------------------------------------|------------|------------|
| Deferred tax at 1 January                                                      | 369        | 650        |
| Recognised in the statement of income                                          | (95)       | (43)       |
| Deferred tax on actuarial gain/(loss) recognised in other comprehensive income | (22)       | (72)       |
| Recognised in equity <sup>(1)</sup>                                            | 117        | 20         |
| Acquisitions and translation differences and other                             | 84         | (185)      |
| <b>Deferred tax disposal at 31 December</b>                                    | <b>453</b> | <b>369</b> |

<sup>1)</sup> Deferred tax on separation transaction 1 October 2010.

## 13 Earnings per share

#### Basic and diluted

The calculation of basic and diluted earnings per share at 31 December 2010 is based on the profit/(loss) attributable to equity holders of Statoil Fuel & Retail ASA and a weighted average number of shares outstanding, calculated as follows:

| (in NOK million)                                                                                             | 2010        | 2009        |
|--------------------------------------------------------------------------------------------------------------|-------------|-------------|
| Profit/(loss) attributable to equity holders of the company                                                  | 1,586       | 724         |
| Weighted average number of shares outstanding (in million)*                                                  | 300         | 300         |
| <b>Earnings per share for income attributable to equity holders of the company - basic and diluted (NOK)</b> | <b>5.29</b> | <b>2.41</b> |

\* Prior to 1 October 2010, Statoil Fuel & Retail was not an independent reporting entity but part of the Statoil Group. The weighted average number of shares outstanding applied in the calculation above is based on the weighted average number of shares outstanding in the period from 1 October to 31 December 2010. See note 1 general information for further details.

## 14 Property, plant and equipment

| (in NOK million)                                                             | Buildings and land | Machinery, equipment and transportation equipment | Assets under construction | Total           |
|------------------------------------------------------------------------------|--------------------|---------------------------------------------------|---------------------------|-----------------|
| Cost at 1 January 2010                                                       | 10,931             | 8,884                                             | 770                       | 20,585          |
| Additions and transfers                                                      | 214                | 626                                               | (13)                      | 826             |
| Disposed assets at cost                                                      | (160)              | (823)                                             | (11)                      | (994)           |
| Effect of movements in foreign exchange - assets                             | (22)               | 36                                                | 7                         | 21              |
| <b>Cost at 31 December 2010</b>                                              | <b>10,963</b>      | <b>8,723</b>                                      | <b>753</b>                | <b>20,438</b>   |
| Accumulated depr. and impairment losses at 1 January 2010                    | (4,160)            | (5,346)                                           | (94)                      | (9,600)         |
| Depreciation and amortisation for the year                                   | (404)              | (697)                                             | (5)                       | (1,106)         |
| Impairment losses                                                            | (46)               | (30)                                              | -                         | (76)            |
| Accumulated depreciation and impairment disposed assets                      | 142                | 574                                               | -                         | 716             |
| Effect of movements in foreign exchange - depreciation and impairment losses | (41)               | (1)                                               | (6)                       | (46)            |
| <b>Accumulated depr. and impairment losses at 31 December 2010</b>           | <b>(4,510)</b>     | <b>(5,499)</b>                                    | <b>(105)</b>              | <b>(10,113)</b> |
| <b>Carrying amount at 31 December 2010</b>                                   | <b>6,453</b>       | <b>3,224</b>                                      | <b>648</b>                | <b>10,323</b>   |
| Estimated useful lives (years)                                               | 20-33              | 3-10                                              | -                         |                 |

| (in NOK million)                                                             | Buildings and land | Machinery, equipment and transportation equipment | Assets under construction | Total          |
|------------------------------------------------------------------------------|--------------------|---------------------------------------------------|---------------------------|----------------|
| Cost at 1 January 2009                                                       | 11,075             | 8,531                                             | 1,237                     | 20,843         |
| Additions and transfers (include acquisitions through business combinations) | 665                | 1,809                                             | (438)                     | 2,036          |
| Disposed assets at cost                                                      | (281)              | (921)                                             | (5)                       | (1,207)        |
| Effect of movements in foreign exchange - assets                             | (528)              | (535)                                             | (24)                      | (1,087)        |
| <b>Cost at 31 December 2009</b>                                              | <b>10,931</b>      | <b>8,884</b>                                      | <b>770</b>                | <b>20,585</b>  |
| Accumulated depr. and impairment losses at 1 January 2009                    | (3,885)            | (5,243)                                           | (15)                      | (9,143)        |
| Depreciation and amortisation for the year                                   | (455)              | (705)                                             | (1)                       | (1,161)        |
| Accumulated depreciation and impairment disposed assets                      | 212                | 674                                               | -                         | 886            |
| Effect of movements in foreign exchange - depreciation and impairment losses | (32)               | (72)                                              | (78)                      | (182)          |
| <b>Accumulated depr. and impairment losses at 31 December 2009</b>           | <b>(4,160)</b>     | <b>(5,346)</b>                                    | <b>(94)</b>               | <b>(9,600)</b> |
| <b>Carrying amount at 31 December 2009</b>                                   | <b>6,771</b>       | <b>3,538</b>                                      | <b>676</b>                | <b>10,983</b>  |
| Estimated useful lives (years)                                               | 20-33              | 3-10                                              | -                         |                |

Depreciation and impairment charges are included in distribution costs in the consolidated statement of income.

The Group has retail networks across Scandinavia, Poland, the Baltics, and Russia with approximately 2,300 full-service (fuel and convenience) or automated (fuel only) stations. In Europe, the Group operates 12 key terminals, approximately 400 road tankers and 50 depots in eight countries. The real estate portfolio consists of directly owned assets and those under finance leases. The book value of assets under finance leases was NOK 207 million in 2010 and NOK 215 million in 2009. The net carrying amount of each class of leased asset has been included in buildings and land and machinery, equipment and transportation equipment in the above table. For further details see note 26 leases.

For additional information on the Group's real estate strategy see note 36 subsequent events.

**Significant additions, disposals and impairment losses**

In 2010, the Group recorded additions of NOK 826 million and disposals of NOK 994 million in the normal course of business. In addition, Group companies impaired assets of NOK 76 million based on management's future forecasts and budgets.

In 2009, the Group recorded additions of NOK 2,036 million in the normal course of business. The consolidation of the JET businesses resulted in additions of NOK 342 million. Disposals mainly comprised the assets required to be sold as a condition by the EU commission in connection to the JET acquisition as disclosed in note 6 business combinations and note 7 other gain/(loss), net and disposals. No impairment losses for property, plant and equipment were recognised in 2009.

For further disclosure on impairment losses, impairment testing and sensitivity analyses see note 16 impairment testing of cash-generating units.

**15 Intangible assets**

| (in NOK million)                                                             | Goodwill       | Other intangible assets | Intangible assets |
|------------------------------------------------------------------------------|----------------|-------------------------|-------------------|
| Cost at 1 January 2010                                                       | 1,984          | 1,086                   | 3,070             |
| Additions and transfers                                                      | 3              | 14                      | 17                |
| Disposed assets at cost                                                      | -              | (11)                    | (11)              |
| Effect of movements in foreign exchange - assets                             | 4              | -                       | 4                 |
| <b>Cost at 31 December 2010</b>                                              | <b>1,990</b>   | <b>1,090</b>            | <b>3,080</b>      |
| Accumulated depr. and impairment losses at 1 January 2010                    | (1,235)        | (954)                   | (2,190)           |
| Depreciation and amortisation for the year                                   | -              | (96)                    | (96)              |
| Impairment losses                                                            | (20)           | -                       | (20)              |
| Accumulated depreciation and impairment disposed assets                      | -              | 10                      | 10                |
| Effect of movements in foreign exchange - depreciation and impairment losses | 1              | 6                       | 7                 |
| <b>Accumulated depr. and impairment losses at 31 December 2010</b>           | <b>(1,254)</b> | <b>(1,034)</b>          | <b>(2,288)</b>    |
| <b>Carrying amount at 31 December 2010</b>                                   | <b>736</b>     | <b>55</b>               | <b>791</b>        |

| (in NOK million)                                                             | Goodwill       | Other intangible assets | Intangible assets |
|------------------------------------------------------------------------------|----------------|-------------------------|-------------------|
| Cost at 1 January 2009                                                       | 1,422          | 1,055                   | 2,477             |
| Additions and transfers (include acquisitions through business combinations) | 596            | 67                      | 663               |
| Disposed assets at cost                                                      | (5)            | (23)                    | (28)              |
| Effect of movements in foreign exchange - assets                             | (29)           | (14)                    | (43)              |
| <b>Cost at 31 December 2009</b>                                              | <b>1,984</b>   | <b>1,086</b>            | <b>3,070</b>      |
| Accumulated depr. and impairment losses at 1 January 2009                    | (1,240)        | (920)                   | (2,161)           |
| Depreciation and amortisation for the year                                   | -              | (64)                    | (64)              |
| Accumulated depreciation and impairment disposed assets                      | 5              | 21                      | 26                |
| Effect of movements in foreign exchange - depreciation and impairment losses | -              | 8                       | 8                 |
| <b>Accumulated depr. and impairment losses at 31 December 2009</b>           | <b>(1,235)</b> | <b>(954)</b>            | <b>(2,190)</b>    |
| <b>Carrying amount at 31 December 2009</b>                                   | <b>749</b>     | <b>132</b>              | <b>880</b>        |

Intangible assets with finite useful lives are amortised systematically over their estimated economic lives, ranging between 10-20 years. Impairment losses and amortisation costs are included in distribution costs in the consolidated statement of income.

## 16 Impairment testing

The Group tests goodwill and other intangible assets with infinite useful life annually or more frequently if there are impairment indicators. Property, plant and equipment and other intangible assets with finite useful life are tested if there are indicators that assets may be impaired. An annual impairment test for the different cash-generating units has been performed for the year ending 31 December 2010 and 2009.

For further information about the grouping of cash-generating units see note 2 significant accounting policies.

### Carrying value of goodwill as of 31 December

| (in % NOK million)                                        | Segment          | 2010       | 2009       |
|-----------------------------------------------------------|------------------|------------|------------|
| Statoil Fuel & Retail stations - Norway (retail network)  | Scandinavia      | 130        | 130        |
| Statoil Fuel & Retail stations - Denmark (retail network) | Scandinavia      | 52         | 52         |
| JET stations - Sweden                                     | Scandinavia      | 326        | 315        |
| JET stations - Denmark                                    | Scandinavia      | 203        | 208        |
| Aviation                                                  | Special products | 25         | 44         |
| <b>Goodwill at 31 December</b>                            |                  | <b>736</b> | <b>749</b> |

Goodwill acquired through the acquisition of the JET network in Sweden and Denmark and the acquisition of ST1 Avifuels OY (business combinations) have been allocated to individual cash-generating units and operating segments. For additional details on goodwill and fair value adjustments arising from the acquisitions of the JET network in Sweden and Denmark see note 6 business combinations.

In assessing the need for impairment of the carrying amount of a potentially impaired asset, the asset's carrying value is compared to the recoverable amount, which is the higher of fair value less selling costs and estimated value in use. When preparing a value in use calculation the estimated future cash flows are adjusted for risks specific to the asset and discounted using a real post-tax discount rate adjusted for asset specific differences. All assets include five years of cash flow in their discounted cash flow models. The long term growth rate into perpetuity is set to zero.

### Significant assumptions

Based on an overall assessment the Group has identified the following assumptions as most sensitive to the value in use calculation

#### Discount rates

The discount rates are based on the Weighted Average Cost of Capital (WACC) formula derived from the CAPM model. The parameters included in setting the company specific WACC is discussed below.

- The 10 year Norwegian government bond rate of 3.7 percent has been applied as the risk free rate
- A market premium with a long horizon has been applied. Based on a qualitative approach the market premium is set to 4 percent
- The trading history of Statoil Fuel & Retail ASA is too short to be used for empirical beta estimation using regression methodology. As an alternative the company specific levered beta has been calculated by applying the reverse Harris Pringles formula [median asset beta / (1-debt to equity ratio)]. Based on the input available and a subjective perception of the risk profile of a listed entity, the best current estimate is a forward looking equity beta at 0.9
- The applied credit premium is based on calculated long term cost of debt. The basis for the calculation is Statoil Fuel & Retail ASA's credit rating (BBB), 10 year SWAP interest rate and group specific risk adjustment. Estimated credit premium per year end 2010 is 5.9 percent.
- The Norwegian corporate tax rate (28 percent) is used
- The applied debt ratio of 21 percent is based on market values

Based on an overall assessment of the quantitative and qualitative factors the group WACC is set to 8.5 percent per 31 December 2010. Country specific WACC is adjusted for local tax rates and include risk factors such as growth rates, inflation and other risks relevant to the country in which the asset is used. These factors are explained below.

#### Growth rate

The applied growth rates are consistent with country specific and business sector forecasts.

In the road transportation fuel and fuel station convenience business sector, customer traffic is generally driven by consumer preferences and spending trends, growth rates for automobile and truck traffic and trends in travel and tourism. Changes in economic conditions in the markets in which the Group operates, environmental concerns, nutritional concerns and food safety concerns related to consumption of certain foods,

particularly fast foods and snacks, could also adversely affect discretionary consumer spending patterns and travel and tourism in these markets. A decline in the number of potential customers using the Group's fuel stations and convenience stores due to changes in consumer preferences or changes in discretionary consumer spending could have a material adverse effect on the Group's business, financial condition, results of operations, cash flow and prospects.

### Inflation

The expected future inflation rate is set to 2 percent. Forecast figures are used if data is publicly available, otherwise, past actual movements in inflation has been used as an indicator of future movements.

### Country specific risks

Depending on the geographic location of the asset the Group applies country specific risks in the assessment.

The Group's operations are subject to a variety of country, regulatory and political risks, particularly in connection with its operations in emerging markets, including the Baltic countries, Poland and Russia. These risks include potential political and economic uncertainty, application of foreign exchange controls, price controls, nationalisation, expropriation, crime and lack of enforcement, political insurrection, governmental interference, currency fluctuations, punitive taxation and other restrictive government actions, and changes in law and government policy. Further, the legal systems in the emerging markets in which the Group operates may be less predictable than those in the Scandinavian countries, as the laws and courts of these countries have not been fully tested in enforcement of contracts and other types of commercial disputes.

### Capital expenditure ("capex")

The Group aims to maintain its market position in Scandinavia and to moderately grow its market share in Central and Eastern Europe, with a main focus on Poland and Russia. As such, the level of capex follows a long term maintenance strategy and a long term area specific growth strategy.

The recoverable amount for impaired assets have been calculated based on the following significant assumptions for the year ended 31 December 2010:

| (in %)                         | Nominal discount rate, after tax | Nominal discount rate, before tax | Growth rate | Tax  |
|--------------------------------|----------------------------------|-----------------------------------|-------------|------|
| Lithuania - fuel station sites | 9.3 - 9.5                        | 10.9 - 11.2                       | 2.0         | 15.0 |
| Latvia                         | 9.5                              | 11.2                              | -           | 15.0 |
| Aviation                       | 8.8                              | 11.9                              | -           | 26.0 |

### Impairment losses

During 2010 the Group incurred an impairment charge of NOK 96 million related to property, plant and equipment and goodwill, which is recognised in distribution costs. The impairment charge comprised impairment in Lithuania of NOK 58 million in relation to fuel station sites and NOK 14 million in relation to land bank sites, NOK 20 million in relation to loss of a sales contract to supply the Helsinki airport in Finland and NOK 4 million in relation to only partially successful efforts to improve supply costs related to the aviation business in Riga, Latvia.

These impairment losses are related to the Central & Eastern Europe and Special products segments as disclosed in note 3 segments.

There were no indicators of impairment losses on other property, plant and equipment and other intangible assets, and these have therefore not been tested for impairment.

There were no impairment losses in 2009.

### Sensitivity analysis

In connection with the impairment testing of cash generating units containing goodwill and intangible assets with indefinite useful life, a sensitivity analysis has been performed. The recoverable amount is determined based on future strategy plans considering expected development in both macro economic and company related conditions. In this regard a number of likely scenarios are computed.

The table below shows the amount by which each key assumption must change in isolation in order for the estimated recoverable amount to be equal to its carrying value.

| (in %)                              | Statoil Fuel &<br>Retail stations<br>- Norway<br>(retail network) | Statoil Fuel &<br>Retail stations<br>- Denmark<br>(retail network) | Jet Sweden | Jet Denmark |
|-------------------------------------|-------------------------------------------------------------------|--------------------------------------------------------------------|------------|-------------|
| Discount rate                       | 18.2                                                              | 2.0                                                                | 9.5        | 3.9         |
| Long term growth rate               | (75.2)                                                            | (3.0)                                                              | (21.4)     | (6.1)       |
| Annual budgeted operating profit    | (67.2)                                                            | (18.0)                                                             | (50.8)     | (29.9)      |
| Annual budgeted capital expenditure | 137.4                                                             | 13.1                                                               | 128.5      | 74.9        |

A reasonably possible change in a key assumption on which management has based its determination of the unit's recoverable amount would not cause the unit's carrying amount to exceed its recoverable amount.

## 17 Investments in associated companies

Investments in associated companies include share of revenue, profit and loss, total assets and liabilities based on the Group's ownership interests in certain associates.

| (in NOK million)                     | Year of<br>aquisition | Country of<br>residence | Ownership<br>interest | Voting power | Share capital<br>(in million) | 2010      | 2009       |
|--------------------------------------|-----------------------|-------------------------|-----------------------|--------------|-------------------------------|-----------|------------|
| <b>Associates</b>                    |                       |                         |                       |              |                               |           |            |
| Swedegas AB                          | 2001                  | Sweden                  | 29.6 %                | 29.6 %       | SEK 120                       | -         | 167        |
| Other                                |                       |                         |                       |              |                               | 43        | 35         |
| <b>Carrying value at 31 December</b> |                       |                         |                       |              |                               | <b>43</b> | <b>202</b> |

In February 2010 Statoil Fuel & Retail sold its 29.6 percent share in Swedegas AB to EQT Infrastructure Fund. The gain from the sale, recognised in the consolidated statement of income, was NOK 264 million. At 31 December 2010 the Group had no significant investments in associated companies.

Net income from associated companies amounted to NOK 4 million for the year ended 31 December 2010. Share of revenues, total assets and liabilities were immaterial. For the year ended 31 December 2009 net income from associated companies amounted to NOK 9 million, of which NOK 5 million was from Swedegas AB. Share of revenues amounted to NOK 59 million, and share of total assets and liabilities amounted to NOK 217 million and NOK 93 million, respectively.

No dividends were received from associated companies in 2010 and 2009.

## 18 Retirement benefit obligations

The employees of Statoil Fuel & Retail ASA, Statoil Norge AS and Svenska Statoil AB, and certain other employees are covered by defined benefit plans. Plan benefits are generally based on years of service and final salary level. The cost of defined benefit plans is expensed over the period that the employee renders services and becomes eligible to receive benefits. The obligations related to defined benefit plans are calculated by external actuaries.

Most employees not covered by defined benefit plans participate in defined contribution pension plans. The period's pension costs are recognised in the consolidated statement of income under distribution cost and administrative expenses.

The obligations related to the defined benefit plans were measured at 31 December 2010 and 2009. The present values of the projected defined benefit obligation and the related current service cost and past service cost are measured using the projected unit credit method. The assumptions for salary increases, increases in pension payments and social security base amount have been tested against historical observations.

Actuarial gains and losses are recorded in the consolidated statement of comprehensive income in the period in which they occur. Actuarial gains and losses related to the provision for termination benefits are recognised in the consolidated statement of income in the period in which they occur.

Social security tax is calculated based on the pension plan's net unfunded status. Social security tax is included in the projected benefit obligation.

### Net periodic pension cost

| (in NOK million)                                 | 2010       | 2009       |
|--------------------------------------------------|------------|------------|
| Current service cost                             | 112        | 85         |
| Interest cost on prior years' benefit obligation | 105        | 100        |
| Expected return on plan assets                   | (119)      | (96)       |
| Termination benefits (see note 8)                | -          | 73         |
| <b>Defined benefit plans</b>                     | <b>98</b>  | <b>162</b> |
| Defined contribution plans                       | 162        | 192        |
| <b>Total net pension cost</b>                    | <b>260</b> | <b>354</b> |

Pension costs include social security taxes. Termination benefits relate to the restructuring programmes carried out in 2009. For further details see note 8 restructuring costs.

Total net pension cost is included in distribution costs and administrative expenses in the consolidated statement of income.

