FINAL TRANSCRIPT

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PRESENTATION

Lars Sorensen - *Statoil ASA - SVP, IR*

Welcome to the Statoil Strategy Update presentation. For the new audience that did not follow the fourth-quarter presentation that we just had, let me explain a few details of this afternoon's program. My name is Lars Sorensen. I'm the Head of Investor Relations.

Today's event can, as usually, be followed by the webcast. Let me, again, extend a warm welcome to the audience on the Web.

All of today's presentations can be downloaded from Statoil.com. If you go to the front page, there's a link to all the presentations and you can download them from there. And please take special note of the forward-looking statements on the last page.

The strategy update will be given by our Chief Executive Officer, Helge Lund, our Chief Financial Officer, Eldar Saetre, and our Executive Vice President for Natural Gas, Mr. Rune Bjornson. After all three presentations, we will have a common Q&A session. Questions can be asked from the floor here in London, but they can also be asked via the Internet if you press the submit question button, and I'll receive the questions on my PC and ask them on your behalf.

The service is already open. You can send in questions now during the presentations, and even throughout the Q&A session.

With those words, I will just say welcome to the 2010 strategy update.

(video playing).

Helge Lund - *Statoil ASA - CEO*

Greetings, ladies and gentlemen; good afternoon, and welcome to our annual Strategy Update. I think certainly all of you agree that we have had volatile markets in 2009.

Moving into 2010, I think we see many positive signs, but still, there are high unemployments, there are big government budget deficits, and also I think limited visibility into the future. Last year, at the capital market update, I said that we, as a company, had the levers needed to steer through the financial turmoil. And today, I'm, therefore, pleased to communicate that we have delivered on all our guidance for 2009 in terms of operational performance.

I believe that puts us in a very good position to deliver growth and shareholder value towards 2012 and beyond.

My objective today in my presentation is to tell you and explain how we will deliver on this agenda. That means sustain our production level at the NCS towards 2009 to 2020, continue to ramp up the international production, and also to carefully manage our balance sheet and continue to pay attractive dividends.

I'm pleased with the way our organization responded to the financial turmoil last year. They have done so in delivering solid operational performance. HSE is always our top priority, and you can see here on the chart that we continue the improvement, and I think signifying, or indicating, increased operational quality. Production is as expected, even exceeding a bit and increasing 2% from last year. And we have also this year delivered significant additional exploration resources through the drill bits, 650 million barrels of oil equivalents. Continue to deliver competitive production unit costs, and we delivered, this year, first quartile relative shareholder return, and also return on capital employed.

In addition, and Eldar will speak about that later, we are capturing and delivering on the synergy potential from the merger, and we have also delivered additional cost reductions through focused cost reduction programs for 2009 and beyond.

No doubt, 2009 will go down in history as the worst in several decades for the global economy. At the same time, last year marked a turning point with positive signs that the world economy is picking up some speed. However, as I said initially, there are some uncertainty as to the speed of the economic recovery as we see it. So far, the recovery is boosted by stimulating policies and business cycle dynamics. Labor markets remain weak. Unemployments are high. And our conclusion at this point in time, therefore, is that downside risk prevails.

Turning to our most important product markets and first oil, I think in our book, the short-term oil market outlook remains uncertain. We saw that global oil demand was reduced by roughly 1.4 million barrels per day last year. But, as we see it, it can now make optimism and also good OPEC discipline have supported the price level that we saw at the back end of last year.

But, our analysis, clearly, it illustrates that the current level and the level we saw at the end of last year is not supported by underlying fundamentals. And I think that is clearly illustrated by the volatility and the weaker prices of the last few weeks. However, looking beyond 2010, we expect a gradual but modest market tightening. And the longer-term supply and demand outlook in our view is very positive for oil.

On gas, we see also here short-term challenges and long-term upsides. Three factors contributed to the current weakness of the gas market. Weak demand, particularly from the industrial sector due to the recession, a substantial addition of supply from

LNG, particularly from the Middle East, and a huge additional supply potential from the unconventional gas resources in the process of being unlocked from the US. However, we expect the demand for gas will pick up in parallel with the industrial recovery.