### Change in projected benefit obligation (PBO)

| (in NOK million)                                   | 2010         | 2009         |
|----------------------------------------------------|--------------|--------------|
| Projected benefit obligation at 1 January          | 2,419        | 2,427        |
| Current service costs                              | 112          | 85           |
| Termination benefits                               | -            | 73           |
| Interest cost on prior years' benefit obligation   | 105          | 100          |
| Actuarial loss/ (gain)                             | (32)         | (95)         |
| Benefits paid including payroll tax                | (108)        | (102)        |
| Foreign currency translation                       | 34           | (69)         |
| <b>Projected benefit obligation at 31 December</b> | <b>2,530</b> | <b>2,419</b> |

The projected benefit obligation consists of funded plans.

**Change in fair value of plan assets**

| (in NOK million)                                | 2010         | 2009         |
|-------------------------------------------------|--------------|--------------|
| Fair value of plan assets at 1 January          | 2,043        | 1,852        |
| Expected return on plan assets                  | 119          | 96           |
| Company contributions                           | 66           | 95           |
| Actuarial gain/ (loss)                          | 57           | 124          |
| Benefits paid                                   | (63)         | (67)         |
| Foreign currency translation                    | 35           | (56)         |
| <b>Fair value of plan assets at 31 December</b> | <b>2,256</b> | <b>2,043</b> |

**Change in net pension asset/ (liability)**

| (in NOK million)                                                                     | 2010         | 2009         |
|--------------------------------------------------------------------------------------|--------------|--------------|
| Net pension asset/ (liability) at 1 January                                          | (376)        | (575)        |
| Net periodic pension costs defined benefit plans                                     | (98)         | (85)         |
| Termination benefits                                                                 | -            | (73)         |
| Net actuarial (loss)/gain recognised in other comprehensive income                   | 89           | 219          |
| Company contributions                                                                | 66           | 95           |
| Benefits paid                                                                        | 45           | 34           |
| Other changes (including curtailments, settlements and foreign currency translation) | (1)          | 8            |
| <b>Net pension asset/ (liability) at 31 December</b>                                 | <b>(275)</b> | <b>(376)</b> |

**Recognised in the consolidated statement of financial position as**

|                     |       |       |
|---------------------|-------|-------|
| Pension assets      | 159   | 110   |
| Pension liabilities | (434) | (486) |

**Actual return on plan assets**

| (in NOK million)             | 2010 | 2009 |
|------------------------------|------|------|
| Actual return on plan assets | 165  | 222  |

**Assumptions**

The following actuarial assumptions have been used to determine the present value of the defined benefit obligation at that date, and the pension expense the following year.

| (in %)                                                      | 2010   |        | 2009   |        |
|-------------------------------------------------------------|--------|--------|--------|--------|
|                                                             | Norway | Sweden | Norway | Sweden |
| Discount rate                                               | 4.25   | 3.90   | 4.75   | 4.80   |
| Expected return on plan assets                              | 5.75   | 5.00   | 6.00   | 5.00   |
| Rate of salary increase                                     | 4.00   | 2.75   | 4.25   | 2.75   |
| Expected rate of pension increase                           | 2.75   | 2.00   | 3.00   | 2.00   |
| Expected increase of social security base amount (G-amount) | 3.75   | 2.75   | 4.00   | 2.75   |
| Inflation                                                   | 2.25   | 2.00   | 2.25   | 2.00   |

Expected utilisation of AFP in Norway is 50 percent for employees at 62 years and 30 percent for the remaining employees at 63-66 years.

For the population in Norway, the mortality table K 2005 including the minimum requirements from The Financial Supervisory Authority of Norway (Finanstilsynet), hence reducing the mortality rate with a minimum of 15 percent for male and 10 percent for female for each employee is used as the best mortality estimate. For the population in Sweden, the mortality assumption used follows the Swedish insurance supervisory authority directions FFFS 2007:31.

The average remaining service period is 15 years as of 31 December 2010.

### Sensitivity analysis

The table below shows an estimate of the potential effects of changes in the key assumptions for the defined benefit plans. The following estimates are based on facts and circumstances as of 31 December 2010. Actual results may materially deviate from these estimates.

| (in NOK million)                | Discount rate |       | Rate of salary increase |     | Social security base amount |      | Expected rate of pension increase |     |
|---------------------------------|---------------|-------|-------------------------|-----|-----------------------------|------|-----------------------------------|-----|
|                                 | 1%            | -1%   | 1%                      | -1% | 1%                          | -1%  | 1%                                | -1% |
| Changes in:                     |               |       |                         |     |                             |      |                                   |     |
| Projected benefit obligation at |               |       |                         |     |                             |      |                                   |     |
| 31 December 2010                | 414           | (404) | (172)                   | 241 | 145                         | (25) | (251)                             | 315 |
| Service cost 2011               | 32            | (26)  | (23)                    | 31  | 18                          | (2)  | (8)                               | 20  |

### Pension assets

The plan assets related to the defined benefit plans were measured at fair value at 31 December 2009 and 2010. The long term expected return on pension assets is based on long term risk free interest rate adjusted for the expected long term risk premium for the respective investment classes. A risk free interest rate is applied as a starting point for calculation of return on plan assets. The return in the money market is calculated by taking a deduction on bond yield. Based on historical data, equities and real estate are expected to give a long term additional return above money market.

In its asset management, the pension fund aims at achieving long term returns which contribute towards meeting future pension liabilities. Assets are managed to achieve a return as high as possible within a framework of public regulation and risk management policies. The pension fund's target returns require investments in assets with a higher risk than risk free investments. Risk is reduced through maintaining a well diversified asset portfolio. Assets are diversified both in terms of location and different asset classes. Derivatives are used within set limits to facilitate effective asset management.

### Pension assets allocated to respective investments classes

| (in %)                      | 2010         |              | 2009         |              |
|-----------------------------|--------------|--------------|--------------|--------------|
|                             | Norway       | Sweden       | Norway       | Sweden       |
| Equity securities           | 40.1         | 14.1         | 39.6         | 12.5         |
| Bonds                       | 38.1         | 60.5         | 39.4         | 54.3         |
| Commercial papers           | 14.7         | 25.4         | 14.7         | 33.2         |
| Real estate                 | 4.8          | -            | 5.1          | -            |
| Other assets                | 2.3          | -            | 1.2          | -            |
| <b>Total at 31 December</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> |

Contributions to pension plans may either be paid in cash or be deducted from the pension premium fund. The fair value of plan assets amounted to NOK 2,256 million and NOK 2,043 million at 31 December 2010 and 2009, respectively. The decision whether to pay in cash or deduct from the pension premium fund is made on an annual basis. The expected company contribution related to 2011 amounts to NOK 86 million.

**Historic funding and adjustments to plan liabilities and assets**

| (in NOK million)                                                   | 2010         | 2009         | 2008         | 2007         |
|--------------------------------------------------------------------|--------------|--------------|--------------|--------------|
| Projected benefit obligation                                       | 2,530        | 2,419        | 2,423        | 2,270        |
| Fair value of plan assets                                          | 2,256        | 2,043        | 1,852        | 2,004        |
| <b>Net pension asset/ (liability) at 31 December</b>               | <b>(275)</b> | <b>(376)</b> | <b>(571)</b> | <b>(265)</b> |
| Difference between the expected and actual return on plan assets:* |              |              |              |              |
| a) Amount                                                          | 56           | 132          | (225)        | NA           |
| b) Percentage of plan assets                                       | 3.4 %        | 13.1 %       | (22.7 %)     | NA           |
| Experienced (gains)/ losses on plan liabilities:*                  |              |              |              |              |
| a) Amount                                                          | 26           | 95           | (112)        | NA           |
| b) Percentage of present value of plan liabilities                 | 19%          | (1.5 %)      | (16.8 %)     | NA           |

\* 2009 and 2008 figures include experience adjustment on plan assets and liabilities for Statoil Norge AS and Svenska Statoil AB. The present period also include adjustments for Statoil Fuel & Retail ASA. Comparative figures are not available for 2007.

**AFP scheme**

Due to National agreements in Norway, Statoil Fuel & Retail ASA and Statoil Norge AS are members of the "agreement-based early retirement plan" (AFP). The current AFP scheme was replaced by a new AFP scheme from 1 January 2011. Statoil Fuel & Retail will pay a contribution for pension in payment under the current scheme and premium for both schemes (new and old scheme) up until 31.12.2015. The premium in the new scheme will be calculated on the basis of the employees' income between 1 and 7.1 G. The premium is payable for all employees until age 62. Pension from the new AFP scheme will be paid to employees for their full lifetime.

The employers have an obligation to pay a percentage of the benefits under the AFP scheme. This obligation is accounted for as a defined benefit plan. In the current early retirement system Statoil Fuel & Retail offers a supplementary company pension for employees. This is also accounted for as a defined benefit plan, and is included in the liabilities related to the defined benefit plans. Statoil Fuel & Retail therefore has a combined early retirement commitment to the employees irrespectively of the level of funding from the governmental AFP-funding. Hence the replacement of the old AFP with a new AFP in 2010 is not viewed as a termination of the plan.

New legislation affecting Norwegian pension and insurance schemes have been passed during 2010 as part of the Norwegian pension and insurance reform. The legislation requires some adaptations in Statoil Fuel & Retail ASA and Statoil Norge AS's Norwegian pension scheme, in particular related to increased flexibility of retirement. There will also be a need to evaluate the future arrangement for early retirement during first quarter of 2011. Statoil Fuel & Retail will undertake a review of the total pension scheme during 2011 as a basis for deciding a revised model based on the new legislation.

## 19 Financial investments and receivables

Financial investments and receivables recognised in the consolidated statement of financial position:

| (in NOK million)                             | 2010     | 2009      |
|----------------------------------------------|----------|-----------|
| Financial investments                        | 3        | 10        |
| Financial receivables                        | 3        | 87        |
| <b>Financial investments and receivables</b> | <b>6</b> | <b>97</b> |

Financial investments consist of non-listed securities in companies where the Group does not have significant influence or control. All non-listed securities are classified as available for sale assets recognised in the consolidated statement of financial position at fair value with changes in fair value recognised in other comprehensive income. Significant and prolonged declines in fair value are recognised in the consolidated statement of income. There has not been any significant changes in estimated fair market values over the periods.

Financial receivables mainly consist of non-current loans to external parties. The decrease in financial receivables of NOK 84 million is primarily due to repayments of loan in 2010.

## 20 Other non-current receivables

Other non-current receivables amounts to NOK 13 million and NOK 76 million at 31 December 2010 and 2009, respectively, and comprise mainly prepayments for finance lease of plants and equipments. See note 26 leases for further information on finance leases.

## 21 Inventories

Inventories are valued at the lower of cost and net realisable value. Inventories of raw material, work in progress and finished goods are valued under the first-in, first-out (FIFO) method. The valuation of inventories on Greenland is one exception, where the inventories are valued at average.

The carrying amount of inventory at the beginning of the year has, in all material respects, been recognised as an expense and included in cost of goods sold in the consolidated statement of income.

The Group's inventory mainly consists of finished goods are included refined oil products, lubricants and convenience products.

| (in NOK million) | 2010  | 2009  |
|------------------|-------|-------|
| Inventories      | 1,847 | 1,737 |

## 22 Trade and other receivables

The carrying amount for trade and other receivables is measured at cost less provision for bad debt, which approximates the fair value of the assets. Provisions for bad debt is charged to distribution costs in the consolidated statement of income.

| (in NOK million)                                  | 2010         | 2009         |
|---------------------------------------------------|--------------|--------------|
| Trade receivables                                 | 7,374        | 8,080        |
| Provisions for bad debt                           | (221)        | (228)        |
| Current tax receivables                           | 179          | 107          |
| Other current receivables                         | 524          | 52           |
| <b>Trade and other receivables at 31 December</b> | <b>7,857</b> | <b>8,011</b> |

| (in NOK million)                                     | 2010       | 2009       |
|------------------------------------------------------|------------|------------|
| Provision for bad debt at 1 January                  | 228        | 207        |
| Provisions for bad debt expensed during the year     | 68         | 121        |
| Receivables written off or recovered during the year | (75)       | (100)      |
| <b>Provisions for bad debt at 31 December</b>        | <b>221</b> | <b>228</b> |

The table below presents the aging of trade receivables.

| (in NOK million)                         | 2010         | 2009         |
|------------------------------------------|--------------|--------------|
| Current                                  | 6,942        | 7,450        |
| 1-30 days past due                       | 186          | 228          |
| 31-60 days past due                      | 17           | -            |
| More than 60 days past due               | 229          | 174          |
| <b>Trade receivables* at 31 December</b> | <b>7,374</b> | <b>7,852</b> |

\* Ageing of trade receivables at 31 December 2009 is presented net of provisions for bad debt, and amounts to NOK 8,080 excluding such provisions.

For more information about the credit quality of the Group's receivables see note 4 financial risk management.

## **23 Derivative financial instruments**

Statoil Fuel & Retail's electricity business, which was a part of the Scandinavian segment, entered into electricity contracts with third party customers. On a back to back basis the Group also entered into derivative financial instrument contracts with Statoil to hedge the price risk. The Group settled the derivative financial instruments' cash flows and passed them on to the customer as they were realised.

The financial price hedge contracts, both with Statoil and the third party customers are recognised as derivative financial instruments at fair value in the consolidated statement of financial position with the changes in the fair value recognised in the consolidated statement of income. The derivative financial instruments recognised at fair value are presented on a gross basis in the consolidated statement of financial position as derivative financial instruments assets or liabilities, since the Group did not have the legal right or the intention to offset these cash flows. Changes in the fair value relate to daily changes in market prices of the derivative contracts and the volume of contracts entered into.

The fair value of the derivative financial instruments was NOK 86 million at 31 December 2009. After the sale of the electricity business in October 2010, no derivative financial instruments are recognised in the consolidated statement of financial position.

## **24 Cash and cash equivalents**

The Statoil Fuel & Retail entities have historically obtained current funding from Statoil through short term borrowings and internal bank facilities. In connection with the separation of the Fuel and Retail business from Statoil, all outstanding balances under the intra-group financing arrangement were settled. As part of this settlement, positive cash balances within the internal bank held by certain Statoil Fuel & Retail entities were transferred to the entities at the end of September 2010, resulting in an increase in cash and cash equivalents.

Cash and cash equivalents at 31 December 2010 include restricted cash of NOK 3 million related to employees' income tax withheld in Poland. The corresponding figures at 31 December 2009 was NOK 4 million.

## 25 Financial liabilities

On 26 August 2010, Statoil Fuel & Retail entered into a multicurrency term and revolving loan facility in the aggregate amount of NOK 7,000 million, with nine international banks. The purpose of the facilities is to finance the Group's general corporate purposes and to repay all amounts outstanding to Statoil under the intra-group bridge loan agreement, five days following the listing.

The total facility amount under the bank facility agreement is split into two tranches: (i) a three year term loan facility available for draw down during a three month period from and including the fifth business day following listing of Statoil Fuel & Retail ASA's ordinary shares on the Oslo Stock Exchange ("the completion date") in an amount of up to NOK 4,000 million and (ii) a five year revolving credit facility available from and including the completion date until one month prior to the facility termination date, which will be sixty months after the date of the bank facility agreement, in an amount of up to NOK 3,000 million.

In addition to the bank facility agreement, the Group has established overdraft facilities in a number of different currencies to fund their net intra-month working capital needs.

In November 2010 NOK 4,000 million was drawn from the three year term loan facility. At 31 December 2010, non-current borrowings amount to NOK 3,955 million. The non-current borrowings are, in its entirety, due for payment in 2013. In addition, NOK 300 million is drawn from the five year revolving credit facility. This was repaid in February 2011 and shown as current financial liabilities in the consolidated statement of financial position. Included in current financial liabilities are also bank overdrafts of NOK 603 million.

The interest rate for both tranches is equal to an inter-bank interest rate applicable for specified currencies plus a specified margin. For the three year term loan facility, interest rates as of 31 December 2010 was 3.88 percent. At 31 December 2010, accrued interest rates of NOK 28 million related to the bank facility agreement is included in trade and other payables. These interests are due for payment in May 2011.

At 31 December 2010, there were no financial covenants related to the bank facility agreement.

Included in non-current financial liabilities are also finance lease obligations of NOK 185 million at 31 December 2010 and NOK 187 million at 31 December 2009. At 31 December 2010 current financial liabilities include current portion of lease obligations of NOK 29 million. See note 26 leases for further information on lease obligations.

## 26 Leases

The Group has entered into various finance and operating lease contracts, mainly related to rental of service stations, land, equipment and office buildings. The lease terms vary from short term contracts to contracts with duration of up to 100 years. The majority of the lease contracts are renewable at the end of the lease period at market rates. Amounts related to finance leases include future minimum lease payments for assets recognised in the consolidated statement of financial position.

Lease payments recognised as expenses are as follows:

| (in NOK million)           | 2010       | 2009       |
|----------------------------|------------|------------|
| Minimum lease payments     | 316        | 351        |
| Contingent rentals         | 12         | 11         |
| Gross rental expenses      | 327        | 362        |
| Sublease rental income     | (6)        | (7)        |
| <b>Net rental expenses</b> | <b>321</b> | <b>355</b> |

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

| (in NOK million)                           | Operating leases | Operating subleases | Finance lease          |             |                                          |
|--------------------------------------------|------------------|---------------------|------------------------|-------------|------------------------------------------|
|                                            |                  |                     | Minimum lease payments | Interest    | Net present value minimum lease payments |
| 2011                                       | 286              | (6)                 | 37                     | (8)         | 29                                       |
| 2012                                       | 237              | (4)                 | 37                     | (8)         | 29                                       |
| 2013                                       | 230              | (3)                 | 35                     | (9)         | 26                                       |
| 2014                                       | 218              | (3)                 | 32                     | (9)         | 23                                       |
| 2015                                       | 208              | (3)                 | 32                     | (10)        | 23                                       |
| Thereafter                                 | 894              | (27)                | 128                    | (44)        | 84                                       |
| <b>Total future minimum lease payments</b> | <b>2,072</b>     | <b>(47)</b>         | <b>301</b>             | <b>(88)</b> | <b>213</b>                               |

Property, plant and equipment include the following amounts for leases, which were capitalised:

| (in NOK million)                                  | 2010       | 2009       |
|---------------------------------------------------|------------|------------|
| Machinery, equipment and transportation equipment | 64         | 45         |
| Buildings                                         | 143        | 170        |
| <b>Total</b>                                      | <b>207</b> | <b>215</b> |

## 27 Provisions

| (in NOK million)                                               | Asset retirement obligations | Other provisions | Total      |
|----------------------------------------------------------------|------------------------------|------------------|------------|
| Non-current portion at 1 January 2010                          | 353                          | 44               | 397        |
| Current portion at 1 January 2010                              | -                            | -                | -          |
| Provisions at 1 January 2010                                   | 353                          | 44               | 397        |
| Liabilities incurred/revision in estimates                     | 6                            | 109              | 115        |
| Effects of change in the discount rate and the passage of time | (2)                          | -                | (2)        |
| Reduction due to disposals                                     | -                            | (9)              | (9)        |
| Currency exchange difference                                   | (1)                          | 3                | 2          |
| Non-current portion at 31 December 2010                        | 356                          | 106              | 463        |
| Current portion at 31 December 2010                            | -                            | 41               | 41         |
| <b>Provisions at 31 December 2010</b>                          | <b>356</b>                   | <b>147</b>       | <b>504</b> |

| (in NOK million)                                               | Asset retirement obligations | Other provisions | Total      |
|----------------------------------------------------------------|------------------------------|------------------|------------|
| Non-current portion at 1 January 2009                          | 253                          | 18               | 271        |
| Current portion at 1 January 2009                              | -                            | -                | -          |
| Provisions at 1 January 2009                                   | 253                          | 18               | 271        |
| Liabilities incurred/revision in estimates                     | 60                           | 8                | 69         |
| Additions due to acquisitions                                  | 63                           | 20               | 83         |
| Effects of change in the discount rate and the passage of time | 7                            | -                | 7          |
| Currency exchange difference                                   | (31)                         | (3)              | (33)       |
| Non-current portion at 31 December 2009                        | 353                          | 44               | 397        |
| Current portion at 31 December 2009                            | -                            | -                | -          |
| <b>Provisions at 31 December 2009</b>                          | <b>353</b>                   | <b>44</b>        | <b>397</b> |

Current portion of provisions is included in Trade and other payables.

Asset retirement obligations consist of provisions related to removal or closing of service stations and depots.

Expenditures related to asset retirement obligations are expected to be paid primarily in the period between 2015 and 2025. The timing depends primarily on when service stations or depots are closed down. For further discussion of methods applied and estimates required, see note 2 significant accounting policies.

Other non-current provisions mainly consist of provisions for future environmental costs. At 31 December 2010 other current provisions include a dispute related to sale of a pellet factory in Sweden and provisions related to a proceeding concerning excise duty on heating oil in Poland. See note 30 other commitments, contingent assets and contingent liabilities for further information on these matters.