Despite weak markets, Statoil's gas business has delivered good results due to our strong positions. Our market access, trading capabilities, existing infrastructure, and storage capacity provides us with a competitive edge in our view, also in difficult and volatile markets. I think this is clearly illustrated also by the strong results from our gas business in 2009 despite the rather weak markets.

Long term, we believe that gas will be an increasingly attractive commodity. First of all, gas is plentiful. Secondly, it is the cleanest fossil fuel in terms of carbon dioxide emission. And third, gas to power has proven to be competitive on costs and by substituting coal with gas for electricity generation, significant emission reduction could be achieved. And all of these factors in our view speaks for a stronger gas market longer term. And Mr. Bjornson will comment on that more in detail later in his presentation.

Adding to these short-term market uncertainties, some key industry challenges are becoming I think even more evident.

First of all, access to new resources at commercially acceptable terms. This has become increasingly difficult I think for the industry over the last few years. And since most of the world's remaining resources are held by countries within limited IOC access, this issue is further amplified.

I think, also, it's relevant that the oil price spike in 2008 encouraged many governments around the world to tighten their fiscal terms.

Secondly, we are, as an industry, attacking more complex projects -- deeper waters, heavier oils, more difficult reservoirs, harsher environments, to name only a few.

And thirdly, climate regulations remain uncertain also post Copenhagen. I take the view still that the pressure on this industry will continue to increase in terms of environmental performance.

In Statoil, we have always implemented a proactive strategy in this field, because we believe to be a leader in CO2-efficient production -- could develop into a competitive advantage as we move forward. We therefore, already now and have done that for a while, we include future -- our expectations about future CO2 costs into our investment decisions to stimulate CO2-efficient solutions in our projects, new projects, but also into our day-to-day operations.

In this rather demanding industry environment, I see at least two clear risk profiles in terms of access. The first are areas where we see abundant resources, but where the fiscal terms are tight with limited upside for the international investors. But such projects can give a long-term stable cash flow, but the upside is not on par with the historic legacy projects.

A second sort of risk dimension would be areas with significant resources and execution. Risk but where the fiscal terms are such that if you succeed in applying new technology, and you deliver your project in a good way, you take also the upside when the prices are higher.

And I mention this because I think any upstream company with a certain size needs to have a balanced portfolio. And evidently, you need to take on several aspects of risks. However, with a profile of Statoil, and I want to underline that already now, that we would like to be overweight in areas where technology and competence play an important role in unlocking the value from these resources.

The reason for this thinking is pretty simple. Firstly, because technical risk can be managed by ourselves, by focusing on developing technology and solutions. And this is part of Statoil's history and core capabilities.

And secondly, we, Statoil, will receive our share of the upside from technological enhancements, and also when the prices are high, as we have seen over the last few years.

And if we look at our portfolio, and this is explained on the chart here, we have an attractive exposure to a robust baseload production from the NCS, as you all know. We had about 75% of our resources within the OCD region, where we are exposed to oil price upsides, including shale, including deep water Gulf of Mexico, including Canada.

And, we have high leverage to complex offshore environments, where our technology competence comes fully into play. Examples being, again, offshore development in Brazil, offshore development deep water Gulf of Mexico, and, not to mention, Shtokman. Also, we have identified key areas for growth where the risk is mostly related to the quality of the execution.

For some of these resources, almost all of these resources, technology will be a key part of unlocking the potential. And, in Canada, for instance, we have recently concluded a very focused technology plan that will deal with the most challenging aspect of the oil sands and the heavy oil business in terms of increasing recovery rates, more efficient steam oil ratios, and generally working the reservoirs in a better way. This will not only attack the issues related to CO2 emissions, but also attack in a big way, the cost base. And this looks promising so far.

Our strategy -- and moving to the next chart -- our strategy remains firm because it has served us well since the merger in 2007. It is about unlocking the full potential of the Norwegian continental shelf. It is about building international growth in the upstream business. And it is also to gradually and step-by-step build a footprint within renewables.

Last week, we announced that we would evaluate a new ownership structure for the retail part of our business. And as we see it today, the most likely scenario is a stock exchange listing. Most likely, if it is decided to take place, at the back end of this year.