## 28 Trade and other payables

| (in NOK million)                               | 2010         | 2009         |
|------------------------------------------------|--------------|--------------|
| Trade payables                                 | 1,530        | 2,222        |
| Withholding tax and accrued holiday pay        | 3,949        | 2,713        |
| Other current accrued costs                    | 1,329        | 1,645        |
| <b>Trade and other payables at 31 December</b> | <b>6,808</b> | <b>6,580</b> |

Accounts payable are due within standard credit terms provided by creditors. Other current accruals include items such as goods received not yet invoiced, rebates and accrued salaries.

## 29 Related parties

Statoil Fuel & Retail ASA is a 54 percent owned subsidiary of Statoil, and consequently Statoil and all the entities in the Statoil Group are related parties.

The Norwegian State is the majority shareholder of Statoil as well as being a major shareholder in certain other Norwegian companies. This means that Statoil and Statoil Fuel & Retail participate in transactions with many parties that are under a common ownership structure and therefore meet the definition of a related party. All transactions with related parties are made on an arm's length basis.

Statoil is a supplier of both goods and services to the Group. Statoil has historically supplied the Group in all the Scandinavian countries. All prices are based on estimated market prices.

The supply of goods from Statoil are recognised in cost of goods sold in the consolidated statement of income with NOK 40,699 million and NOK 30,294 million for the years 2010 and 2009 respectively.

Statoil has provided certain services such as tax, IT, finance and other financial support to Statoil Fuel & Retail. The Group has paid cost plus a mark-up for these services, amounting to NOK 1,005 million in 2010, and NOK 826 million in 2009.

Receivables from and liabilities to related parties are included in separate captions in the consolidated statement of financial position. Receivables and payables to related parties are receivables from and payables to Statoil. In 2010 the current liabilities to Statoil are mainly derived from ordinary business operations such as oil supply. Under the new supply arrangement with Statoil, the Group has 8 days of credit. At 31 December 2009 the Group had liabilities related to current funding through Statoil Group bank facilities and non-current liabilities related to funding from Statoil to the Statoil Fuel & Retail entities. The borrowings were obtained in local currencies at floating interest rates, and were settled as part of the separation from Statoil, as described in note 33 separation from Statoil ASA.

Net financial expenses to related parties for the years ended 31 December 2010 and 2009 are included in financial income and financial expenses in the consolidated statement of income. Financial expenses primarily relate to interests on non-current borrowings from Statoil.

| (in NOK million)                              | 2010         | 2009         |
|-----------------------------------------------|--------------|--------------|
| Financial income related parties              | 24           | 58           |
| Financial expenses related parties            | (275)        | (430)        |
| <b>Net financial expenses related parties</b> | <b>(251)</b> | <b>(372)</b> |

Information on management remuneration is presented in note 9 salaries and personnel expenses.

### 30 Other commitments, contingent assets and contingent liabilities

Statoil Fuel & Reatil has commitments and contingencies in respect of guarantees, asset retirement obligations and other obligations arising in the ordinary course of business. For further information on asset retirement obligations and provisions, see note 27 provisions.

#### Guarantees

At 31 December 2010 the Group had issued guarantees to and on behalf of third parties with an undiscounted maximum future payment amounting to NOK 138 million. The corresponding amount at 31 December 2009 was NOK 165 million. These guarantees primarily relate to financial guarantee commitments on behalf of retailers in Sweden. Guarantees comprise items such as guarantees towards retailer's car wash, shop inventory and stock buy back, in addition to guarantees towards suppliers of electricity and heating. The guarantee commitments recognised in the statement of financial position at 31 December 2010 and 2009 and the fair value of these were immaterial.

#### Other commitments, contingent assets and contingent liabilities

Statoil Fuel & Retail has entered into various truck transportation contracts where the Group has the right to use and the obligation to pay for certain transportation capacity until the end of June 2011, when the majority of the contracts expire. The Group has, during the fourth quarter of 2010, entered into new agreements for the provision of fuel transportation services. The Group has the right to use and the obligation to pay for certain transportation capacity during the contract period, which commences 1 July 2011 and runs until 30 June 2016. A binding commitment for the Group arises when a production plan for the forthcoming month is approved. At 31 December 2010 no such commitments were made.

During the fourth quarter of 2010 certain Statoil Fuel & Retail entities entered into a new agreement with ConocoPhillips company, which granted the entities license to use and the obligation to pay for the use of the JET trademark. The agreement commenced 1 November 2010 and runs until 31 December 2015.

In the Norwegian and Swedish markets, customers can settle their purchases by use of a combined Statoil/MasterCard credit card. Statoil Fuel & Retail has entered into agreements whereby the risks and rewards related to the credit cards, like fee income, administration expenses and bad debt, are shared equally between the Group and external banks. For further information about the credit risk related to these agreements, see note 4 financial risk management.

During the normal course of its business the Group is involved in legal proceedings. There are unresolved claims currently outstanding, however these are considered immaterial. The ultimate liability or asset in respect of such litigation and claims cannot be determined at this time. The Group has provided in its financial statements for probable liabilities related to litigation and claims based on the Group's best judgement.

The operation in Poland is a party in a proceeding concerning excise duty on heating oil. At 31 December 2010, a provision of NOK 10 million has been made for this proceeding taking into consideration the risk assessment provided by external tax advisors. This represents Statoil Fuel & Retail's best estimate of the amounts that are more likely than not to be paid. The final amount of the potential liability depends on a number of future events, the outcome of which is uncertain and as a consequence the amount of the provision may significantly change at a future date.

At 31 December 2010 other current provisions also include NOK 19 million related to a dispute regarding the sale of a pellet factory in Sweden during 2009.

It is not anticipated that any material liabilities will arise from contingent liabilities other than those provided for and disclosed above or in note 27 provisions.

### 31 Financial instruments by category

Financial instruments and their carrying amounts recognised in the consolidated statement of financial position at 31 December as defined by IAS 39 categories are as follows.

| (in NOK million)                            | Fair value<br>through profit<br>or loss | Loans and<br>receivables | Financial<br>liabilities at<br>amortised cost | Available<br>for sale | Non-financial<br>assets/<br>liabilities | Total carrying<br>amount |
|---------------------------------------------|-----------------------------------------|--------------------------|-----------------------------------------------|-----------------------|-----------------------------------------|--------------------------|
| <b>2010</b>                                 |                                         |                          |                                               |                       |                                         |                          |
| Financial investments and receivables       | -                                       | 3                        | -                                             | 3                     | -                                       | 6                        |
| Financial receivables from related parties  | -                                       | 24                       | -                                             | -                     | -                                       | 24                       |
| Other non-current receivables               | -                                       | -                        | -                                             | -                     | 13                                      | 13                       |
| Trade and other receivables                 | -                                       | 7,816                    | -                                             | -                     | 41                                      | 7,857                    |
| Trade and other receivables related parties | -                                       | 448                      | -                                             | -                     | -                                       | 448                      |
| Cash and cash equivalents                   | -                                       | 1,533                    | -                                             | -                     | -                                       | 1,533                    |
| <b>Total financial assets</b>               | <b>-</b>                                | <b>9,824</b>             |                                               | <b>3</b>              | <b>54</b>                               | <b>9,881</b>             |
| Financial liabilities                       | -                                       | -                        | 4,140                                         | -                     | -                                       | 4,140                    |
| Financial liabilities related parties       | -                                       | -                        | -                                             | -                     | -                                       | -                        |
| Trade and other payables                    | -                                       | -                        | 6,306                                         | -                     | 502                                     | 6,808                    |
| Trade and other payables related parties    | -                                       | -                        | 2,496                                         | -                     | -                                       | 2,496                    |
| Current financial liabilities               | -                                       | -                        | 932                                           | -                     | -                                       | 932                      |
| <b>Total financial liabilities</b>          | <b>-</b>                                | <b>-</b>                 | <b>13,873</b>                                 | <b>-</b>              | <b>502</b>                              | <b>14,375</b>            |

| (in NOK million)                            | Fair value<br>through profit<br>or loss | Loans and<br>receivables | Financial<br>liabilities at<br>amortised cost | Available<br>for sale | Non-financial<br>assets/<br>liabilities | Total carrying<br>amount |
|---------------------------------------------|-----------------------------------------|--------------------------|-----------------------------------------------|-----------------------|-----------------------------------------|--------------------------|
| <b>2009</b>                                 |                                         |                          |                                               |                       |                                         |                          |
| Financial investments and receivables       | -                                       | 87                       | -                                             | 10                    | -                                       | 97                       |
| Financial receivables from related parties  | -                                       | 674                      | -                                             | -                     | -                                       | 674                      |
| Other non-current receivables               | -                                       | -                        | -                                             | -                     | 76                                      | 76                       |
| Trade and other receivables                 | -                                       | 7,973                    | -                                             | -                     | 38                                      | 8,011                    |
| Trade and other receivables related parties | -                                       | 1,664                    | -                                             | -                     | -                                       | 1,664                    |
| Derivative financial instruments            | 86                                      | -                        | -                                             | -                     | -                                       | 86                       |
| Cash and cash equivalents                   | -                                       | 1,076                    | -                                             | -                     | -                                       | 1,076                    |
| <b>Total financial assets</b>               | <b>86</b>                               | <b>11,474</b>            | <b>-</b>                                      | <b>10</b>             | <b>114</b>                              | <b>11,684</b>            |
| Financial liabilities                       | -                                       | -                        | 187                                           | -                     | -                                       | 187                      |
| Financial liabilities related parties       | -                                       | -                        | 8,693                                         | -                     | -                                       | 8,693                    |
| Trade and other payables                    | -                                       | -                        | 6,545                                         | -                     | 35                                      | 6,580                    |
| Trade and other payables related parties    | -                                       | -                        | 1,701                                         | -                     | -                                       | 1,701                    |
| Derivative financial instruments            | 86                                      | -                        | -                                             | -                     | -                                       | 86                       |
| <b>Total financial liabilities</b>          | <b>86</b>                               | <b>-</b>                 | <b>17,126</b>                                 | <b>-</b>              | <b>35</b>                               | <b>17,247</b>            |

Available for sale assets consist of non-listed equity securities in companies where Statoil Fuel & Retail does not have significant influence or control. Non-financial assets and liabilities mainly comprise prepaid expenses and prepayments from customers.

The following tables provide a view of revenues and expenses from the consolidated statement of income related to financial instruments.

| (in NOK million)              | Loans and<br>receivables | Financial<br>liabilities at<br>amortised cost | Available<br>for sale | Non-financial<br>assets/<br>liabilities | Total        |
|-------------------------------|--------------------------|-----------------------------------------------|-----------------------|-----------------------------------------|--------------|
| <b>2010</b>                   |                          |                                               |                       |                                         |              |
| Operating profit/(loss)       | (68)                     | -                                             | -                     | 2,410                                   | 2,342        |
| Financial income              | 64                       | -                                             | 1                     | 13                                      | 78           |
| Financial expenses            | (9)                      | (349)                                         | 1                     | (141)                                   | (497)        |
| <b>Net financial expenses</b> | <b>56</b>                | <b>(349)</b>                                  | <b>2</b>              | <b>(128)</b>                            | <b>(419)</b> |

| (in NOK million)              | Loans and<br>receivables | Financial<br>liabilities at<br>amortised cost | Available<br>for sale | Non-financial<br>assets/<br>liabilities | Total        |
|-------------------------------|--------------------------|-----------------------------------------------|-----------------------|-----------------------------------------|--------------|
| <b>2009</b>                   |                          |                                               |                       |                                         |              |
| Operating profit/(loss)       | (121)                    | -                                             | (62)                  | 1,369                                   | 1,186        |
| Financial income              | 150                      | -                                             | (36)                  | -                                       | 115          |
| Financial expenses            | 5                        | (561)                                         | (3)                   | (7)                                     | (566)        |
| <b>Net financial expenses</b> | <b>155</b>               | <b>(561)</b>                                  | <b>(39)</b>           | <b>(7)</b>                              | <b>(452)</b> |

## 32 Financial instruments: measurement and market risk sensitivities

### Fair value measurement of financial instruments

#### Derivative financial instruments

The Group recognises all derivative financial instruments in the consolidated statement of financial position at fair value. Changes in the fair value of the derivative financial instruments are recognised in the consolidated statement of income as other gain/(loss), net. After the sale of the electricity business in Scandinavia in October 2010, no derivative financial instruments were recognised in the consolidated statement of financial position. For further description of the electricity derivatives, see note 23 derivative financial instruments.

#### Financial investments

Statoil Fuel & Retail's financial investments comprise shares in companies where the Group does not have significant influence or control. All financial investments are recognised in the consolidated statement of financial position at fair value and classified as available for sale assets. A decline in the fair value below acquisition cost is recognised in the consolidated statement of income as an impairment loss, while a decline above acquisition cost and an increase in the fair value is recognised in the consolidated statement of comprehensive income.

#### Fair value hierarchy

The following table summarises each class of financial instruments which are recognised in the consolidated statement of financial position at fair value, split by the Group's basis for fair value measurement. Financial instruments recognised at fair value comprise financial investments, as described in note 19 financial investments and receivables.

| (in NOK millions)                                                   | Non-current<br>financial<br>investments | Derivative<br>financial<br>instruments<br>(asset) | Derivative<br>financial<br>instruments<br>(liability) | Total<br>fair value |
|---------------------------------------------------------------------|-----------------------------------------|---------------------------------------------------|-------------------------------------------------------|---------------------|
| Fair value based on prices quoted in an active market (Level 1)     | -                                       | -                                                 | -                                                     | -                   |
| Fair value based on price inputs other than quoted prices (Level 2) | -                                       | -                                                 | -                                                     | -                   |
| Fair value based on unobservable inputs (Level 3)                   | 3                                       | -                                                 | -                                                     | 3                   |
| <b>Total fair value at 31 December 2010</b>                         | <b>3</b>                                | <b>-</b>                                          | <b>-</b>                                              | <b>3</b>            |

| (in NOK millions)                                                   | Non-current<br>financial<br>investments | Derivative<br>financial<br>instruments<br>(asset) | Derivative<br>financial<br>instruments<br>(liability) | Total<br>fair value |
|---------------------------------------------------------------------|-----------------------------------------|---------------------------------------------------|-------------------------------------------------------|---------------------|
| Fair value based on prices quoted in an active market (Level 1)     | -                                       | -                                                 | -                                                     | -                   |
| Fair value based on price inputs other than quoted prices (Level 2) | -                                       | 86                                                | (86)                                                  | -                   |
| Fair value based on unobservable inputs (Level 3)                   | 10                                      | -                                                 | -                                                     | 10                  |
| <b>Total fair value at 31 December 2009</b>                         | <b>10</b>                               | <b>86</b>                                         | <b>(86)</b>                                           | <b>10</b>           |

Fair value in level 1 is based on prices quoted in an active market for identical assets or liabilities. At 31 December 2010 and 2009 there are no financial instruments measured at fair value within this level.

Fair value in level 2 is based on price inputs, other than quoted prices, which are derived from observable market transactions. At 31 December 2009 this level includes the Group's electricity derivatives. At 31 December 2010 there are no financial instruments measured at fair value within this level.

Fair value in level 3 is based on unobservable inputs, mainly internal assumptions. The internal assumptions are only used in the absence of quoted prices from an active market or other observable price inputs for the financial instruments subject to the valuation. Included in this level are shares in companies in which Statoil Fuel & Retail does not have significant influence or control.

## Market risk sensitivities

In the following, a sensitivity analysis showing how profit and loss or equity would have been affected by changes in the different types of market risk which the Group is exposed to at 31 December 2010 is presented.

For further information related to market risks and how the Group manages these risks see note 4 financial risk management.

The sensitivities have been calculated based on what Statoil Fuel & Retail views to be reasonably possible changes in the foreign exchange rates, the interest rate and the equity prices for the coming year.

### Commodity price risk

Prior to the sale of the electricity business in Scandinavia in October 2010, the Group was exposed to electricity price risk.

Any changes in fair value on the electricity derivatives were recognised in the consolidated statement of income. As the derivative financial instruments with Statoil and the derivatives within the physical contracts with customers historically fully off-set each other, the net effect on profit and loss or equity from an increase or decrease in the electricity prices was zero.

### Currency risk

By end of 2010 the currency risk sensitivities have been calculated by assuming a +/-12 percent change in foreign exchange rates that the Group is exposed to, where a +12 percent change refers to a weakening of functional currency against transactional currency and a -12 percent change refers to as a strengthening of functional currency against transactional currency.

| (in NOK million)                   | EUR   | NOK  | SEK  | DKK | PLN |
|------------------------------------|-------|------|------|-----|-----|
| Net gain/(loss) (-12% sensitivity) | (263) | 36   | (19) | 6   | 3   |
| Net gain/(loss) (12% sensitivity)  | 263   | (36) | 19   | (6) | (3) |

### Interest rate risk

For the interest rate risk sensitivity at 31 December 2010, a +1.5/-0.5 percentage point change in the interest rates have been used in the calculation.

| (in NOK million) | 1.50% | -0.50% |
|------------------|-------|--------|
| Net gain/(loss)  | (53)  | 18     |

For the sensitivities calculated by the end of 2009, a +/-1.5 percentage point change was used.

### Equity price risk

For the equity price risk sensitivity at 31 December 2010, a +/-35 percent change in the equity price for the non-listed equity securities have been used in the calculation. The effect on the profit and loss or equity following an increase or decrease in the equity price of non-listed equity securities would have been insignificant. For the sensitivities calculated by the end of 2009, a +/-10 percent change was used.

### 33 Separation from Statoil ASA

For information on the initial public offering of Statoil Fuel & Retail ASA and the transfer of the Fuel & Retail business from Statoil to the Company, see note 3 separation from Statoil ASA in the financial statements of Statoil Fuel & Retail ASA. The section below describes the effects of the separation from Statoil on the consolidated statement of financial position.

On 1 October 2010, the Fuel and Retail business was transferred from Statoil to Statoil Fuel & Retail through a number of separation transactions. These transactions, which were recorded in the fourth quarter of 2010, have significantly impacted the consolidated statement of financial position at 31 December 2010.

The separation transactions resulted in a decrease of NOK 1,850 million in total assets and can be explained by a reduction in non-current assets of NOK 650 million and a reduction of current assets of approximately NOK 1,200 million. Non-current assets decreased mainly due to a reduction of financial receivables to Statoil. At 31 December 2009, the Group had financial receivables related to financing activities of NOK 650 million to Statoil. These balances were settled in the separation. Current assets decreased as a result of the settlement of related party receivables.

At 31 December 2010 total equity was NOK 7,907 million, an increase of NOK 145 million compared with 31 December 2009. Profit after tax of NOK 1,585 million and a capital increase of NOK 500 million were offset by the effects of the separation transactions of NOK -1,954 million. The main contributors included:

- The purchase of the demerged Danish subsidiary Statoil A/S and the purchase of the aviation assets from Statoil
- Settlement of carve-out balances
- Gain on sale of inventory in primary storage facilities in Norway and Sweden
- Gain on sale of the LPG caverns and loading racks

Total non-current liabilities decreased by NOK 4,833. The reduction was mainly due to a settlement of non-current inter-company debt to Statoil of NOK 8,693 million offset by the draw down of a syndicate loan of NOK 4,000 million. The loans were repaid to Statoil in October and replaced by a new Bank Facility Agreement, described in note 25 financial liabilities. In addition, certain carve-out balances, mainly related to the demerger of the Danish subsidiary, were settled against equity in the separation.

Total current liabilities increased by NOK 2,496 million due to an increase in trade and other payables to related parties as a result of improved payment terms in the new supply agreement. Historically, payables related to purchases of refined oil products have been assumed to be settled every day. Under the new supply arrangement with Statoil, the Group has 8 days of credit. The increased number of credit days contributed to an increase in trade and other payables to related parties. Further, certain excise duty and VAT payables related to the Fuel and Retail business had historically not been allocated to Statoil Fuel & Retail by Statoil. After the separation, these balances were allocated to Statoil Fuel & Retail.

### 34 Shareholder information

On 1 October 2010, Statoil transferred the assets, rights and liabilities of the Fuel and Retail business to Statoil Fuel & Retail ASA. As a consideration for the transfer, the Company issued 300 million shares, each with a par value of NOK 5, to Statoil. The initial public offering of Statoil Fuel & Retail ASA took place in conjunction with an offering of existing shares in the Company by Statoil, where Statoil sold 46 percent of its shares in the Company. Statoil Fuel & Retail ASA did not receive any proceeds from this sale. At 31 December 2010 share capital amounts to NOK 1,500 million.

All the shares rank in parity with one another and carry one vote per share.