We have seen it over the last few years more and more evidently that there are different value drivers in the retail business as opposed to the upstream business. And we, therefore, believe that now is the right time to assess this structure and give the ENR business a more independent structure. Provided that we eventually conclude this and are successful, I think this further will enhance the strategic profile of Statoil as a technology-driven upstream company.

Last year, we also made the first investment into renewables, and we have attacked one area that is close to our core capabilities in terms of offshore. And that is related to the Sheringham Shoal partnership offshore UK. We have also qualified as one of our partners to look at the development of the Dogger Bank, also in the UK. And the challenge now over the next three to four years is to mature projects that can meet our investment criteria, and no further investments will be done in that perspective.

Let me now make a few comments in more detail on some of the key strategic areas for Statoil and beginning with the NCS part.

We restate today, based again on careful analysis, that our ambition is to maintain the total oil and gas production at the Norwegian continental shelf at the current level towards the end of this decade. Significant additional resource potential, a large yet-to-find potential, stable fiscal terms, and also a robust project portfolio I think supports this ambition.

I would also like to state that in my view, the results that we have generated since the merger has been encouraging. We have delivered on our production targets. Nine projects have been put on stream, adding additional production capacity of 190,000 barrels per day, in addition to the ramp-up of Ormen Lange and Snohvit.

Another 125,000 barrels per day in new capacity will come on-stream in 2010 and 2011. We have delivered 58 discoveries. That means a 70% hit rate. And many of these discoveries are close to infrastructure that yield high returns and can be put on stream quickly.

And I wanted to underline that our exploration efforts on the NCS is creating substantial value for the Company. And our estimate is that since 2008, with our assumptions, we have created a net present value of 3 to 4 times what we have invested in exploration in the same period of time at the NCS.

But to continue to deliver on this level as we move forward, we have to also adapt to the industrial challenges at the NCS. We see more and more clearly the signs of changes in the sense that we see fewer big projects, and the profile of the project portfolio is more and more many, multiple, small and medium-sized projects.

The good news is certainly that the resource potential is there. The challenge is that we and the industry serving us need to adapt and change to capture the value in these smaller projects.

That has led us to launch a new initiative that we call the Fast Track Project, where the aim is to significantly reduce the time between your discovered resource and until you put that resource into profitable production.

And we do that through more standardization, to run, for instance, instead of having one project team on each individual project, we run several projects with one project team and so on and so forth. And several pilots are already in progress on selected subsea tie-backs in the Norwegian continental shelf.

This Fast Track approach, in addition to the big change that we have already undertaken in terms of changing the operational part of the organization offshore, with one standardized approach, will continue to attack the cost base and also increase the operational quality of the Norwegian continental shelf, as you have seen also taking place in 2009.

In addition -- but this is more a political decision -- we are working diligently to open new areas in the northern part of Norway, particularly. We tried to illustrate what we can to as an industry. But eventually, this is a decision that will have to be taken by the Norwegian Parliament.

Moving internationally, we have defined a clear, in our view, strategic framework, attacking four particular areas -- deepwater, heavy oil, harsh environments, and also gas value chains. And we have selected these areas because we believe that our competence can create value in these areas.

And I think we are making good progress. I'm not going to scare you and go through all this in detail. You can read it later. And in this strategic context, I think many of you will regard Iraq as the step out, and I agree. It is.

But we have entered Iraq for the following reasons -- first, the project that we are a part of is profitable with acceptable terms. Second, following the initial period of investments and early production to fund cost recovery, it provides a stable and long-term cash flow, and the financial exposure is limited.

On top of that, it offers Statoil an opportunity to build experience, positions and options in an area long on oil resources. And the cooperation with Lukoil has, of course, already started. And one of the key parameters of this project is to make sure that you get early production, so we have already established a project team in this area.

I also wanted to comment or make a few comments on the Shtokman development. Many of you have learned that due to circumstances in the gas market, the partners agreed last Friday to slightly change the strategy on which we are maturing the project. So we have decided to run a dual track strategy, where we first focused on making an FID and mature the project, and an FID in the pipeline part of the project and later, focus on the LNG final investment decision. This strategy opens for an opportunity of first gas in 2016.