The tables below show the largest shareholders of Statoil Fuel & Retail ASA and shares held by Management and Board of Directors at 31 December 2010.

| Name of shareholder                 | Number of shares   | Shares in %   |
|-------------------------------------|--------------------|---------------|
| Statoil ASA                         | 162,000,000        | 54.00         |
| UBS AG, London Branch *             | 11,436,030         | 3.81          |
| Morgan Stanley & CO INC. New York * | 7,103,477          | 2.37          |
| Bank of New York Mellon SA/NV *     | 7,090,341          | 2.36          |
| Societe Generale Paris              | 6,299,238          | 2.10          |
| Folketrygdfondet                    | 5,822,390          | 1.94          |
| State Street Bank and Trust CO.*    | 4,745,380          | 1.58          |
| JPMorgan Chase Bank *               | 3,488,930          | 1.16          |
| JPMorgan Chase Bank *               | 3,246,419          | 1.08          |
| Skandinaviska Enskilda Banken*      | 3,042,575          | 1.01          |
| <b>Total largest shareholders</b>   | <b>214,274,780</b> | <b>71.41</b>  |
| Total other shareholders            | 85,725,220         | 28.59         |
| <b>Total shares outstanding</b>     | <b>300,000,000</b> | <b>100.00</b> |

\* Nominee account and similar

| Board of Directors           |                                               | Number of shares |
|------------------------------|-----------------------------------------------|------------------|
| Birger Magnus                | Chair                                         | 2,430            |
| Per Bjørgås                  | Board member                                  | -                |
| Ann-Charlotte Lundén         | Board member                                  | 3,500            |
| Jon Arnt Jacobsen            | Board member                                  | 2,050            |
| Marthe Hoff                  | Board member                                  | 930              |
| Ketil Johannessen            | Board member (employee representative)        | -                |
| Paul Piche                   | Board member (employee representative)        | -                |
| Anne Martha Støver           | Board member (employee representative)        | -                |
| Ellen Mikalsen               | Deputy board member (employee representative) | 250              |
| Odd Arne Rasmussen           | Deputy board member (employee representative) | 2,550            |
| Cathrine Henriksen Jørgensen | Deputy board member (employee representative) | -                |
| Petter Vådal                 | Deputy board member (employee representative) | -                |
| Egle Merkevicene             | Deputy board member (employee representative) | 250              |
| Jørn Bjarne Eide             | Deputy board member (employee representative) | 250              |
| Rolv Bjørn Jernskau          | Deputy board member (employee representative) | -                |
| <b>Total at 31 December</b>  |                                               | <b>12,210</b>    |

| Corporate Executive Committee |                              | Number of shares |
|-------------------------------|------------------------------|------------------|
| Jacob Schram                  | Chief Executive Officer      | 23,130           |
| Klaus-Anders Nysteen          | Chief Financial Officer      | 16,380           |
| Jørn Madsen                   | EVP Central & Eastern Europe | 12,340           |
| Hans-Olav Høidahl             | EVP Scandinavia              | 5,000            |
| Jonas Palm                    | EVP Special Products         | 6,550            |
| Jan Dahm-Simonsen             | EVP Human Resources & Staff  | 1,280            |
| Lars Gaustad                  | EVP Transport Fuel           | 3,200            |
| Ina Strand                    | EVP Market Development       | 1,280            |
| Karl Kristian Mydske          | EVP Sales & Operations       | 5,000            |
| Bård Standal                  | General Counsel              | 1,280            |
| Karen Romer                   | SVP Communications           | 2,560            |
| <b>Total at 31 December</b>   |                              | <b>78,000</b>    |

### 35 Reconciling cash flow information

For the purpose of the consolidated statement of cash flow the following line items have been reconciled.

#### Purchases of property, plant and equipment and intangible assets

| (in NOK million)                                                        | Notes | 2010       | 2009         |
|-------------------------------------------------------------------------|-------|------------|--------------|
| Additions and transfers property, plant and equipment                   | 14    | 826        | 2,036        |
| Additions and transfers intangible assets                               | 15    | 17         | 663          |
| <b>Total additions</b>                                                  |       | <b>843</b> | <b>2,699</b> |
| <i>Significant non-cash transactions:</i>                               |       |            |              |
| Finance lease                                                           |       | (23)       | -            |
| Asset retirement obligation                                             |       | 3          | (92)         |
| Business combination - property, plant and equipment                    | 6     | -          | (342)        |
| Business combination - intangible assets                                | 6     | -          | (65)         |
| Business combination - goodwill                                         | 6     | -          | (567)        |
| Reclassification of associated companies                                |       | -          | (38)         |
| Other                                                                   |       | -          | (31)         |
| <b>Purchases of property, plant and equipment and intangible assets</b> |       | <b>823</b> | <b>1,564</b> |

Significant non-cash items comprise additions of finance lease and asset retirement obligation in 2010. The cash outflow from the JET acquisition was reflected in 2008, and the JET companies were consolidated in 2009 when control was obtained. Additions of property, plant and equipment and intangible assets have therefore been adjusted to reflect the difference between cash outflow and consolidation. For further details see note 6 business combinations.

Purchases of property, plant and equipment and intangible assets have been grouped into maintaining existing capacity and growth for the purpose of internal reporting.

| (in NOK million)              | 2010       | 2009         |
|-------------------------------|------------|--------------|
| Maintaining existing capacity | 793        | 1,154        |
| Growth                        | 30         | 410          |
| <b>Total additions</b>        | <b>823</b> | <b>1,564</b> |

#### Proceeds from sale of property, plant and equipment

| (in NOK million)                                           | Notes | 2010       | 2009       |
|------------------------------------------------------------|-------|------------|------------|
| Sale of rental cars and Stenungsund depot                  |       | 297        | 257        |
| <b>Proceeds from sale of property, plant and equipment</b> |       | <b>297</b> | <b>257</b> |

**Disposals of businesses and securities**

| (in NOK million)                                     | Notes | 2010       | 2009       |
|------------------------------------------------------|-------|------------|------------|
| Cash consideration from sale of Swedegas             | 7     | 436        | -          |
| Investments in associated companies                  | 17    | -          | 85         |
| Long-term interest bearing securities                |       | 75         | 22         |
| Shares in other companies                            |       | 7          | 467        |
| <b>Disposals of businesses and equity securities</b> |       | <b>518</b> | <b>574</b> |

During 2009 the investments in JET Norway was sold to St1 OY. For further details see note 6 business combinations.

**Cash and cash equivalents**

| (in NOK million)            | 2010       | 2009         |
|-----------------------------|------------|--------------|
| Cash and cash equivalents   | 1,533      | 1,076        |
| Bank overdraft              | (603)      | -            |
| <b>Total at 31 December</b> | <b>931</b> | <b>1,076</b> |

Bank overdrafts are recognised as current financial liabilities in the consolidated statement of financial position.

**36 Subsequent events****Acquisition of St1 fuel station network in Poland**

Statoil Fuel & Retail signed a preliminary agreement with St1 Oy for the acquisition of the St1 fuel station network in Poland, which consists of sixteen fuel stations in operation and ten undeveloped properties. The acquisition is expected to be completed during April 2011. The agreement is subject to the approval of Polish competition authorities.

**Optimisation of real estate asset management strategy**

On 8 February 2011 Statoil Fuel & Retail announced that it had awarded a joint mandate to Citi and DTZ to support the development of its real estate asset management strategy. The advisors have been engaged as part of a process of optimising the Group's real estate portfolio.

*Parent company  
financial  
statements*



# Financial statements Statoil Fuel & Retail ASA

## Statement of income

| (in NOK million)                       | Notes     | For the period from<br>18 May to<br>31 December 2010 |
|----------------------------------------|-----------|------------------------------------------------------|
| <b>Revenues</b>                        | <b>13</b> | <b>232</b>                                           |
| <b>Operating expenses</b>              |           |                                                      |
| Salaries and other personnel expenses  | 4         | (78)                                                 |
| Other administrative expenses          | 5         | (186)                                                |
| <b>Total operating expenses</b>        |           | <b>(264)</b>                                         |
| <b>Operating profit/(loss)</b>         |           | <b>(32)</b>                                          |
| Financial income                       |           | 322                                                  |
| Financial expenses                     |           | (62)                                                 |
| <b>Net financial income/(expenses)</b> | <b>13</b> | <b>260</b>                                           |
| <b>Profit/(loss) before income tax</b> |           | <b>229</b>                                           |
| Income tax (expense)/benefit           | 6         | (25)                                                 |
| <b>Profit/(loss) for the period</b>    |           | <b>203</b>                                           |
| <b>Distributed</b>                     |           |                                                      |
| Transferred to retained earnings       |           | 203                                                  |
| Proposed dividend                      | 9         | -                                                    |
| <b>Total</b>                           |           | <b>203</b>                                           |

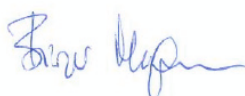
## Statement of financial position

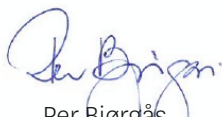
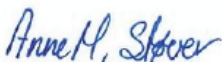
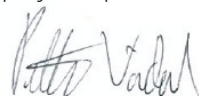
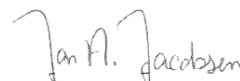
| (in NOK million)                            | Notes | 2010          |
|---------------------------------------------|-------|---------------|
| <b>ASSETS</b>                               |       |               |
| Deferred tax assets                         | 6     | 115           |
| Property, plant and equipment               |       | 1             |
| Investments in subsidiaries                 | 7     | 11,052        |
| Financial receivables related parties       | 13    | 800           |
| <b>Total non-current assets</b>             |       | <b>11,967</b> |
| Trade and other receivables                 |       | 1             |
| Trade and other receivables related parties | 13    | 2,372         |
| Cash and cash equivalents                   | 8     | -             |
| <b>Total current assets</b>                 |       | <b>2,373</b>  |
| <b>TOTAL ASSETS</b>                         |       | <b>14,340</b> |

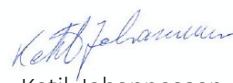
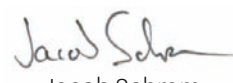
| (in NOK million)                         | Notes    | 2010          |
|------------------------------------------|----------|---------------|
| <b>EQUITY AND LIABILITIES</b>            |          |               |
| <b>Equity</b>                            |          |               |
| Share capital                            |          | 1,500         |
| Additional paid-in capital               |          | 5,848         |
| Retained earnings                        |          | 187           |
| <b>Total equity</b>                      | <b>9</b> | <b>7,535</b>  |
| <b>Liabilities</b>                       |          |               |
| Financial liabilities                    | 10       | 3,955         |
| Pension liabilities                      | 11       | 258           |
| <b>Total non-current liabilities</b>     |          | <b>4,213</b>  |
| Trade and other payables                 | 12       | 122           |
| Trade and other payables related parties | 13       | 237           |
| Current tax payable                      | 6        | 234           |
| Financial liabilities                    | 10       | 300           |
| Financial liabilities related parties    | 13       | 1,699         |
| <b>Total current liabilities</b>         |          | <b>2,592</b>  |
| <b>Total liabilities</b>                 |          | <b>6,805</b>  |
| <b>TOTAL EQUITY AND LIABILITIES</b>      |          | <b>14,340</b> |

Oslo, 14 March 2011

The Board of Directors of Statoil Fuel &amp; Retail ASA


Birger Magnus  
Chair

Ann-Charlotte Lundén  
Board member

Per Bjørgås  
Board member

Anne Martha Støver  
Board member  
Employee representative

Petter Vådal  
Board member  
Employee representative

Jon Arnt Jacobsen  
Board member

Marthe Hoff  
Board member

Ketil Johannessen  
Board member  
Employee representative

Jacob Schram  
CEO

## Statement of cash flow

| (in NOK million)                                                                                                   | Notes        | For the period from<br>18 May to<br>31 December 2010 |
|--------------------------------------------------------------------------------------------------------------------|--------------|------------------------------------------------------|
| <b>OPERATING ACTIVITIES</b>                                                                                        |              |                                                      |
| Profit/(loss) before income tax                                                                                    |              | 229                                                  |
| <u>Adjustments to reconcile profit/(loss) before income tax to net cash flows provided by operating activities</u> |              |                                                      |
| Net interest                                                                                                       |              | 49                                                   |
| Pension cost                                                                                                       | 11           | 12                                                   |
| Dividends and group contribution from subsidiaries, not received                                                   | 13           | (314)                                                |
| <u>Cash flows from/ (to) changes in working capital</u>                                                            |              |                                                      |
| Trade and other receivables                                                                                        | 14           | (191)                                                |
| Trade and other payables                                                                                           | 14           | 315                                                  |
| Pension contribution paid                                                                                          | 11           | (7)                                                  |
| Interest received                                                                                                  |              | 9                                                    |
| Interest paid                                                                                                      |              | (30)                                                 |
| <b>Net cash flow provided by operating activities</b>                                                              |              | <b>72</b>                                            |
| <b>INVESTING ACTIVITIES</b>                                                                                        |              |                                                      |
| Purchases of property, plant and equipment and intangible assets                                                   |              | (1)                                                  |
| Loans to subsidiaries                                                                                              | 13           | (800)                                                |
| Investments in subsidiaries                                                                                        | 7, 14        | (5,714)                                              |
| <b>Cash flows used in investing activities</b>                                                                     |              | <b>(6,515)</b>                                       |
| <b>FINANCING ACTIVITIES</b>                                                                                        |              |                                                      |
| Proceeds from long-term borrowings                                                                                 | 10, 14       | 3,955                                                |
| Proceeds from short-term borrowings                                                                                | 10           | 300                                                  |
| Proceeds from issuance of new share capital                                                                        | 3            | 500                                                  |
| <b>Cash flows used in financing activities</b>                                                                     |              | <b>4,755</b>                                         |
| <b>Net increase/ (decrease) in cash</b>                                                                            |              | <b>(1,686)</b>                                       |
| Cash and cash equivalents at 18 May                                                                                | 8, 14        | -                                                    |
| <b>Cash and cash equivalents at 31 December</b>                                                                    | <b>8, 14</b> | <b>(1,686)</b>                                       |

## Notes to the financial statements

### 1 General information

Statoil Fuel & Retail ASA (or "the Company") is incorporated and domiciled in Norway. The address of its registered office is Sørkedalsveien 8, N-0369 OSLO, Norway. Statoil Fuel & Retail ASA was incorporated as a public limited liability company on 18 May 2010 and was a wholly-owned subsidiary of Statoil ASA ("Statoil") as of that date. Statoil Fuel & Retail ASA was established to serve as the parent company for the Fuel and Retail business, which historically was a business cluster within the Manufacturing and Marketing reporting segment of Statoil.

Effective 1 October 2010, Statoil transferred all activities and subsidiaries relating to Statoil's Fuel and Retail business to Statoil Fuel & Retail ASA. On 22 October 2010, the shares of Statoil Fuel & Retail ASA were listed on the Oslo Stock Exchange. In conjunction with the listing, Statoil sold 46 percent of its shares. As of 31 December 2010, Statoil remains the majority shareholder in Statoil Fuel & Retail ASA, owning 54 percent of the shares, and the Company continues to be a subsidiary of Statoil.

Statoil Fuel & Retail ASA and its subsidiaries ("the Group" or "Statoil Fuel & Retail") operates fuel service stations both under dealer and franchise operating models, as well as company operated models. The Group sells road transportation fuel, lubricants, heating oil and convenience products in Scandinavia, Eastern Europe and Russia. In addition, the Group produces and sells lubricant oils and supplies aviation fuel at major airports in Europe.

### 2 Significant accounting policies

#### Statement of compliance

The financial statements of Statoil Fuel & Retail ASA are prepared in accordance with the Norwegian Accounting Act of 1998 and Norwegian Generally Accepted Accounting Policies (NGAAP).

#### Basis for preparation

These financial statements have been prepared for the period from the date of inception (18 May 2010) to 31 December 2010 and are prepared on the historical cost basis, except of pension assets. As a consequence of this comparable information is not available.

#### Accounting estimates and judgements

In preparing the financial statements, assumptions and estimates that have an effect on the amounts and presentation of assets and liabilities, income and expenses and contingent liabilities must be made. Actual results could differ from these assumptions and estimates.

#### Foreign currency

The functional currency and presentation currency of Statoil Fuel & Retail ASA is norwegian kroner (NOK).

In preparing the financial statements, transactions in foreign currencies are translated at the foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the foreign exchange rate at the balance sheet date. Foreign exchange differences arising on translation are recognised in the statement of income as financial income or financial expenses. Non-monetary assets that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transactions.

#### Revenue recognition

Statoil Fuel & Retail ASA derives its revenues primary from allocation of headquarter costs to its subsidiaries. Revenues from the sale of intercompany services are recognised when the services are delivered.

#### Employee benefits

Wages, salaries, bonuses, social security contributions, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by employees of Statoil Fuel & Retail ASA. The accounting policy for share-based payments and pensions is described below.

### Share-based payments

The employees of Statoil Fuel & Retail ASA have been included in an employee bonus share program. The cost of equity-settled transactions (bonus share awards) with employees is measured by reference to the estimated fair value at the date at which they are granted and is recognised as an expense over the vesting period. The costs are accounted for as salaries and other personnel expenses.

### Interest income and expenses

Interest income and expenses are recognised in the income statement as they are accrued, based on the effective interest method.

### Income tax expense

Income tax expense in the statement of income for the year comprises current tax and change in deferred tax. Income tax expense is recognised in the statement of income.

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

Deferred tax assets and liabilities are recognised for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the financial statements and their respective tax bases, subject to the initial recognition exemption. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. In order for a deferred tax asset to be recognised based on future taxable profits, convincing evidence is required.

### Property, plant and equipment

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

Each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately on a straight-line basis over the estimated useful life of the component. The estimated useful lives of property, plant and equipment are reviewed on an annual basis and changes in useful lives are accounted for prospectively.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is recognised in the statement of income in the period the item is derecognised.

### Investments in subsidiaries

Subsidiaries are all entities controlled by Statoil Fuel & Retail ASA. Control exists when the Company has the power, directly or indirectly, to govern the financial and operational policies of an entity so as to obtain benefits from its activities.

Subsidiaries are accounted for using the cost method, and are recognised at cost less impairment. The cost price is increased when funds are added through capital increases or when group contributions are made to subsidiaries. Group contributions and dividends from subsidiaries are recognised in the statement of income, if the contribution represents distribution of retained earnings, in the same period as the subsidiary makes a provision for the amounts. If group contributions or dividend from subsidiaries exceed retained earnings, the contribution is accounted for as a reduction in cost recognised in the statement of financial position.

### Financial assets and liabilities

Statoil Fuel & Retail ASA assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. For financial assets carried at amortised costs, if there is objective evidence that an impairment loss on loans and receivables has been incurred, the carrying amount of the asset is reduced.

Interest-bearing borrowings are initially recognised at cost. After initial recognition, such financial liabilities are measured at amortised costs using the effective interest method. Amortised cost is calculated by taking into account any issue costs.

Trade payables are carried at cost.

## Cash and cash equivalents

Cash and cash equivalents include cash and bank deposits or overdrafts.

Statoil Fuel & Retail ASA is part of an internal bank agreement established to fund the Group's net intra-month working capital needs. Any balances related to this agreement are recognised in the statement of financial position as receivables from or liabilities to related parties.

The cash flow analysis presented in the statement of cash flow is derived using the indirect method.

## Dividends

Distribution of dividends is resolved by a majority vote at the Annual General Meeting of the shareholders of the Statoil Fuel & Retail ASA, and on the basis of a proposal from the Board of Directors. Dividends are recognised as a liability in the period that they are declared by the Annual General Meeting.

## Pensions

Statoil Fuel & Retail has pension plans for employees that provide a defined pension benefit upon retirement. The benefit to be received by employees generally depends on many factors including length of service, retirement date and future salary levels.

Statoil Fuel & Retail's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their services in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date reflecting the maturity dates approximating the terms of the Company's obligations. The calculation is performed by an external actuary.

Current service cost is an element of net periodic pension cost and recognised in the statement of income. The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest cost is recognised in the statement of income as a part of the net periodic pension cost. Past service cost is recognised immediately when the benefits become vested or on a straight-line basis until the benefits become vested. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are re-measured using current actuarial assumptions and the gain or loss is recognised in the statement of income during the period in which the settlement or curtailment occurs.

Actuarial gains and losses are recognised in full in equity in the statement of financial position in the period in which they occur.

## AFP scheme

Due to National agreements in Norway, Statoil Fuel & Retail ASA is member of the "agreement-based early retirement plan" (AFP). The current AFP scheme will be replaced by a new AFP scheme from 1 January 2011. Statoil Fuel & Retail will pay a contribution for pension in payment under the current scheme and premium for both schemes (new and old scheme) up until 31.12.2015. The premium in the new scheme will be calculated on the basis of the employees' income between 1 and 7.1 G. The premium is payable for all employees until age 62. Pension from the new AFP scheme will be paid to employees for their full lifetime.