Shtokman is a huge resource base in a very complex offshore environment, and I think it fits well with the core capabilities of Statoil, and we look forward to continue to mature the project with our partner according to this new revised strategy.

I would like to make a few specific comments on a couple of the areas that we have, where we are maturing our business. And first, on the Marcellus asset. We are now a little bit over a year into our strategic alliance with Chesapeake Energy. And I think many of you at the time of entry questioned both the strategic rationale and also the deal value. I can understand that, but, I can only say at this point in time that the more we work on this asset, the better we like it strategically, operationally, and value-wise. And I think that recent industry development within US shale gas further supports exactly that position and that opinion.

And as I see it, and I follow it closely, the results from Marcellus to date are encouraging. Average well results are so far above our initial assumptions. We are achieving shorter drilling cycle times and lowering costs. At the same time, the operator is drilling long laterals and increasing estimated ultimate recovery. On that basis, we are confirming our ambition of delivering 50,000 barrels per day from this asset in 2012.

As I see it today, Marcellus has the potential to become a long-lasting and highly profitable legacy asset with very competitive costs compared to other sources of US gas supply, and will, therefore, be a very important building block to enhance and to continue to develop Statoil's gas footprint.

Turning to Gulf of Mexico, we have built a strong portfolio since the entry in 2002 through farm-ins, regional partnerships, business development, and also through an active participation in lease sales. And, as most of you know, we are now the fourth biggest deepwater leaseholder in Gulf of Mexico.

We have participated in drilling 40 prospects since 2002. This is adding up to a total of more than 600 million Boe discovered. We are following a very focused strategy on deepwater, so you will recall that we sold the shelf portfolio, and in parallel, we are highgrading the portfolio all the time and reducing equity via multiple farm-ins to reduce exposure before drilling.

We have a strong portfolio of drill-ready prospects and our two own operated rigs are key to unlock this portfolio value as we move forward.

A key priority is, of course, to get new projects onstream. 2009 saw Tahiti and Thunder Hawk. The next field to come on production is the Ceasar,/Tonga in 2011. And we are working closely with the operator and other partners to sanction Big Foot and Jack, St. Malo within 2010, 2011.

Turning again to technology on Deepwater Gulf of Mexico, in our view, technology is a key lever to unlock the value in this area. And the Paleogene play holds billions of barrels in place, with deep reservoirs, ultra-deep waters, low permeability, and expensive wells currently result in high development costs.

We are currently looking at developing and deploying advanced technology that has the potential of increasing the recovery rate from 10% to 20%. This will be achieved through focus on seismic imaging and recovery factors, as well as applying new technology to reduce costs for drilling and increased production. And have also here in this area, a dedicated focused technology program has been put in place over the last few years.

Eldar will cover exploration a little bit more in detail, but let me offer a few comments also on our exploration effort. We have accessed 60 new licenses. Internationally, Statoil has secured new acreage in Gulf of Mexico that we spoke of already. The Faroe Islands, Brazil, Egypt, Indonesia, Tanzania, Alaska, and Canada. And on the NCS, we already spoke about our deliveries.

We have added 2 billion barrels of new exploration resources in the period 2007 to 2009. Last year, on the capital market update, we provided a guiding of 800 million barrels per day in total resources for 2008 through the drill bit. The equivalent figure for this year is 650 million barrels per day that was delivered for 2009.

From these achievements, the value creation is significant. Near field exploration on the NCS is creating considerable value as I already spoke about. And our resource replacement ratio for the NCS is more than 50%. Which, given the mature nature of this region at peak production, is very high, thus ensuring maintained production level.

The 2 billion barrels added from exploration in 2007 to 2009 has already generated something like 35 projects, and numerous sanctions for the period 2010 to 2030. And we estimate that these projects are expected to contribute between 150,000 and 200,000 barrels per day in production in the period from 2018 to 2020.

We are delivering on a strong growth path. For two consecutive years in a row, we have delivered on our targets, and Statoil has delivered growth year on year since the listing of the Company in 2001. And it will continue to grow moving forward.

Since 2008, we have guided on production numbers for the coming year and for 2012. Due to the weakness in the gas market, the current weakness, and our value-based gas strategy, we will this time provide the guiding in a range. This is mainly caused by volume uncertainty related to our gas production and not our production capacity, as such. It is decisions made by the management of the Company to enhance and maximize shareholder value. Already in 2009, we have deferred significant volumes out in time and we will continue to prioritize value over volume.

And I'm asked many times whether I'm afraid of losing market share. We are not. We focus our business on value creation.

The range we provide for 2010 is between 1,925,000 barrels per day and 1,975,000 barrels per day for 2010. And all our new projects in 2010 that will come on stream like Morvin, Gjoa, Vega, Vega Sor, and also Leismer Demo will come on stream late in 2010, and therefore add little to the production for the calendar year 2010.

Equally in 2012 and for the same reason, main reason, we provide a guidance between 2.1 million barrels per day and 2.2 million barrels per day in production for 2012. This is partly also explained by an anticipated additional delay on Corrib and also some marginal project at the Norwegian continental shelf.

I wanted also to show you on the next chart that we have a strong portfolio of projects supporting growth also beyond 2012. As you can tell from this slide, and from the slide I showed you earlier, the 22 billion barrels in resources, we have both of the projects and the resources to continue the strong development of our Company. Our priority now is to execute our projects according to plan and also mature the resource base into projects and production.

For a couple of years now, our reserve replacement ratio has been questioned, and I understand that. But this can partly be explained by lower exploration activity in the beginning of this century, and also some project delays. However, based on the project portfolio, and our exploration efforts as just displayed, our reserve replacement ratio will increase accordingly. And I estimate that we will have an IRR above 1 within the next couple of years.

Let me then finally turn to dividend. And the Board of Directors of Statoil has decided to make an adjustment to the Company's dividend policy. The purpose of this -- of the change is only one -- to create a more predictable dividend level going forward. And a direct link to the highly volatile IFRS net income is now removed. And also through feedback from our shareholder dialogue of the last year.

Statoil's dividend policy, as you know, was established in connection with Statoil's IPO in 2001. The accounting principle at that time was US GAAP. Based on change in regulations, Statoil changed to IFRS accounting principles in 2007. And the new accounting standards have implied much more volatile financial results. And that comes on top of the commodity volatility that was a concern for investors.

The Board has, therefore, decided to remove the link to IFRS net income in our policy. And Statoil's ambition is to grow the annual cash dividend, measured in Norwegian kroner per share, in line with the long-term underlying earnings.

And I wanted to underline that a new policy does not imply a change in the long-term dividend level, including potential share buybacks compared to previous policy. The Board, therefore, emphasizes the importance of maintaining for Statoil an attractive dividend level also in the future. In addition to the cash dividend, we may also use share buyback as part of our total capital distribution to our shareholders.

Compared to 2008, we delivered a growth in the ordinary cash dividend of 36%. That is the proposal for the Annual General Meeting. However, we will not pay any special dividend for 2009, and, therefore, the total cash dividend is decreased by 17% compared to 2008. And since we established the dividend policy in 2001, we have delivered an accumulated payout ratio of 56%. And since the merger in 2007, Statoil has delivered a payout ratio of 66%. And I think that should underline the commitment and importance of an attractive dividend for Statoil moving forward.

Let me close by saying that in Statoil, we have used the changing market conditions to make necessary adjustments and to continue to improve our performance. We have taken down our cost base and achieved significant reductions in terms of our vendors. We have established, after the merger, a new, efficient operating model offshore in the Norwegian continental shelf. We are strengthening our growth platforms, and further streamlining the profile of a technology-oriented upstream company.

You may know, some of you, that last year, we launched our new vision, crossing energy frontiers. And to me, this vision represents what we have to do in order to prevail and win in an evermore complex environment. And some frontiers are especially relevant for Statoil these days -- is to do a successful global transformation; is to further enforce our profile as a technology-driven company; is to continue to lead in terms of CO2-efficient production; and last but definitely not least, to have the operational quality and deliver safe and efficient operations from our producing assets offshore and onshore.

And with those words, I thank you for your patience and your attention. And I will now leave the floor to Eldar Saetre that you know almost better than me. Thank you.