The employers have an obligation to pay a percentage of the benefits under the AFP scheme. This obligation is accounted for as a defined benefit plan. In the current early retirement system Statoil Fuel & Retail offers a supplementary company pension for employees. This is also accounted for as a defined benefit plan, and is included in the liabilities related to the defined benefit plans. Statoil Fuel & Retail therefore has a combined early retirement commitment to the employees irrespectively of the level of funding from the governmental AFP-funding. Hence the replacement of the old AFP with a new AFP in 2010 is not viewed as a termination of the plan.

New legislation affecting Norwegian pension and insurance schemes have been passed during 2010 as part of the Norwegian pension and insurance reform. The legislation requires some adaptations in Statoil Fuel & Retail ASA's Norwegian pension scheme, in particular related to increased flexibility of retirement. There will also be a need to evaluate the future arrangement for early retirement during first quarter of 2011. Statoil Fuel & Retail will undertake a review of the total pension scheme during 2011 as a basis for deciding a revised model based on the new legislation.

### 3 Separation from Statoil ASA

#### Initial public offering (IPO)

The listing of Statoil Fuel & Retail ASA took place in conjunction with an offering of existing shares in the Company by Statoil. Pricing and allocation in the offering took place on 21 October 2010. Statoil sold 120 million shares at NOK 39 per share in the offering, representing 40 percent of the shares of the Company. In addition, the Joint Global Coordinators had over-allotted 18 million shares, representing 15 percent of the offering size, and exercised their option to borrow 18 million shares from Statoil for the purpose of covering such over-allotment. Trading in the shares of Statoil Fuel & Retail ASA on the Oslo Stock Exchange commenced on an "if delivered" basis on 22 October 2010, and unconditional trading in the shares commenced on 27 October 2010.

#### Separation from Statoil ASA

On 1 October 2010, Statoil ASA transferred the assets, rights and liabilities of the Fuel and Retail business to Statoil Fuel & Retail ASA by means of a series of transfers:

- transfer of shares in subsidiaries and other equity interests in other entities within the Fuel and Retail business,
- transfer of Fuel and Retail business corporate staff and other services staff who are providing services to the Fuel and Retail business, and who were previously employed by Statoil, and related pension liabilities, and
- an equity contribution in the amount of NOK 500 million.

In addition, the following transactions were effected prior to the transactions referred to above in order to separate the Fuel and Retail business from other activities remaining within Statoil and its subsidiaries ("the Statoil Group"):

- transfer of the non-Fuel and Retail business of Statoil A/S, Statoil's main operating subsidiary in Denmark, to another Danish Statoil subsidiary by means of a legal demerger. The principal assets transferred were the refinery in Kalundborg in Denmark and the primary storage facilities including inventory at Hedehusene in Denmark,
- transfer of an LPG cavern and loading racks in Stenungsund previously owned by Svenska Statoil AB (a legal entity in the Fuel and Retail business) to a Statoil subsidiary outside the Company,
- transfer of certain inventories of petrol, diesel and other petroleum products in primary storage from Statoil Norge AS and Svenska Statoil AB (two legal entities in the Fuel & Retail business) to Statoil and a subsidiary of Statoil outside the Group. Statoil is retaining ownership of such inventories,
- transfer of shares and interests in Statoil's Aviation joint ventures, set up in respect of fuel supply to airports, and related customer and other agreements to Statoil Fuel & Retail Aviation AS, a directly and wholly owned subsidiary of Statoil Fuel & Retail ASA. Some of these transfers require the consent of third party counterparties.

As consideration for the transfer of the assets, rights and liabilities of the Fuel and Retail business, Statoil Fuel & Retail ASA issued 300 million shares, each with a nominal value of NOK 5, to Statoil. In addition, certain transfers to/(from) Statoil were settled with cash contributions/(distributions).

As the separation involved entities under common control, the transaction was completed with continuity for accounting purposes.

## 4 Salaries and other personnel expenses

All employees were transferred from Statoil ASA to Statoil Fuel & Retail ASA with effect from 1 October 2010. From the date of the inception of the Company, 18 May, to 30 September salaries and other personnel expenses were borne by Statoil ASA. The basis for pension costs is described in note 11 retirement benefit obligations.

| (in NOK million except number of man-labour year)  |  | For the period from<br>1 October to 31 December<br>2010 |
|----------------------------------------------------|--|---------------------------------------------------------|
| Salaries                                           |  | 47                                                      |
| Pension costs                                      |  | 12                                                      |
| Payroll taxes                                      |  | 6                                                       |
| Other benefits and social costs                    |  | 13                                                      |
| <b>Total salaries and other personnel expenses</b> |  | <b>78</b>                                               |
| Number of man labour years                         |  | 46                                                      |

Corporate Executive Committee remuneration is for the period from 1 October 2010 to 31 December 2010 (in NOK thousand).

| Members of Corporate Executive Committee | Salary <sup>(1)</sup> | Annual<br>variable pay <sup>(2)</sup> | Other benefits | Pension costs | Loans<br>outstanding |
|------------------------------------------|-----------------------|---------------------------------------|----------------|---------------|----------------------|
| Jacob Schram                             | 860                   | -                                     | 58             | 340           | 420                  |
| Klaus-Anders Nysteen                     | 643                   | -                                     | 49             | 373           | -                    |
| Jan Dahm-Simonsen                        | 417                   | -                                     | 56             | 192           | -                    |
| Hans-Olav Høidahl                        | 470                   | -                                     | 68             | 107           | 473                  |
| Jørn Madsen                              | 634                   | 405                                   | 72             | DKK 32        | -                    |
| Jonas Palm                               | SEK 407               | SEK 275                               | SEK 35         | SEK 92        | -                    |
| Lars Gaustad                             | 406                   | -                                     | 50             | 100           | 188                  |
| Ina Strand                               | 419                   | -                                     | 52             | 126           | 145                  |
| Karl Kristian Mydske                     | 376                   | -                                     | 44             | 85            | 250                  |
| Bård Standal                             | 310                   | -                                     | 46             | 69            | 198                  |
| Karen Romer                              | 288                   | -                                     | 43             | 129           | -                    |

<sup>1)</sup> Including holiday pay.

<sup>2)</sup> Paid in 2010 based on the fulfillment of 2009 performance criteria.

See consolidated financial statements for details regarding 2009 and 2010.

## 5 Other administrative expenses

The table below shows total auditors' remuneration recognised in the statement of income:

| (in NOK thousand, excluding VAT) | Audit fee | Audit related<br>fee | Other service<br>fee | Total     |
|----------------------------------|-----------|----------------------|----------------------|-----------|
| <b>2010</b>                      |           |                      |                      |           |
| Ernst & Young - Norway           | 60        | -                    | -                    | 60        |
| <b>Total</b>                     | <b>60</b> | <b>-</b>             | <b>-</b>             | <b>60</b> |

### Research and development expenditures

The Company did not have any significant R&D expenditures in 2010.

## 6 Income tax

|                                     | For the period from 18 May<br>to 31 December<br>2010 |
|-------------------------------------|------------------------------------------------------|
| (in NOK million)                    |                                                      |
| Current taxes payable               | (16)                                                 |
| Change in deferred tax              | (10)                                                 |
| <b>Income tax (expense)/benefit</b> | <b>(25)</b>                                          |

### Reconciliation of Norwegian nominal statutory tax rate to effective tax rate

|                                          | For the period from 18 May<br>to 31 December<br>2010 |
|------------------------------------------|------------------------------------------------------|
| (in NOK million)                         |                                                      |
| Income before tax                        | 229                                                  |
| Nominal tax rate 28%                     | (64)                                                 |
| <i>Tax effect of:</i>                    |                                                      |
| Permanent differences                    | -                                                    |
| Dividends, not assessable for income tax | 39                                                   |
| <b>Total</b>                             | <b>(25)</b>                                          |
| Effective tax rate (%)                   | 11.1 %                                               |

### Significant components of deferred tax

|                                           | 2010       |
|-------------------------------------------|------------|
| (in NOK million)                          |            |
| Deferred tax assets on                    |            |
| Goodwill arising from assembled workforce | 43         |
| Pension liabilities                       | 72         |
| <b>Total deferred tax assets</b>          | <b>115</b> |

### Income taxes payable in the balance sheet

|                                            | 2010       |
|--------------------------------------------|------------|
| (in NOK 1000)                              |            |
| Current tax in the income statement        | 16         |
| Current tax on group contribution          | 218        |
| <b>Income taxes payable at December 31</b> | <b>234</b> |

### Movement in deferred tax

|                                       | 2010       |
|---------------------------------------|------------|
| (in NOK 1000)                         |            |
| Deferred tax at 18 May                | -          |
| Recognised in the statement of income | (10)       |
| Recognised in equity                  | 124        |
| <b>Deferred tax at 31 December</b>    | <b>115</b> |

## 7 Investments in subsidiaries

On 1 October 2010, Statoil transferred the shares in subsidiaries within the Fuel and Retail business to Statoil Fuel & Retail ASA. Following the separation from Statoil, the Company has eight directly and wholly owned subsidiaries and a number of indirectly owned and companies in which the Company holds minority interests. In total, Statoil Fuel & Retail consists of approximately 60 legal entities.

The tables below presents the subsidiaries of Statoil Fuel & Retail ASA at 31 December 2010 and the carrying value of the subsidiaries recognised in the statement of financial position at 31 December 2010, and profit or loss for the period and total equity of the subsidiaries for the year ended 31 December 2010. During 2010 investments in subsidiaries have decreased by NOK 1,628 million due to received dividends and group contributions. See note 13 related parties for more information on dividends and group contributions.

| (in NOK million)                  | Registered office                                       | Country of residence | Ownership interest | Voting power | Carrying value at 31 December 2010 |
|-----------------------------------|---------------------------------------------------------|----------------------|--------------------|--------------|------------------------------------|
| Statoil Norge AS                  | Sørkedalsveien 8, 0369 Oslo                             | Norway               | 100%               | 100%         | 816                                |
| Statoil AB                        | 118 88 Stockholm                                        | Sweden               | 100%               | 100%         | 3,322                              |
| Statoil Polen Invest AS           | Forusbeen 50, 4035 Stavanger                            | Norway               | 100%               | 100%         | 2,348                              |
| UAB Lietuva Statoil               | J. Jasinskio g. 16A, 01112 Vilnius                      | Lithuania            | 100%               | 100%         | 275                                |
| SIA Latvija Statoil               | Duntes Street 6, Riga                                   | Latvia               | 100%               | 100%         | 406                                |
| A/S Esti Statoil                  | Estonia pst 10/Parnu mnt 13 Tallin                      | Estonia              | 100%               | 100%         | 2,366                              |
| Statoil Fuel & Retail Aviation AS | Sørkedalsveien 8, 0369 Oslo                             | Norway               | 100%               | 100%         | 159                                |
| Statoil Danmark AS                | Borgm. Christiansens Gade 50,<br>PB 900, 0900 København | Denmark              | 100%               | 100%         | 1,361                              |
| <b>Total</b>                      |                                                         |                      |                    |              | <b>11,052</b>                      |

| (in NOK million)                  | Profit/(loss)<br>for the year | Total equity  |
|-----------------------------------|-------------------------------|---------------|
| Statoil Norge AS                  | 596                           | 828           |
| Statoil AB                        | 605                           | 3,402         |
| Statoil Polen Invest AS           | 128                           | 2,344         |
| UAB Lietuva Statoil               | (59)                          | 269           |
| SIA Latvija Statoil               | 60                            | 412           |
| A/S Esti Statoil                  | 55                            | 2,370         |
| Statoil Fuel & Retail Aviation AS | 4                             | 142           |
| Statoil Danmark AS                | 547                           | 1,199         |
| <b>Total at 31 December 2010</b>  | <b>1,935</b>                  | <b>10,965</b> |

#### Shares in subsidiaries owned through subsidiaries (ownership 50 percent or more)

| Subsidiary                                      | Subsidiary of                     | Country of<br>residence | Ownership<br>interest |
|-------------------------------------------------|-----------------------------------|-------------------------|-----------------------|
| Statoil Detaljst AS                             | Statoil Norge AS                  | Norway                  | 100.0 %               |
| Apas Energiteknikk AS                           | Statoil Norge AS                  | Norway                  | 50.3 %                |
| Flytanking AS                                   | Statoil Norge AS                  | Norway                  | 50.0 %                |
| Norol Norsk Olje AS                             | Statoil Norge AS                  | Norway                  | 100.0 %               |
| Statoil Polen Holding A/S                       | Statoil Polen Invest AS           | Norway                  | 100.0 %               |
| Statoil Sp. Z.o.o                               | Statoil Polen Invest AS           | Poland                  | 100.0 %               |
| Motorvejscenter-selskapet af 1990 A/S           | Statoil Danmark AS                | Denmark                 | 50.0 %                |
| Shell-Statoil Total Kastrup I/S                 | Statoil Danmark AS                | Denmark                 | 50.0 %                |
| I/S Fællesskiltning                             | Statoil Danmark AS                | Denmark                 | 58.5 %                |
| Motec Lubricants AB                             | Statoil AB                        | Sweden                  | 100.0 %               |
| Svenska Statoil AB                              | Statoil AB                        | Sweden                  | 100.0 %               |
| HGL AB                                          | Statoil AB                        | Sweden                  | 50.0 %                |
| OOO Statoil Energy & Retail Russia              | Statoil AB                        | Russia                  | 100.0 %               |
| UAB Edarvis                                     | UAB Lietuva Statoil               | Lithuania               | 100.0 %               |
| St1 Avifuels Oy                                 | Statoil Fuel & Retail Aviation AS | Finland                 | 51.0 %                |
| Statoil Fuel & Retail Aviation Deutschland GmbH | Statoil Fuel & Retail Aviation AS | Germany                 | 100.0 %               |

## 8 Cash and cash equivalents

Cash and cash equivalents at 31 December 2010 was NOK 27 thousand and the Company has no restricted cash.

Statoil Fuel & Retail ASA is part of an internal bank agreement established to fund the Group's net intra-month working capital needs. The cash pool is managed by a subsidiary of Statoil Fuel & Retail ASA, and any balances related to this agreement are recognised as related party balances in the statement of financial position. At 31 December 2010 the cash pool amounted to NOK 1,686 million and was recognised as current financial liabilities related parties.

See the statement of cash flow for further information on changes in cash and cash equivalents.

## 9 Equity and shareholders

### Equity

| (in NOK million)                                    | Share capital | Additional paid in capital | Retained earnings | Total equity |
|-----------------------------------------------------|---------------|----------------------------|-------------------|--------------|
| Shareholders' equity 18 May 2010, date of inception | 1             | 1                          | -                 | 2            |
| Net income                                          | -             | -                          | 203               | 203          |
| Actuarial gain employee retirement benefit plans    | -             | -                          | (17)              | (17)         |
| Separation agreements 1 October 2010                | 1,499         | 5,847                      | -                 | 7,346        |
| <b>Total at 31 December 2010</b>                    | <b>1,500</b>  | <b>5,848</b>               | <b>187</b>        | <b>7,535</b> |

### Capital distribution

Shareholder return consists of dividend payments, share buy-backs and share price development.

### Dividends

Distribution of dividends is resolved by a majority vote at the Annual General Meeting of the shareholders of Statoil Fuel & Retail ASA, and on the basis of a proposal from the Board of Directors. The Annual General Meeting has the power to reduce, but cannot increase, the dividend proposed by the Board of Directors.

As Statoil Fuel & Retail is a newly formed company, it has to convert some of its equity to distributable reserves before making any distribution. Any dividend authorised by the shareholders at the Annual General Meeting on such basis shall be distributable only after the expiry of a two-month creditor's notice period and provided that no creditor has filed an objection to the capital reduction, or alternatively that the Group has settled the claims of any objecting creditors in accordance with the provisions of the Norwegian Public Limited Companies Act.

For fiscal year 2010 the Board of Directors' has proposed a dividend of NOK 3.00 per share, by way of a capital reduction in Statoil Fuel & Retail ASA.

### Shareholders

On 1 October 2010, Statoil transferred the assets, rights and liabilities of the Fuel and Retail business to Statoil Fuel & Retail ASA. As a consideration for the transfer, the Company issued 300 million shares, each with a par value of NOK 5, to Statoil ASA. The listing of Statoil Fuel & Retail ASA took place in conjunction with an offering of existing shares in the Company by Statoil. At 31 December 2010 share capital amounts to NOK 1,500 million.

All the shares rank in parity with one another and carry one vote per share.

Shareholders holding more than 1.0 percent of the shares in Statoil Fuel & Retail ASA and shares held by Management and Board of Directors at 31 December 2010 are as follows.

| Name of shareholder                 | Number of shares   | Shares in %   |
|-------------------------------------|--------------------|---------------|
| Statoil ASA                         | 162,000,000        | 54.00         |
| UBS AG, London Branch *             | 11,436,030         | 3.81          |
| Morgan Stanley & CO INC. New York * | 7,103,477          | 2.37          |
| Bank of New York Mellon SA/NV *     | 7,090,341          | 2.36          |
| Societe Generale Paris              | 6,299,238          | 2.10          |
| Folketrygdfondet                    | 5,822,390          | 1.94          |
| State Street Bank and Trust CO.*    | 4,745,380          | 1.58          |
| JPMorgan Chase Bank *               | 3,488,930          | 1.16          |
| JPMorgan Chase Bank *               | 3,246,419          | 1.08          |
| Skandinaviska Enskilda Banken*      | 3,042,575          | 1.01          |
| <b>Total largest shareholders</b>   | <b>214,274,780</b> | <b>71.41</b>  |
| Total other shareholders            | 85,725,220         | 28.59         |
| <b>Total shares outstanding</b>     | <b>300,000,000</b> | <b>100.00</b> |

\* Nominee account and similar

| Board of Directors           |                                               | Number of shares |
|------------------------------|-----------------------------------------------|------------------|
| Birger Magnus                | Chair                                         | 2,430            |
| Per Bjørgås                  | Board member                                  | -                |
| Ann-Charlotte Lundén         | Board member                                  | 3,500            |
| Jon Arnt Jacobsen            | Board member                                  | 2,050            |
| Marthe Hoff                  | Board member                                  | 930              |
| Ketil Johannessen            | Board member (employee representative)        | -                |
| Paul Piche                   | Board member (employee representative)        | -                |
| Anne Martha Støver           | Board member (employee representative)        | -                |
| Ellen Mikalsen               | Deputy board member (employee representative) | 250              |
| Odd Arne Rasmussen           | Deputy board member (employee representative) | 2,550            |
| Cathrine Henriksen Jørgensen | Deputy board member (employee representative) | -                |
| Petter Vådal                 | Deputy board member (employee representative) | -                |
| Egle Merkevicene             | Deputy board member (employee representative) | 250              |
| Jørn Bjarne Eide             | Deputy board member (employee representative) | 250              |
| Rolv Bjørn Jernskau          | Deputy board member (employee representative) | -                |
| <b>Total at 31 December</b>  |                                               | <b>12,210</b>    |

| Corporate Executive Committee |                              | Number of shares |
|-------------------------------|------------------------------|------------------|
| Jacob Schram                  | Chief Executive Officer      | 23,130           |
| Klaus-Anders Nysteen          | Chief Financial Officer      | 16,380           |
| Jørn Madsen                   | EVP Central & Eastern Europe | 12,340           |
| Hans-Olav Høidahl             | EVP Scandinavia              | 5,000            |
| Jonas Palm                    | EVP Special Products         | 6,550            |
| Jan Dahm-Simonsen             | EVP Human Resources & Staff  | 1,280            |
| Lars Gaustad                  | EVP Transport Fuel           | 3,200            |
| Ina Strand                    | EVP Market Development       | 1,280            |
| Karl Kristian Mydske          | EVP Sales & Operations       | 5,000            |
| Bård Standal                  | General Counsel              | 1,280            |
| Karen Romer                   | SVP Communications           | 2,560            |
| <b>Total at 31 December</b>   |                              | <b>78,000</b>    |

## **10 Financial liabilities**

On 26 August 2010, Statoil Fuel & Retail ASA entered into a multicurrency term and revolving loan facility in the aggregate amount of NOK 7,000 million, with nine international banks. The purpose of the facilities is to finance the Group's general corporate purposes and to finance the repayment of all amounts outstanding to Statoil under the intra-group bridge loan agreement, five days following the listing.

The total facility amount under the bank facility agreement is split into two tranches: (i) a three year term loan facility available for draw down during a three month period from and including the fifth business day following listing of the Statoil Fuel & Retail's ordinary shares on the Oslo Stock Exchange ("the completion date") in an amount of up to NOK 4,000 million and (ii) a five year revolving credit facility available from and including the completion date until one month prior to the facility termination date, which will be sixty months after the date of the bank facility agreement, in an amount of up to NOK 3,000 million.

In November 2010 NOK 4,000 million was drawn from the three year term loan facility. At 31 December 2010, non-current borrowings amount to NOK 3,955 million. The non-current borrowings are, in its entirety, due for payment in 2013. In addition, NOK 300 million is drawn from the five year revolving credit facility. This is due for payment in February 2011. This is recognised as current financial liabilities in the statement of financial position.

The interest rate for both tranches is equal to an inter-bank interest rate applicable for specified currencies plus a specified margin. For the three year term loan facility, interest rates as of 31 December 2010 was 3.88 percent. At 31 December 2010, accrued interest rates of NOK 28 million related to the bank facility agreement is included in trade and other payables. These interests are due for payment in May 2011.

At 31 December 2010, there were no financial covenants related to the bank facility agreement.

## 11 Retirement benefit obligations

Statoil Fuel & Retail ASA is obligated to follow the Act on Mandatory company pensions. The pension scheme follows the requirement as included in the Act.

The employees of Statoil Fuel & Retail are covered by defined benefit plans. Plan benefits are generally based on years of service and final salary level. The cost of defined benefit plans is expensed over the period that the employee renders services and becomes eligible to receive benefits. The obligations related to defined benefit plans are calculated by external actuaries.

Most employees not covered by defined benefit plans participate in defined contribution pension plans. The period's pension costs are recognised in the statement of income under salaries and other personnel expenses.

The obligations related to the defined benefit plans were measured at 31 December 2010. The present values of the projected defined benefit obligation and the related current service cost and past service cost are measured using the projected unit credit method. The assumptions for salary increases, increases in pension payments and social security base amount have been tested against historical observations.

Actuarial gains and losses are recorded directly in equity in the period in which they occur. Actuarial gains and losses related to the provision for termination benefits are recognised in the statement of income in the period in which they occur.

Social security tax is calculated based on the pension plan's net unfunded status. Social security tax is included in the projected benefit obligation.

### Net periodic pension cost

| (in NOK)                         | For the period from 18 May<br>to 31 December 2010 |
|----------------------------------|---------------------------------------------------|
| Current service cost             | 10                                                |
| Interest cost benefit obligation | 4                                                 |
| Expected return on plan assets   | (2)                                               |
| <b>Total net pension cost</b>    | <b>12</b>                                         |

Pension cost includes social security tax. Total net pension cost is included in salaries and other personnel expenses in the statement of income.

### Change in projected benefit obligation (PBO)

| (in NOK million)                                   | 2010       |
|----------------------------------------------------|------------|
| At 18 May                                          | -          |
| Transferred benefit obligation at 1 October        | 346        |
| Current service costs                              | 10         |
| Interest cost on benefit obligation                | 4          |
| Actuarial loss/ (gain)                             | 32         |
| Benefits paid including payroll tax                | (1)        |
| <b>Projected benefit obligation at 31 December</b> | <b>391</b> |

## Change in fair value of plan assets

| (in NOK million)                                   | 2010       |
|----------------------------------------------------|------------|
| At 18 May                                          | -          |
| Transferred fair value of plan assets at 1 October | 116        |
| Expected return on plan assets                     | 2          |
| Company contributions                              | 7          |
| Actuarial gain/ (loss)                             | 9          |
| Benefits paid including payroll tax                | -          |
| <b>Fair value of plan assets at 31 December</b>    | <b>133</b> |

## Change in pension assets/(liabilities)

| (in NOK million)                                        | 2010         |
|---------------------------------------------------------|--------------|
| At 18 May                                               | -            |
| Transferred net pension asset/ (liability) at 1 October | (230)        |
| Net periodic pension costs defined benefit plans        | (12)         |
| Net actuarial (loss)/gain recognised directly in equity | (23)         |
| Company contributions                                   | 7            |
| Benefits paid including payroll tax                     | 1            |
| <b>Net pension asset/ (liability) at 31 December</b>    | <b>(258)</b> |

## Recognised in the statement of financial position as

|                     |       |
|---------------------|-------|
| Pension liabilities | (258) |
|---------------------|-------|

## Assumptions

| Assumptions (in %)                                          | 2010 |
|-------------------------------------------------------------|------|
| Discount rate                                               | 4.25 |
| Expected return on plan assets                              | 5.75 |
| Expected rate of salary increase                            | 4.00 |
| Expected rate of pension increase                           | 2.75 |
| Expected increase of social security base amount (G-amount) | 3.75 |
| Inflation                                                   | 2.25 |

Expected utilisation of AFP is 50 percent for employees at 62 years and 30 percent for the remaining employees at 63-66 years.

The mortality table K 2005 including the minimum requirements from The Financial Supervisory Authority of Norway (Finanstilsynet) is used as the best mortality estimate.

The average remaining service period is 15.5 years as of 31 December 2010.

### Sensitivity analysis

The table below shows an estimate of the potential effects of changes in the key assumptions for the defined benefit plans. The following estimates are based on facts and circumstances as of 31 December 2010. Actual results may materially deviate from these estimates.

|                              | Discount rate |      | Rate of salary increase |     | Social security base amount |     | Expected rate of pension increase |     |
|------------------------------|---------------|------|-------------------------|-----|-----------------------------|-----|-----------------------------------|-----|
| (in NOK million)             | 1%            | -1%  | 1%                      | -1% | 1%                          | -1% | 1%                                | -1% |
| Changes in:                  |               |      |                         |     |                             |     |                                   |     |
| Projected benefit obligation |               |      |                         |     |                             |     |                                   |     |
| at 31 December 2010          | 105           | (66) | (35)                    | 87  | 55                          | 10  | (11)                              | 69  |
| Service cost 2011            | 16            | (8)  | (4)                     | 14  | 10                          | 3   | 1                                 | 11  |

### Pension assets

The plan assets related to the defined benefit plans were measured at fair value at 31 December 2010. The long term expected return on pension assets is based on long term risk free interest rate adjusted for the expected long term risk premium for the respective investment classes. A risk free interest rate is applied as a starting point for calculation of return on plan assets. The return in the money market is calculated by taking a deduction on bond yield. Based on historical data, equities and real estate are expected to give a long term additional return above money market.

In its asset management, the pension fund aims at achieving long term returns which contribute towards meeting future pension liabilities. Assets are managed to achieve a return as high as possible within a framework of public regulation and risk management policies. The pension fund's target returns require investments in assets with a higher risk than risk free investments. Risk is reduced through maintaining a well diversified asset portfolio. Assets are diversified both in terms of location and different asset classes. Derivatives are used within set limits to facilitate effective asset management.

Contributions to pension plans may either be paid in cash or be deducted from the pension premium fund. The fair value of plan assets amounted to NOK 133 million at 31 December 2010. The decision whether to pay in cash or deduct from the pension premium fund is made on an annual basis. The expected company contribution related to 2011 amounts to NOK 31 million.

### Pension assets allocated on respective investments classes

| (in %)                      | 2010       |
|-----------------------------|------------|
| Equity securities           | 40.1       |
| Bonds                       | 38.1       |
| Commercial papers           | 14.7       |
| Real estate                 | 4.8        |
| Other assets                | 2.3        |
| <b>Total at 31 December</b> | <b>100</b> |

## 12 Trade and other payables

| (in NOK million)                     | 2010       |
|--------------------------------------|------------|
| Trade payables                       | 29         |
| Withholding tax and holiday payments | 26         |
| Accrued interest expense             | 28         |
| Other current accruals               | 39         |
| <b>Trade and other payables</b>      | <b>122</b> |

Other current accruals contains accruals such as services received but not yet invoiced, rebates and accrued salaries.

## 13 Related parties

Statoil Fuel & Retail ASA is a 54 percent owned subsidiary of Statoil, and consequently Statoil and all the entities in the Statoil Group are related parties.

Statoil Fuel & Retail ASA is included in the Group's consolidated financial statements, which can be found on Statoil Fuel & Retail's website, or at the Company's headquarter at Sørkedalsveien 8, 0369 Oslo, Norway. The Company is also included in Statoil ASA's consolidated financial statements. The Statoil ASA's consolidated financial statements can be found on Statoil's website, or at the Company's headquarter at Forusbeen 50, 4035 Stavanger, Norway.

The Norwegian State is the majority shareholder of Statoil as well as being a major shareholder in certain other Norwegian companies. This means that Statoil and Statoil Fuel & Retail ASA participate in transactions with many parties that are under a common ownership structure and therefore meet the definition of a related party. All transactions with related parties are on an arm's length basis.

Statoil has centralised certain of their services such as tax, IT and other financial support. Statoil fuel & Retail ASA has paid cost plus a mark-up for these services, amounting to NOK 74 million in 2010. In addition the Group has bought services from subsidiaries of NOK 24 million.

Sales to subsidiaries mainly relate to services and amounts to NOK 232 million in 2010.

The table below presents net finance expenses to related parties for the year ended 31 December 2010 included in financial income and finance expenses in the statement of income. Finance expenses are mainly related to a now repaid loan from Statoil. The remaining is related to the internal bank credit facility. Finance income relates to the non-current loan to subsidiaries, in addition to received dividends and group contributions for 2010. For more information on dividends and group contributions, see below or note 7 investments in subsidiaries.

| (in NOK million)                                     | For the period from 18 May<br>to 31 December 2010 |
|------------------------------------------------------|---------------------------------------------------|
| Financial income related parties                     | 322                                               |
| Financial expenses related parties                   | (28)                                              |
| <b>Net finance income/(expenses) related parties</b> | <b>295</b>                                        |

Receivable from and payables to related parties are included in separate captions in the statement of financial position. The table below presents the related party balances at 31 December 2010.

| (in NOK million)                             | 2010       |
|----------------------------------------------|------------|
| Non-current loan to Statoil Norge AS         | 800        |
| <b>Financial receivables related parties</b> | <b>800</b> |

| (in NOK million)                                   | 2010         |
|----------------------------------------------------|--------------|
| Current trade receivables from subsidiaries        | 198          |
| Dividends and group contribution                   | 2,173        |
| Current receivables other related parties          | 1            |
| <b>Trade and other receivables related parties</b> | <b>2,372</b> |

| (in NOK million)                             | 2010           |
|----------------------------------------------|----------------|
| Current liabilities to subsidiaries          | (1,916)        |
| Current liabilities to other related parties | (20)           |
| <b>Total liabilities to related parties</b>  | <b>(1,936)</b> |

At 31 December 2010, non-current financial receivables from related parties amounts to NOK 800 million. This is related to non-current loans from Statoil Fuel & Retail ASA to Statoil Norge AS. The loans are, in its entirety, due for payment in October 2013.

Other receivables from subsidiaries of NOK 2,173 million consist of dividends and group contributions for 2010. NOK 314 million is recognised as financial income in the statement of income, remaining balance (net after tax) has been recognised in investments in subsidiaries in the statement of financial position.

Current financial liabilities to related parties of NOK 1,916 million include an overdraft on the internal bank credit facility of NOK 1,686. For information on the Group's internal bank credit facility, see note 8 cash and cash equivalents. Included in current financial liabilities to related parties is also group contribution from Statoil Fuel & Retail ASA of NOK 13 million.

## 14 Reconciling cash flow information

For the purpose of the statement of cash flow the following line items have been reconciled.

### Trade and other receivables

| (in NOK million)                                                            | Notes | 2010         |
|-----------------------------------------------------------------------------|-------|--------------|
| Trade and other receivables                                                 |       | 1            |
| Trade and other receivables related parties                                 | 13    | 2,372        |
| <b>Total trade and other receivables in statement of financial position</b> |       | <b>2,373</b> |
| <i>Significant non cash items:</i>                                          |       |              |
| Dividends and group contribution, not received                              | 13    | (2,173)      |
| Accrued intercompany interest                                               |       | (9)          |
| <b>Trade and other receivables</b>                                          |       | <b>191</b>   |

### Trade and other payables

| (in NOK million)                                                         | Notes | 2010       |
|--------------------------------------------------------------------------|-------|------------|
| Trade and other payables                                                 | 12    | 122        |
| Trade and other payables related parties                                 |       | 237        |
| <b>Total trade and other payables in statement of financial position</b> |       | <b>359</b> |
| <i>Significant non cash items:</i>                                       |       |            |
| Accrued interest expense                                                 |       | (28)       |
| Other                                                                    |       | (16)       |
| <b>Trade and other payables</b>                                          |       | <b>315</b> |

### Proceeds from long-term borrowings

| (in NOK million)                          | Notes     | 2010         |
|-------------------------------------------|-----------|--------------|
| Term loan facility                        | 10        | 4,000        |
| Up-front fees                             |           | (45)         |
| <b>Proceeds from long-term borrowings</b> | <b>10</b> | <b>3,955</b> |

### Cash and cash equivalents

| (in NOK million)            | Notes | 2010           |
|-----------------------------|-------|----------------|
| Cash and cash equivalents * | 8     | -              |
| Cash pool                   | 8     | (1,686)        |
| <b>Total at 31 December</b> |       | <b>(1,686)</b> |

\* Cash and cash equivalents was NOK 27 thousand at 31 December 2010

**Investments in subsidiaries**

| <b>(in NOK million)</b>                                                          | <b>Notes</b> | <b>2010</b>   |
|----------------------------------------------------------------------------------|--------------|---------------|
| Investments in subsidiaries                                                      |              | 12,680        |
| Dividends and group contribution, net after tax                                  | 13           | (1,628)       |
| <b>Investments in subsidiaries recognised in statement of financial position</b> |              | <b>11,052</b> |
| <i>Significant non cash items:</i>                                               |              |               |
| Equity contribution paid in kind                                                 |              | (6,960)       |
| Dividends and group contribution, net after tax                                  | 13           | 1,628         |
| Other (translation effects)                                                      |              | (6)           |
| <b>Investments in subsidiaries</b>                                               |              | <b>5,714</b>  |

**15 Subsequent events**

No significant events has occurred in the period subsequent to the balance sheet date and prior to the approval of the financial statements of Statoil Fuel & Retail ASA.



# *Auditor's report*



To the Annual General Meeting of  
Statoil Fuel & Retail ASA

## AUDITOR'S REPORT

### Report on the financial statements

We have audited the accompanying financial statements Statoil Fuel & Retail ASA, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company comprise the statement of financial position as at 31 December 2010, the statements of income and cash flows for the year then ended as well as a summary of significant accounting policies and other explanatory information. The consolidated financial statements of the Group comprise the consolidated statement of financial position as at 31 December 2010, the consolidated statements of income, comprehensive income, cash flows and 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 Chief Executive Officer's responsibility for the financial statements*

The Board of Directors and Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the Parent Company and the International Financial Reporting Standards as adopted by the EU for the Group, and for such internal control as the Board of Directors and Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

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

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

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

*Opinion on the financial statements of the Parent Company*

In our opinion, the financial statements of Statoil Fuel & Retail ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as of 31 December 2010 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

*Opinion on the financial statements of the Group*

In our opinion, the consolidated financial statements of Statoil Fuel & Retail ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as of 31 December 2010 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards on Accounting as adopted by the EU.

**Report on other legal and regulatory requirements**

*Opinion on the Board of Directors' report*

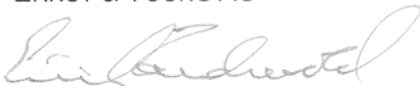
Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the result is consistent with the financial statements 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 Chief Executive Officer have fulfilled their duty to properly record and document the Company's accounting information as required by law and generally accepted bookkeeping practice in Norway.

Oslo, 14 March 2011

ERNST & YOUNG AS



Eirik Tandrevold

State Authorised Public Accountant (Norway)



# *Corporate governance*



# Corporate governance

## Implementation and reporting on corporate governance

Statoil Fuel & Retail ASA ("the Company") is a public limited company with a governance structure based on Norwegian law. Its shares are listed on the Oslo Børs (the stock exchange in Oslo, OSE), ticker "SFR". The Company is the parent company in the Statoil Fuel & Retail company group ("Statoil Fuel & Retail" or "the Group").

The Company was established on 18 May 2010 as a separate legal entity within the Statoil group. On 22 October 2010, Statoil Fuel & Retail ASA was listed on the Oslo Børs. Corporate governance is deeply embedded in the Group with its history as a part of the Statoil group. The Group has inherited the relevant parts of the corporate governance policy of the Statoil group and adapted them to fit its business.

Good corporate governance is a prerequisite for a sound and sustainable company and it is built on openness and the equal treatment of shareholders. Statoil Fuel & Retail's governing structures and controls help ensure that the Group runs its business in a justifiable and profitable manner to the benefit of its employees, shareholders, partners, customers and society. Statoil Fuel & Retail continuously considers prevailing international standards of best practice in defining and exercising company policies as it believes there is a clear link between high quality governance and the creation of shareholder value.

The way Statoil Fuel & Retail delivers is as important as what it delivers. The Statoil Fuel & Retail Book, which addresses all employees, sets the standards for the Group's behaviour, delivery and leadership.

The Group's corporate governance principles are based on, and comply with, the Norwegian Corporate Governance Code, with the following temporary exceptions:

- According to the articles of association, the Company shall have a nomination committee. However, the members of the nomination committee are not yet appointed, but will be elected at the Annual General Meeting of the Company's shareholders to be held in 2011; and

- Statoil Fuel & Retail ASA will adopt guidelines for the remuneration of the Group's management at the Annual General Meeting of the Company's shareholders to be held in 2011.

The reason for these temporary exceptions is that the Company considers leaving these decisions to the first Annual General Meeting of shareholders after the initial public offering to be more compliant with corporate governance principles, as it will allow the current shareholder structure to be represented.

Statoil Fuel & Retail has an established set of corporate values, as set out in its 2011 corporate brochure, *TouchPoint*. Its approaches to ethical business and to corporate responsibility, building upon those values, are also set out in that document.

## Business

Statoil Fuel & Retail's objectives are set out in the Company's articles of association and specified in its corporate strategy. The Group shall carry out processing, distribution and marketing of petroleum products and products deriving thereof, and activities relating to other energy sources, as well as related activities.

Targets and strategies are adopted, both for Statoil Fuel & Retail as a whole and for each business area, to support the Group's objectives. The Group aims to continue to build on its strategic platform as a leading fuel retailer in Scandinavia and Central and Eastern Europe, with road transportation fuel retail as its core business and an associated convenience offering providing operating synergies and a significant contribution to gross profit. Statoil Fuel & Retail has identified the following near to medium-term strategic objectives:

- Maintain fuel volume leadership in Scandinavia
- Increase share of Central and Eastern European business
- Further develop an attractive and profitable destination products offering
- Build sustainable competitive advantage through customer perception of site quality
- Implement cost efficiency measures

- Improve capital efficiency through balance sheet optimisation
- Attract and develop passionate fuel and retail professionals

Statoil Fuel & Retail sets absolute requirements for health, safety and the environment. Safe and efficient operations are the Group's first priority. The Group aims to meet the growing market demand for transportation fuel and lubricants, while showing consideration for the environment and making an active effort to fight global climate change.

Statoil Fuel & Retail is contributing to sustainable development in relation to its core activities in the countries in which it operates. It is committed to openness and anti-corruption, as well as respect for human rights and employee rights. That applies both to its own activities and to those parts of the value chain over which it has significant influence.

The full text of Statoil Fuel & Retail ASA's articles of association can be found on the Company's website at [www.statoilfuelretail.com](http://www.statoilfuelretail.com)

## Equity and dividends

### Shareholders' equity

The Company's shareholders' equity as of 31 December 2010 was NOK 7,840 million, which represented 33 percent of the Company's total assets. The Board considers this satisfactory given the Company's requirement for solidity in relation to its expressed goals, strategy and risk profile.

### Dividend policy

The Company's ambition is to distribute at least 50 percent of its earnings per share. When deciding the annual dividend level, the Board of Directors will take into consideration expected cash flow, capital expenditure plans, financing requirements and appropriate financial flexibility. In addition to cash dividends, Statoil Fuel & Retail ASA may exercise other available tools, including but not limited to buying back shares, as part of its total distribution of capital to the shareholders.

### Purchase of own shares for use in the share savings programme

Historically, the Company has been a part of Statoil ASA's share savings plan for its employees. The Board of Directors acknowledges that such a plan may strengthen the Company's business culture and encourage loyalty through employees becoming part-owners of the Company.

Therefore, the Annual General Meeting of shareholders will be asked to authorise the Board of Directors to acquire Statoil Fuel & Retail ASA shares in the market in order to implement an employees' share saving plan. The authorisation will be valid until the next Annual General Meeting or no longer than 30 June the following year.

## Equal treatment of shareholders and transactions with close associates

### General

Equal treatment of all shareholders is a core governance principle in Statoil Fuel & Retail.

### Different classes of shares

Statoil Fuel & Retail ASA has one class of shares, and each share confers one vote at the Annual General Meeting. The articles of association contain no restrictions on voting rights.

### Freely negotiable shares

The Statoil Fuel & Retail ASA share is freely negotiable. No form of restriction on negotiability is included in the company's articles of association.

## General meetings

The Annual General Meeting of shareholders (AGM) is Statoil Fuel & Retail's supreme corporate body and serves as a democratic and efficient forum for interaction between the Company's shareholders, Board of Directors and management.