Eldar Saetre - *Statoil ASA - EVP and CFO*

Well, thank you, Helge. It's good to see you all again. My presentation earlier today was focusing on our 2009 performance, which led to some highly competitive returns both from RoACE perspective, but also from a total shareholder return perspective.

And I will now address the future development of the Company and add some financial perspectives to the growth perspective that was introduced by Helge Lund.

My key points in the presentation are the following -- firstly, that we have achieved significant cost savings during 2009. Most of the merger synergies have been captured, and we are still enjoying a highly competitive operating cost position.

Secondly, we have a considerable portfolio of new development projects on our hand with an attractive value creation and upside potential.

And thirdly, our financial platform is in good shape. We have safeguarded this platform carefully through the financial downturn. And this means that we have the necessary financial flexibility to mature and to grow our portfolio in the best possible way also going forward. That brings me to our cost performance, starting with our operating cost position.

As you can see from this illustration, the whole industry has been struggling with the unit production cost trend over the last three to four years. And Statoil has obviously been exposed to the same cost environment as our peers. The NCS has been no exception in this respect. It's, therefore, good to see that our strict cost management and all our efforts to realize the merger synergies and to renegotiate contracts are paying off.

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Last year, our unit production cost was NOK35.3 per barrel, which was up NOK2 per barrel compared to the year before. In this context, I should also mention that during 2009, as already said, have deferred significant volumes of gas into later years to maximize value. That with the negative impact on the unit cost as such.

For 2010, we expect the cost level per barrel in the same range of NOK35 to NOK36, depending somewhat on the same gas market uncertainty and volume uncertainty or as we saw for last year.

The upward unit cost trend that we see on our mature NCS assets with aging installations and declining liquids production will be contacted by the most comprehensive standardization effort that we have ever undertaken on the Norwegian continental shelf; and, the continued prioritization of reservoir management and regularity enhancements to fight the decline.

Then I would like to comment on the status regarding merger synergies. We have previously targeted gross annual synergies from the 2007 merger of around NOK7 billion net to Statoil. By end of 2009, around NOK5.5 billion of the targeted NOK7 billion has been achieved. And the remaining NOK1.5 billion will be realized by the end of this year.

Around 75% of the synergies is related directly to cost savings. The remaining 25% is related to the revenue side, coming from high-grading of our exploration portfolios and the values from our exploration portfolio, the trading portfolios and also improvements in our operational efficiency.

I will not go through the various drivers in detail in today's presentation but just remind you that some of the main contributions are related to procurement, which actually represents around 25% of the cost savings. It is IT costs, administrative overhead, implementation of best practices, and this is illustrated by approximately 25% improvement since the merger in our drilling performance per day. And also operational integration and optimization, illustrated by major savings within logistics.

I should also mention that the merger gave us an opportunity to create quite substantial values from tax synergies. And this is in particular related to the consolidation opportunities that the merger has given us in many countries, actually. And these synergies, as I said, is quite substantial. I will not give you a number. But they are on top of the NOK7 billion of merger synergies. The merger gave us a kick start, slightly ahead of the financial downturn in terms of reducing our cost base.

In addition to the merger synergies of NOK7 billion, we have, therefore, implemented further actions to reduce our administrative cost base by NOK2.5 to NOK3 billion annually. Adding up to a total efficiency gain of around NOK10 billion annually by the end of this year. This illustration demonstrates the combined results going back to 2007 from the merger and other savings that we have had. These have had a material impact on our SG&A costs since 2007.

We are currently at an annual spend level, which is approximately NOK2 billion lower than we saw on average in 2008. And this represents approximately 15% cost savings. And the main contributions comes from lower IT and facility management; costs; travel costs; salaries, sales costs, excuse me, both within the retail and our natural gas business; administrative support; staff functions; and also lower activities related to business development and expense costing, etc.; all over the place.

We are continuing our efforts to identify even further savings, and the main focus is now on securing maximum sustainable impact from these measures.

I should mention that our quarterly SG&A costs will vary from quarter to quarter, depending on short-term activity variations and also periodic accounting issues, actually.