The main framework as regards the convening and holding of an AGM in Statoil Fuel & Retail is as follows:

- Pursuant to the Company's articles of association, the AGM must be held by the end of June each year.

- Notice of the meeting and documentation for the AGM are published on Statoil Fuel & Retail's website at least 21 days prior to the meeting. The notice is consecutively sent by mail to all shareholders whose address is known no less than 21 days before the AGM. All shareholders who are registered in the Norwegian Central Securities Depository (VPS) will receive an invitation to the AGM.
- Shareholders are entitled to have a proposal dealt with at the AGM if the proposal has been submitted in writing to the Board of Directors in sufficient time to allow inclusion in the distributed notice of meeting.
- Shareholders who are prevented from attending may vote by proxy.
- The AGM is conducted in Norwegian.

The AGM is normally opened by the Chair and the Company is making arrangements to ensure an independent chair for the AGM. If there is a dispute concerning individual matters and the independent chair belongs to one of the disputing parties or is for some other reason not perceived as being impartial, another person will be appointed to chair the AGM in order to ensure impartiality in relation to the matters to be considered.

The AGM's tasks include approving the Company's financial statements and the allocation of net income, election of the external auditor and stipulation of the auditor's fee, electing the members of the Board, and electing the members of the nomination committee.

All shares carry an equal right to vote at general meetings. Resolutions at AGMs are normally passed by simple majority. However, Norwegian legislation requires a qualified majority for certain resolutions, including resolutions to waive preferential rights in connection with any share issue, approval of a merger or demerger, amendment of the articles of association or authorisation to increase or reduce the share capital. These matters require the approval of at least two-thirds of the aggregate number of votes cast as well as two-thirds of the share capital represented at the AGM.

Minutes from the AGM are published via the Oslo Børs' messaging system at [www.newsweb.no](http://www.newsweb.no) and made available on the Company's website at [www.statoilfuelretail.com](http://www.statoilfuelretail.com) in both Norwegian and English as soon as is practicable.

### *Nomination committee*

Pursuant to Statoil Fuel & Retail ASA's articles of association, the nomination committee should consist of three members who are shareholders or representatives of shareholders. As the Company was listed in October 2010, no nomination committee has yet been elected. The Board of Directors will present their recommendation for the election of members to the nomination committee at the Company's AGM on 27 April 2011. The Board of Directors will also take on the other duties of the nomination committee until the committee has been elected.

The nomination committee will be independent of both the Board and the Company's management.

The duties of the nomination committee will be:

- to present recommendations to the general meeting of shareholders for the election of members to the nomination committee
- to present recommendations for the election of shareholder-elected members to the Board of Directors
- to present a proposal for the remuneration of members of the Board of Directors and the nomination committee

The members of the nomination committee are normally elected by the general meeting of shareholders. Members of the nomination committee are normally elected for a term of two years. Deadlines for suggesting or nominating candidates for the Board of Directors and the nomination committee can be found in the "Investors" section of the Statoil Fuel & Retail website at [www.statoilfuelretail.com](http://www.statoilfuelretail.com).

## **Corporate assembly and Board of Directors - composition and independence**

### **Composition of the Board of Directors**

Under an agreement with the employees, the Company does not have a corporate assembly. Employee rights under Norwegian law to representation and participation in decision-making have been secured in part through extended representation on the Board of Directors.

The Board of Directors consists of eight members. Pursuant to Norwegian legislation, the Group's employees are entitled to elect three Board members, with deputy members, while five members of the Board are elected by the shareholders. There are no deputy members for shareholder representatives on the Board.

The management is not represented on the Board. Members of the Board are normally elected for a term of two years. A majority of the members of the Board are deemed to be "independent" Board members. There are no Board member service contracts that provide for benefits upon termination of office.

The present composition of the Board is presented in the "Board of Directors" section of this report and on the Statoil Fuel & Retail website, [www.statoilfuelretail.com](http://www.statoilfuelretail.com).

As the Board of Directors was established in connection with the stock exchange listing in October 2010, no notice of attendance is available for 2010.

### **The work of the Board of Directors**

The Board of Directors of Statoil Fuel & Retail ASA is responsible for the overall management of the Group, and for supervising its activities in general as further defined in the Board's rules of procedure. The Board handles matters of major importance or of an extraordinary nature. However, it may require that any matter be referred to it. The Board appoints the Company's Chief Executive Officer (CEO), and establishes the working instructions, powers of attorney, and terms and conditions of employment for the CEO. Pursuant to the Board's rule of procedure, the Board produces an annual plan for its work and will evaluate its performance and expertise annually.

In order to ensure a more independent consideration of matters of a material character in which the chair of the Board is, or has been, personally involved, the Board's consideration of such matters should be chaired by some other member of the Board.

The Board has two sub-committees:

- the audit committee's role is to support the Board in exercising its management and monitoring responsibilities, particularly in respect of accounting
- and financial reporting, and to ensure that the Company has an independent and effective external and internal audit system. The committee also oversees the implementation of, and compliance with, the Company's ethical requirements.
- the compensation committee's role is to assist the Board in its work on the terms and conditions of employment for the CEO as well as the principles for top management remuneration.

## **Risk management and internal control**

The Board of Directors and management attach great importance to the quality of Statoil Fuel & Retail's risk management and control functions, and this is reflected in Statoil Fuel & Retail's management and control systems.

### **Risk management**

Statoil Fuel & Retail manages risk to ensure safe operations and to achieve its corporate objectives in compliance with prevailing requirements. Its overall risk management approach includes continuous assessment and management of risk in all activities.

In Statoil Fuel & Retail, risk management is divided into three main categories:

- Strategic risks are long-term market risks, which are monitored by the Company's corporate risk committee. The corporate risk committee gives advice and makes recommendations to the corporate executive committee based on strategic market risk policies.

- Tactical risks, which are short-term trading risks based on underlying exposures, are managed by the principle business segment line managers.
- Operational risks, which cover all major operational goals and underlying risk drivers, are managed as an integral part of line managers' responsibilities at all levels. In addition, insurable risks are handled by the captive insurance company operating in the Norwegian and international insurance markets.

#### **The management's report on internal control of financial reporting**

The management of Statoil Fuel & Retail is responsible for establishing and maintaining adequate internal control of financial reporting. The Group's internal control of financial reporting is a process designed under the supervision of the CEO and CFO to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Statoil Fuel & Retail's financial statements for external reporting purposes in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The accounting policies applied by the Group also comply with IFRS as issued by the International Accounting Standards Board.

The management has assessed the effectiveness of internal control of financial reporting based on the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, the management has determined that Statoil Fuel & Retail's internal control of financial reporting as of 31 December 2010 was effective.

#### **Statoil Fuel & Retail's Ethics Code of Conduct and anti-corruption compliance programme**

Statoil Fuel & Retail's ability to create value is dependent on applying high ethical standards, and it is determined that the Group shall be known for them. Ethics are treated as an integral part of the Group's business activities. Statoil Fuel & Retail requires high ethical standards of everyone who acts on its behalf and will maintain an open dialogue on ethical issues, internally and externally.

The Group's Ethics Code of Conduct describes Statoil Fuel & Retail's commitment and requirements in connection with issues of an ethical nature that relate to business practice

and personal conduct. In the Group's business activities, it will comply with applicable laws and regulations and act in an ethical, sustainable and socially responsible manner. Respect for human rights is also an integral part of Statoil Fuel & Retail's values base.

The Ethics Code of Conduct is valid for everyone working for Statoil Fuel & Retail, including the members of the Board of Directors of the Company and its subsidiaries. Business partners are also expected to have ethical standards that are consistent with Statoil Fuel & Retail's ethical requirements.

#### **The Chief Executive Officer, the Corporate Executive Committee and the role of the Chief Financial Officer**

The Chief Executive Officer (CEO) reports to the Board of Statoil Fuel & Retail ASA, and has overall responsibility for the Group as described in the Board's rules of procedure. The CEO is responsible for developing the Group's business strategy and presenting it to the Board for decision, for the development and execution of the business strategy, and for strengthening a performance-driven, values-based culture. As a general rule, issues should first be put to the CEO before they are presented to the Board.

The CEO selects the members of the corporate executive committee (CEC). Members of the CEC have a collective duty to safeguard and promote the Group's corporate interests and to provide the CEO with the best possible basis for setting directions, making decisions, ensuring execution and following up business activities. All CEC members take an active part in the deliberations of the CEC with the aim of promoting the collective interests of the Group. The CEC will continuously develop the Group's management system based on the requirements of corporate governance, risk management and the control system, and implement the system across the organisation.

The CEC embraces corporate committees for health, safety and the environment (HSE), audits and ethics. Corresponding committees are set up at the business area level with individual mandates.

The chief financial officer (CFO) is the corporate controller and ensures critical follow-up of all business activities in the Group. The CFO is responsible for:

- Providing reliable, relevant and sufficient financial information and control related to the Group's business activities, and for assuring that information is based on corporate accounting principles
- Chairing the corporate risk committee which handles corporate risk management issues
- Defining the Group's accounting and reporting principles and chairing the corporate disclosure committee

#### Control and accounting managers

The main responsibilities of the control and accounting functions are to:

- Initiate and coordinate target-setting, planning and follow-up processes
- Challenge and support management in business decisions
- Oversee financial reporting and ensure quality in reporting and forecasting
- Provide commercial quality control and independent assessment of business decisions
- Set accounting policies and establishing relevant processes and procedures

The control function ensures critical follow up of all commercial activity at every level in both the business areas and business drivers. Controllers report professionally to the corporate performance management and analysis unit, with a right and duty to inform on significant professional issues or matters of principle.

The corporate accounting and financial compliance unit is responsible for the quality of accounting. Business area accounting managers are responsible for the quality of accounting in their respective entities. This includes ensuring consistent application of Group accounting policies and contributing to Group financial reporting and compliance. Accounting managers report professionally to the corporate accounting and financial compliance unit, with a right and duty to inform on significant professional issues or matters of principle.

#### Corporate compliance

The responsibilities of the corporate compliance officer in the legal function include establishing the Group's ethics policy and requirements, and the operation of the Group's ethics help-line. This role ensures that compliance activities to counteract corruption are well organised and conducted in a satisfactory manner, and is responsible for preparing reports to the CEC and the Board's audit committee on the progress of compliance work and on the result of any investigation related to corruption.

The corporate compliance function in the legal function is responsible for carrying out integrity due diligence.

#### Decision-making authorities

The Board authorises the CEO to act in accordance with the Board's rules of procedure and with authorities issued in relation to individual decisions.

The CEO may delegate authorisations to other members of the CEC. They may then delegate and describe relevant decision-making mandates in their own organisations.

The CEO determines the authority for decision making and responsibility for results on the basis of the organisational mandate, other relevant authorities and the management system. All issues of major importance and issues outside a business area or corporate entity's normal field of operation must be presented to the CEO for approval.

The CFO is authorised by the CEO to raise loans within the overall loan framework approved by the Board.

Line managers responsible for results and performance are also delegated a certain level of authority. Financial and people authorities are split between task and resource managers.

Delegation of financial authorisations and responsibilities is based on the way task responsibility is handled. Each task manager assesses which responsibilities and reporting tasks can be delegated. They can assign responsibility for executing tasks outside their own line.

The delegation of authorities and responsibility for people is based on resource responsibility, which follows the line organisation. The resource manager is responsible for selecting, developing and rewarding their people, supported by a task manager. If the task manager has extensive responsibility for an individual over time, the task and resource managers may agree that the task manager assume responsibility for that person for a temporary period.

The chief procurement officer has the authority to commit the Group to individual suppliers. They can assign this authority to the manager of a procurement unit. The principle of segregation of duties between line and procurement responsibility applies to all our procurement functions.

The Board grants power of procurement on behalf of Statoil Fuel & Retail.

The management of individual business entities and staff units is duty-bound to ensure compliance with relevant legislation and regulations. It is required to seek assistance and advice from the legal function (and/or external guidance by agreement with the legal function) before entering into major agreements or commitments, or when this is otherwise necessary or required.

#### **Governance of subsidiaries**

Control and management of all organisational entities is based on the same governance principles, whether the entity is organisationally part of the Group's parent company or an independent legal entity in the form of a wholly-owned subsidiary (wholly-owned limited liability company).

In the case of partly-owned subsidiaries, the same principles apply concerning control and management of the business. Statoil Fuel & Retail representatives on the boards of such companies must coordinate their points of view and vote in accordance with decisions made in the line.

### ***Remuneration of the Board of Directors***

Members of the Board of Directors receive remuneration in accordance with their individual roles.

Information about all remuneration paid by the Company to each member of the Board of Directors is presented in Note 9 to the consolidated financial statements.

### ***Remuneration of executive personnel***

The established remuneration principles and concepts from Statoil ASA will be continued in Statoil Fuel & Retail ASA for the accounting year 2011. In the longer term the remuneration principles and concepts in general will be reviewed, taking into account the stock listing of the new company, a new competitive situation and market adjustments.

Statoil Fuel & Retail ASA's remuneration policy is strongly linked to the Group's human resources policy and values base. The design of the remuneration concept is based on certain key principles. These principles pertain in general, but they are applied differently to different remuneration systems and job categories.

The remuneration concept is an integrated part of a values-based framework for performance management and shall:

- Reflect the Group's competitive market strategy and local market conditions
- Strengthen the common interests of people in the Group and its shareholders
- Comply with statutory regulations and good corporate governance
- Be fair, transparent and non-discriminatory
- Reward and recognise delivery and behaviour
- Differentiate on the basis of responsibilities and performance
- Reward both short-term and long-term contributions and results

Statoil Fuel & Retail's remuneration systems are designed to attract and retain people who perform, develop and learn. The overall remuneration level and composition of the total reward reflect the national and international framework and the business environment in which Statoil Fuel & Retail operates.

Statoil Fuel & Retail ASA will adopt guidelines for remuneration of the Group's management at the Annual General Meeting of the Company's shareholders to be held 27 April 2011.

### *Information and communications*

Statoil Fuel & Retail has established guidelines for the Company's reporting of financial and other information based on openness and taking into account the requirement for equal treatment of all participants in the securities market.

The purpose of these guidelines is to ensure the dissemination of timely and correct information about the Company and Group to shareholders and society in general.

A financial calendar and shareholder information are published in this report on page 121 and on the Company's website at [www.statoilfuelretail.com](http://www.statoilfuelretail.com).

The Investor Relations function is responsible for coordinating the Group's communication with capital markets and for relations between Statoil Fuel & Retail and existing and potential investors in the Company. Investor Relations is responsible for distributing and registering information in accordance with the legislation and regulations that apply where Statoil Fuel & Retail securities are listed. Investor Relations reports directly to the CFO.

The Group's management holds regular presentations for investors and financial analysts. The Company's quarterly presentations are broadcast live on the internet. The pertaining reports are made available together with other relevant information at [www.statoilfuelretail.com](http://www.statoilfuelretail.com).

### *Take-overs*

The Board of Directors of Statoil Fuel & Retail ASA has agreed the following policy in case of a takeover attempt of the Company:

In a bid situation, the Company's Board of Directors and management have an independent responsibility to help ensure that shareholders are treated equally, and that the Company's business activities are not disrupted unnecessarily.

The Board has a particular responsibility to ensure that shareholders are given sufficient information and time to form a view of the offer. The Board of Directors will not seek to hinder or obstruct take-over bids for the Company's activities or shares unless there are particular reasons for this. In the event of a take-over bid for the Company's shares, the Company's Board of Directors will not exercise mandates or pass any resolutions with the intention of obstructing the take-over bid unless this is approved by the general meeting following announcement of the bid. If an offer is made for the Company's shares, the Company's Board of Directors will issue a statement making a recommendation as to whether shareholders should or should not accept the offer.

The Board's statement on the offer will make it clear whether the views expressed are unanimous, and if this is not the case it should explain the basis on which specific members of the board have excluded themselves from the Board's statement. The Board will arrange a valuation from an independent expert. The valuation will include an explanation, and will be made public no later than at the time of the public disclosure of the Board's statement.

Any transaction that is in effect a disposal of the Company's activities will be decided by a general meeting, given that Statoil Fuel & Retail ASA does not have a corporate assembly.

## Auditor

Pursuant to its instructions, the Board's audit committee is responsible for ensuring that the Group is subject to an independent and effective external audit.

The Company's external auditor, Ernst & Young, is independent in relation to Statoil Fuel & Retail and is appointed by the Annual General Meeting of shareholders. The auditor's fee must be approved by the Annual General Meeting of shareholders.

Every year, the auditor shall present a plan for the audit committee for the execution of the auditor's work.

The auditor is present at the Board meeting that deals with the preparation of the annual accounts and the auditor participates in meetings with the audit committee at which the internal control system is discussed.

When evaluating the auditor, emphasis is placed on the firm's competence, capacity, local and international availability, and the size of the fee.

The audit committee evaluates and makes a recommendation regarding the choice of auditor, and it is responsible for ensuring that the auditor meets all requirements. The audit committee considers all reports from the auditor before they are considered by the Board of Directors. The audit committee holds regular meetings with the independent auditor without the company's management being present.

### Audit committee pre-approval policies and procedures

In the instruction for the audit committee, the Board of Directors has delegated to the audit committee authority to pre-approve assignments to be performed by the auditor. The audit committee has issued guidelines for the management's pre-approval of assignments to be performed by the auditor.

All services provided by the auditor must be pre-approved by the audit committee. Pre-approval is usually granted at a regular audit committee meeting. The chair of the audit committee has been authorised to pre-approve services in accordance with policies established by the audit committee, specifying in detail the types of services that qualify, and provided that any services pre-approved in this manner are presented to the full audit committee at its next meeting. Some pre-approvals may therefore be granted by the Chair of the audit committee if an urgent reply is deemed necessary.

In the annual consolidated financial statements and in the parent company's financial statements, the auditor's remuneration is split between the audit fee and audit-related and other services fees. In the presentation for the Annual General Meeting of shareholders, the chair presents the split between the audit fee and audit-related and other services fees.

The same firm of auditors should, as a general rule, be appointed for all the Company's subsidiaries. If an auditor is appointed for joint ventures operated by the Company, the Company's external auditor must be used. Any deviation from this rule must be approved by the Chief Financial Officer.

# *Shareholder information*



# Shareholder information

Statoil Fuel & Retail ASA was listed on the Oslo Børs (the stock exchange in Oslo, OSE) on 22 October 2010. At year end 2010 it had a market capitalisation of NOK 15,990 million.

Statoil Fuel & Retail is committed to maintaining an effective dialogue with its shareholders and the financial markets in general, providing relevant information and contributing to a correct understanding of the Group and a share price that reflects the underlying asset values of the Group.

## Share capital and shareholder structure

On 31 December 2010, Statoil Fuel & Retail ASA had 300 million ordinary shares outstanding with a par value of NOK 5.00 per share. All the shares have been created under the Norwegian Public Limited Companies Act, are validly issued and fully paid.

At year end, the Company had 3,931 private and institutional shareholders of which 36.5 percent held outside Norway. The 20 largest shareholders owned 79 percent of the shares, with non-Norwegians accounting for approximately 27.5 percent of this 79 percent.

Statoil Fuel & Retail ASA's largest shareholder is Statoil ASA, with 54.00 percent of the shares. As part of the separation from Statoil ASA prior to the listing of Statoil Fuel & Retail ASA, Statoil ASA entered into a "lock-up" commitment which implies that Statoil ASA cannot reduce its ownership in Statoil Fuel & Retail ASA for a period of 180 days after the closing date for the Company's share offering. The Company's shares are otherwise freely transferable. The Company has only one share class, and each share has one vote.

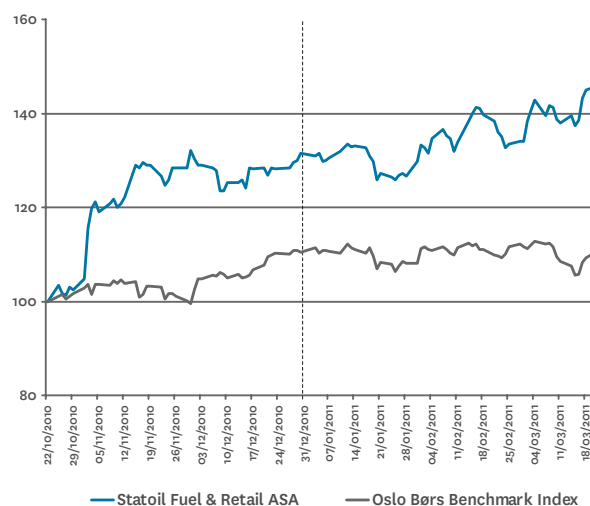
## Share price development and liquidity

The shares of Statoil Fuel & Retail ASA are included in the Oslo Børs benchmark index, OSEBX, under the ticker code SFR. The shares are registered in the Norwegian Central Security Depository. DnB NOR is the registrar and issuer. The shares carry the securities number ISIN NO0010584063.

The closing share price of Statoil Fuel & Retail ASA at 31 December 2010 was NOK 53.3 per share, an increase of 36.7 percent compared with the issue price of NOK 39. The OSEBX index gained 10.5 percent in the same period. The Statoil Fuel & Retail ASA share is included in the industry index OSE Consumer Discretionary as well as the OBX Total Return Index. The OBX consists of the 25 most traded securities in the OSEBX index and is a tradable index in the derivatives market.

A total of approximately 289.8 million shares in Statoil Fuel & Retail ASA were traded on the Oslo Børs during 2010 (including 138 million shares sold by Statoil ASA in October), corresponding to 96.6 percent of the Company's total outstanding shares. The share was traded on 49 of 49 possible trading days in 2010, and the average number of shares traded on those days on Oslo Børs was approximately 5.9 million (3.1 million excluding the 138 million shares sold by Statoil ASA in October).

Indexed share price development



The share in 2010

|                                        |             |        |
|----------------------------------------|-------------|--------|
| Highest traded price                   | NOK         | 53.50  |
| Lowest traded price                    | NOK         | 40.50  |
| Closing share price at 31 December     | NOK         | 53.30  |
| Number of shares issued at 31 December | Million     | 300    |
| Market capitalisation at 31 December   | NOK million | 15,990 |
| Turnover rate                          | Percent     | 96.6   |

## Dividend policy

The Company's ambition is to distribute at least 50 percent of its earnings per share. When deciding the annual dividend level, the Board of Directors will take into consideration expected cash flow, capital expenditure plans, financing requirements and appropriate financial flexibility. In addition to cash dividends, Statoil Fuel & Retail ASA may buy back shares as part of its total distribution of capital to the shareholders.

## Authorisation to acquire treasury shares

On 25 August 2010, an Extraordinary General Meeting of Statoil Fuel & Retail ASA's shareholders resolved to grant the Board of Directors two authorisations to repurchase its own shares with a total nominal value of NOK 20 million and NOK 130 million, respectively, which corresponds to 10 percent of the Company's outstanding share capital at a price per share of between NOK 15 and NOK 90. The first authorisation may only be used in connection with a possible share saving programme for the Company's employees. The second authorisation may be used to repurchase shares for cancellation. The authorisations are valid until the Annual General Meeting of Statoil Fuel & Retail's shareholders in 2011, but in no event after 30 June 2011. As of 31 December 2010, Statoil Fuel & Retail ASA had not repurchased any of its shares.

## Information policy

Statoil Fuel & Retail ASA aims to provide the market with accurate, consistent and relevant information about the Company on a timely basis. It is an objective to treat all investors and other market players equally. Relevant and accurate information should be made available as quickly as possible in order to ensure that the market can assess the Company's value on the best possible basis. The Company's financial results are published on a quarterly basis, followed by a presentation which is open to all interested parties. The presentations are also published live and in real time via a webcast. All relevant information about Statoil Fuel & Retail is published on the Company's web site [www.statoilfuelretail.com](http://www.statoilfuelretail.com). Nine financial analysts provide market updates and estimates for Statoil Fuel & Retail ASA's financial results, including three analysts located in the UK and North America.

## Equity analyst coverage as of 1 March 2011

| Institution                   | Name                |
|-------------------------------|---------------------|
| ABG Sundal Collier            | Dag Sletmo          |
| Barclays Capital              | Lydia Rainforth     |
| Bank of America Merrill Lynch | James Schofield     |
| Carnegie Securities           | Preben Rasch-Olsen  |
| Citi                          | Simon Bowler        |
| Handelsbanken                 | Marcela Kozak       |
| Nordea                        | Tore Østby          |
| Pareto Securities AS          | Eirik Vegem Dahle   |
| Terra Markets AS              | Daumantas Bloznelis |

## Long-term incentive schemes

The Board of Directors has approved equity settled long-term incentive schemes for members of the corporate executive committee. More information about the schemes can be found in note 9 to the consolidated financial statements.

## Nomination committee

Pursuant to Statoil Fuel & Retail ASA's articles of association, the nomination committee will consist of three members who are shareholders or representatives of shareholders. The nomination committee will be independent of both the Board and the Group's management. The members of the nomination committee will be elected by the Annual General Meeting of shareholders. Members of the nomination committee are normally elected for a term of two years. The members of the nomination committee will be appointed at the AGM of the Company's shareholders to be held 27 April 2011.

## General meeting

The Annual General Meeting will take place on 27 April 2011 in Oslo, Norway. Written notice is sent to all the shareholders individually or to their custodian bank at least 21 days before the Annual General Meeting. The notice will also be made available on the Company's website at the same time. In order to vote at the general meeting, shareholders must be physically present, either in person or by authorised representative.

## Registrar

DnB NOR Bank ASA  
 Registrars Department  
 Stranden 21  
 N-0021 Oslo, Norge  
 Tel: +47 22 48 35 80  
 Email: vps.kontofoerer@dnbnor.no

### 20 largest shareholders at 31 December 2010

| Company                                     | Nominee | Number of shares   | Ownership      |
|---------------------------------------------|---------|--------------------|----------------|
| Statoil ASA                                 |         | 162,000,000        | 54.00%         |
| UBS AG, London branch                       | x       | 11,436,030         | 3.81%          |
| Morgan Stanley & Co Inc. New York           | x       | 7,103,477          | 2.37%          |
| Bank of New York Mellon SA/NV               | x       | 7,090,341          | 2.36%          |
| Société Générale Paris                      |         | 6,299,238          | 2.10%          |
| Folketrygdfondet                            |         | 5,822,390          | 1.94%          |
| State Street Bank and Trust Co.             | x       | 4,745,380          | 1.58%          |
| JPMorgan Chase Bank                         | x       | 3,488,930          | 1.16%          |
| JPMorgan Chase Bank                         | x       | 3,246,419          | 1.08%          |
| Skandinaviska Enskilda Banken               | x       | 3,042,575          | 1.01%          |
| Legal and General Assurance Society Limited |         | 2,927,854          | 0.98%          |
| Deutsche Bank AG London                     | x       | 2,888,691          | 0.96%          |
| Goldman Sachs & Co - Equity                 | x       | 2,736,008          | 0.91%          |
| Bank of New York Mellon SA/NV               | x       | 2,292,991          | 0.76%          |
| Morgan Stanley & Co Inc. New York           |         | 2,243,164          | 0.75%          |
| DNB NOR Bank ASA                            |         | 2,183,214          | 0.73%          |
| The Northern Trust Company                  | x       | 2,000,000          | 0.67%          |
| State Street Bank and Trust Co.             | x       | 1,954,348          | 0.65%          |
| JPMorgan Chase Bank                         | x       | 1,818,447          | 0.61%          |
| Ferd AS Invest                              |         | 1,800,000          | 0.60%          |
| <b>Total 20 largest shareholders</b>        |         | <b>237,119,497</b> | <b>79.04%</b>  |
| Other shareholders                          |         | 62,880,503         | 20.96%         |
| <b>Total</b>                                |         | <b>300,000,000</b> | <b>100.00%</b> |

Source: the Norwegian Central Securities Depository

## Financial calendar 2011

27 April: Annual General Meeting  
 3 May: first quarter results 2011  
 27 July: second quarter results 2011  
 26 October: third quarter results 2011

### Shareholders by nationality

| Nationality    | Number of shareholders | Number of shares   | Ownership   |
|----------------|------------------------|--------------------|-------------|
| Norway         | 3,640                  | 191,740,614        | 63.9%       |
| United Kingdom | 84                     | 47,753,931         | 15.9%       |
| USA            | 28                     | 23,910,811         | 8.0%        |
| Belgium        | 22                     | 13,242,449         | 4.4%        |
| France         | 14                     | 11,523,858         | 3.8%        |
| Sweden         | 76                     | 4,639,787          | 1.5%        |
| Luxembourg     | 11                     | 3,618,898          | 1.2%        |
| Denmark        | 29                     | 2,005,275          | 0.7%        |
| Other          | 25                     | 1,564,377          | 0.5%        |
| <b>Total</b>   | <b>3,929</b>           | <b>300,000,000</b> | <b>100%</b> |

### Shareholder distribution

| Shares held       | Number of shareholders | Share capital (%) |
|-------------------|------------------------|-------------------|
| 1 - 100           | 172                    | 0.4               |
| 101 - 1,000       | 2,946                  | 0.4               |
| 1,001 - 10,000    | 500                    | 0.5               |
| 10,001 - 100,000  | 160                    | 2.0               |
| 100,001 - 500,000 | 89                     | 7.0               |
| More than 500,000 | 59                     | 90.1              |
| <b>Total</b>      | <b>3,926</b>           | <b>100</b>        |

# *Board of Directors*



# Board of Directors

The Board has overriding responsibility for managing the Group and supervising the Group's day-to-day management and its operations.



## **Birger Magnus, Chair**

Birger Magnus holds the position of chairman of the board of Storebrand ASA and Hafslund ASA as well as holding several other directorships. From 1996 to 2010, Magnus was executive vice president and later deputy chief executive officer of Schibsted ASA. Prior to joining Schibsted ASA, Magnus worked for McKinsey & Co from 1985 to 1996 as principal and location manager Norway. Magnus has also been the manager of Magnus Data AS from 1982 to 1984 and a system consultant with Honeywell Bull AS from 1980 to 1982. Magnus holds a Master of Science degree from the Norwegian University of Science and Technology (NTNU) and an MBA from INSEAD.



## **Per Bjørgås, Board member**

Per Bjørgås is chief executive officer of New Store Europe AS. Prior to taking this position, Bjørgås held several management positions within retailing, including chief financial officer and managing director of Elkjøp ASA from 1998 to 2002, managing director of Dixons International Electrical Retailing from 2003 to 2005, group managing director of Dixons Electrical Retailing from 2006 to 2007 and group managing director of Dixons International Businesses from 2008 to 2009. Bjørgås has also worked as an associate partner in the private equity company Lindsay Goldberg Nordic from 2009 to 2010.



## **Ann-Charlotte Lundén, Board member**

Ann-Charlotte Lundén has 20 years of experience in retailing, serving as Business Area Manager of IKEA of Sweden, commercial director of IKEA Singapore and Malaysia, managing director and president of Guldfynd/Hallbergs Guld and general manager of Coop Forum Sverige. Lundén holds a Bachelor of Science (Economics) from Linköping University. Lundén is also a board member in Bergendahl Food, Bergendahl Fashion, Lammhults Design Group, Swedol, Axcel (Swedish Industrial Board) and Twilfit.



## **Jon Arnt Jacobsen, Board member**

Jon Arnt Jacobsen is currently global head of procurement at Statoil. Jacobsen was the group finance director of Statoil from 1998 to 2004. Jacobsen worked for Den norske Bank (DnB) for 13 years, where he held positions including general manager and head of DnB's Singapore branch. Jacobsen holds a Master of Science in Business and Economics (siviløkonom) from the Norwegian School of Management (BI) in Oslo and a Master of Business Administration ("MBA") from the University of Wisconsin.



## **Marthe Hoff, Board member**

Marthe Hoff is currently the vice president financial investments, Statoil ASA. Hoff joined Statoil in 1990 and has since held several management positions in Statoil group companies, including president of Statoil Asia Pacific Pte Ltd, general manager of refinery and processing in Statoil's oil trading and supply division, business controller/head of staff of energy marketing and sales and project manager of international gas projects. Hoff holds an MBA in finance and a Bachelor of Science in international business from the University of San Francisco, USA.



**Ketil Johannessen, Board member  
(employee representative)**

Ketil Johannessen is currently a full-time union representative in Statoil Fuel & Retail. He has been a full-time union representative since 1996.

Johannessen joined Statoil in 1979, and has held several positions within Statoil group companies, including customer operator, planner transportation, sales of heating oil as well as acting as a safety representative. Johannessen has attended the school of Norwegian confederation of trade unions.



**Petter Vådal, Board member (employee representative)**

Petter Vådal is Chief Category Manager in Statoil Fuel & Retail (SFR), responsible for optimising the marketing mix in the Fuel Category on European level. Prior to this position he headed up the European Fuel Pricing Network in SFR with main focus on

balancing margins and volumes. Prior to joining SFR he was responsible for Price Management in Global IT and Staffing companies. Vådal holds a Master in Marketing from the Norwegian School of Management.



**Anne Martha Støver, Board member  
(employee representative)**

Anne Martha Støver is project manager health, safety and environment in Statoil Fuel & Retail. Prior to assuming this position Støver was a project manager at Statoil. Prior to joining Statoil, Støver

was in charge of the implementation of the sage behaviour programme in Nordic Energy. From 2001 to 2006, Støver held the position of safety delegate (hovedverneombud) in Statoil Norge AS. Støver holds a Bachelor of Economics degree from the Norwegian School of Management (BI).



*Corporate  
executive  
committee*



# Corporate executive committee

The corporate executive committee is responsible for the day-to-day operations of Statoil Fuel & Retail's business and is in charge of executing the Group's strategy, goals and financial statements, as well as important investments.



**Jacob Schram, Chief Executive Officer (CEO)**

Before joining Statoil Fuel & Retail in May 2010, Schram had been Senior Vice President for Statoil Energy & Retail Europe since 2006. He joined Statoil in 1996 and held various management positions including country manager of Statoil Retail Norway from 1999 to 2004 and Senior Vice President Statoil Retail Europe from 2004 to 2006. Prior to joining Statoil, Jacob Schram was head of marketing and public relations for McDonalds Norway AS and a consultant and project manager at McKinsey & Company in Copenhagen. He has held several board member assignments within Statoil and external companies, including Møller Bil and KID Interiør.

Schram has an MSc in Economics from Handelshøjskolen in Copenhagen, Denmark.

Jacob Schram is a Norwegian citizen, and lives in Norway. He has no family relations to other members of the corporate executive committee or the Board and no external directorships.



**Klaus-Anders Nysteen, Chief Financial Officer (CFO)**

Before joining Statoil Fuel & Retail in May 2010, Nysteen was at Storebrand Bank, where he had been CEO since 2006. He worked the previous five years as CFO at Posten Norge (the Norwegian Post Office), where he also served a period as acting CEO. From 1996 to 2001, Klaus-Anders Nysteen held positions as CEO and CFO of Hydro Seafood in Norway and CEO in Hydro Seafood's Scottish subsidiary. He is currently chairman of the board of AFF Konsulent AS.

Nysteen has an Executive MBA from the Norwegian School of Economics & Business Administration and a BSc from the Norwegian Naval Academy. He has also completed Norway's top executive management programme, the Solstrandprogrammet.

Klaus-Anders Nysteen is a Norwegian citizen, and lives in Norway. He has no family relations to other members of the corporate executive committee or the Board.



**Hans-Olav Høidahl, EVP Scandinavia**

Before joining Statoil Fuel & Retail in May 2010, Høidahl had been Vice President for Energy Europe in the Statoil Group since 2006. He joined the company in 1992 and held a variety of positions including director for customer service in Norway, manager for regional sales in Scandinavia, sales director for Norway, country manager for energy in Norway and Vice President for energy operations.

He has a BA in economics from The Norwegian School of Management.

Hans-Olav Høidahl is a Norwegian citizen, and lives in Norway. He has no family relations to other members of the corporate executive committee or the Board and no external directorships.



**Jørn Madsen, EVP Central & Eastern Europe**

Before joining Statoil Fuel & Retail in May 2010, Madsen had been Vice President for country operations in Statoil Energy & Retail since 2007. He joined Statoil in 1990 and held several management positions including Vice President for retail operations Europe, director of retail operations in Denmark, director of retail operations in the Baltic countries, director of category management in the Baltic countries, regional manager of retail operations in Denmark, and controller in Denmark.

Madsen has a BA in economics from the Copenhagen Business School.

Jørn Madsen is a Danish citizen, and lives in Norway. He has no family relations to other members of the corporate executive committee or the Board and no external directorships.


**Jonas Palm, EVP Special Products**

Before joining Statoil Fuel & Retail in May 2010, Palm had been Vice President for Lubricants in Statoil Energy & Retail since 2007. He joined Statoil in 1991 and held several managerial positions in the business units of Lubricants and Energy,

including director for international sales (Lubricants), CFO (Lubricants) and sales manager Region East (Energy). Prior to joining Statoil, Palm worked for Svenska BP, NK and Åhlens.

Palm holds a BA in Economics from the University of Uppsala.

Jonas Palm is a Swedish citizen, and lives in Sweden. He has no family relations to other members of the corporate executive committee or the Board and no external directorships.


**Lars Gaustad, EVP Transport Fuel**

Before joining Statoil Fuel & Retail in May 2010, Gaustad has been Chief Category Manager Fuel in Statoil Energy & Retail since June 2009. Gaustad has worked in Statoil since 2003 in various positions within finance and projects. Prior to his

current position he headed the fuel strategy project in 2007 and in 2008 the category management fuel development and implementation project.

Gaustad has an MA in business administration from the Norwegian School of Economics and Business Administration and ESADE (Spain).

Lars Gaustad is a Norwegian citizen, and lives in Norway. He has no family relations to other members of the corporate executive committee or the Board and no external directorships.


**Ina Strand, EVP Market Development<sup>3</sup>**

Before joining Statoil Fuel & Retail in May 2010, Strand was customer offer director (since 2006) and deputy country manager (since 2005) in Statoil Energy & Retail Norway. She joined Statoil Detaljhandel AS in 2003 as development manager and HR

director. Prior to joining Statoil, she worked for five years from the Norwegian offices of PA Consulting Group.

Strand holds an MSc in industrial economics and technology management from the Norwegian University of Science and Technology (NTNU).

Ina Strand is a Norwegian citizen, and lives in Norway. She has no family relations to other members of the corporate executive committee or the Board and no external directorships.


**Karl Kristian Mydske, EVP Sales & Operations**

Before joining Statoil Fuel & Retail in May 2010, Mydske had been Sales Director Europe – B2B in Statoil Energy & Retail since 2006. He joined Statoil in 1996 and worked as marketing director for Statoil

Energy and project manager in business development and strategy for OTS Stavanger.

Mydske has an MBA from MIT Sloan School of Management and an MSc in Energy Management from the Norwegian School of Management.

Karl Kristian Mydske is a Norwegian citizen, and lives in Norway. He has no family relations to other members of the corporate executive committee or the Board and no external directorships.

<sup>3</sup> Morten Michael Jensen is currently acting as EVP Market Development. Jensen started in Statoil Fuel & Retail in 2007 as chief convenience category manager and has risen to lead Convenience. Prior to joining Statoil Fuel & Retail, Jensen was employed at Mars Inc. where he held several roles including key account management, category manager and Scandinavian marketing director.



**Jan Dahm-Simonsen, EVP Human Resources & Staff**

Before joining Statoil Fuel & Retail in May 2010, Dahm-Simonsen has been Vice President for HR in Statoil Fuel & Retail since January 2009. Prior to joining Statoil he was Vice President HR of the

process & construction business area in Aker Solutions. From 2002 to 2007, he was HR Manager in GE Healthcare Clinical Systems, where he was in charge of implementation and quality assurance of all GE HR processes.

He has an MBA in HR/Organisational Development from the University of Wales.

Jan Dahm-Simonsen is a Norwegian citizen, and lives in Norway. He has no family relations to other members of the corporate executive committee or the Board and no external directorships.



**Bård Standal, SVP Legal**

Before joining Statoil Fuel & Retail in May 2010, Standal has been head of Legal in Statoil Energy & Retail Europe since October 2007. He had joined Statoil in 2007 as legal counsel for Statoil ASA company secretariat during the merger

between Statoil and Hydro. Prior to joining Statoil, Standal was legal counsel for If Property & Casualty Insurance and held management positions in both If and Telenor.

Standal is a graduate in Law from the University of Oslo and holds an MBA from Norges Handelshøyskole.

Bård Standal is a Norwegian citizen, and lives in Norway. He has no family relations to other members of the corporate executive committee or the Board and no external directorships.



**Karen Romer, SVP Communications**

Before joining Statoil Fuel & Retail in May 2010, Romer had been head of communications at Statoil Energy & Retail Europe since July 2009. Prior to joining Statoil, she held the positions of Vice President of corporate

communications and Vice President of communications for the Products & Technologies business area at Aker Solutions ASA. Before that she had been global communications manager at Trolltech AS.

Romer has numerous years' communications consultancy experience from retail in both Norway and the US. She has a BA from Fordham University, New York.

Karen Romer is a US citizen who lives in Norway. She has no family relations to other members of the Corporate Executive Committee or the Board and no external directorships.





See the Statoil Fuel & Retail  
corporate brochure, *TouchPoint 2011*

#### Statoil Fuel & Retail ASA

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