Finally, on this, in the context of cost savings, I would also like to comment on the supplier cost development. A key challenge for the industry lately has been to reduce cost of supplies, counteracting, as much as possible, of the cost increases that we have experienced since 2005.

And our procurement organization I can say has been very active, utilizing every opportunity to benefit from the downturn. Our current judgment is that we, on average, are back to the levels that we saw in late 2007, implying cost reductions of around 20% to 25% compared to the peak that we saw in 2008.

We have seen the biggest cost reductions related to capital intensive supplies, on average around 20% to 25%. Labor-intensive supplies have been reduced in the range of 10% to 15%. Recent examples demonstrating these type of savings are our latest rig procurements. We have recently signed new rig contracts for a three-year duration on the Norwegian continental shelf. And these rates represent 20% to 25% reductions, which is in line actually with the 2006 contract cost level. And on some other capital intensive contracts, that we have also experienced even higher cost reductions.

We still see a potential for further cost savings in 2010, but this will obviously depend on the activity level in this industry and the commodity price outlooks, etc. I should also mention that our procurement agenda is more comprehensive than only addressing directly the cost as such. We have seen a need to push on quality issues and overall quality improvements, focusing even more on standardization and also letting contractors compete increasingly on both technical solutions as well as cost.

The impacts into our cost base is coming gradually, in effect. The utilization of even cheaper frame contracts will come in effect quite immediately, but new projects will be reflected more gradually into our cost base.

I will now comment on some financial characteristics of our, what we call our nonsanctioned project portfolio. This illustration shows the various breakeven prices for most of our E&P portfolio that we are currently maturing as we see it today.

The breakeven prices in indicates at which oil price equivalent these projects will give a positive NPV at our hurdle rate. And just to remind you, our hurdle rate, there's a comfortable distance between our hurdle rate and our cost of capital, actually. Most of these projects are not yet optimized in terms of technical improvements, costs, and in our reservoir strategies. And this means that we see a potential to reduce the average breakeven price for this portfolio below what you see here.

The average breakeven price at today's assumption is around $45 per barrel for the whole portfolio. And not surprisingly, we see a wide diversity of economics.

If we separate the portfolio into subcategories, we see that our NCS liquids portfolio represents very good economics with an average breakeven price of around $40. And the main reason is obviously that these projects will benefit both from existing infrastructure as well as from the strong technological and operational experience that we actually have on the Norwegian continental shelf.

Our gas portfolio, and this is combined both on the NCS and internationally, also shows a wide range of project economics. The average breakeven price is actually on par with what we saw in the Norwegian continental shelf liquids portfolio at around $40. And this illustration also underlines that the E&P cost structure of our gas business, gas portfolio is quite similar to our oilfields'.

In addition, most of our new resources are located close to our core gas markets with cost-efficient processing and transportation systems, which Rune Bjornson will elaborate more on in his presentation.

Finally, it should be no surprise that our deepwater portfolio and the heavy oil portfolios are typically at the higher end of the cost curve. The good news is, however, that these assets also represent the part of the portfolio where we have the highest improvement potential and the highest level of optionality.

For our deepwater project portfolio, the current average breakeven price is around $55 per barrel. And we see a potential to reduce this quite substantially.

Our heavy oil projects currently demonstrates profitability at around $70 to $80 per barrel, typically, and also with considerable improvement potential.

And the potential is related to reservoir recovery, cost, and energy efficiency, as is indicated by Helge in his presentation. For most of these heavy oil projects, we are targeting breakeven prices well below $70 per barrel.

As illustrated by Helge, we are addressing these more challenging assets with considerable technological efforts, both to reduce costs, improve recovery, and this is from a substantial resource base. Stage development to secure maximum value of the optionality and maximum learning is a key strategy for us. And only very few percentage points on this part of our portfolio in recover rates can contribute substantially to improve the economics.

Another key feature of Statoil is that we also, in the future, like in the past, will have a relatively large part of our portfolio located in fiscal regimes, which would leave us with a significant part of the upside potential, related both to commodity prices, technology upsides, and operational improvements. Tax symmetry is a highly appreciated characteristic, combined with fiscal stability, low share of nondeductible components, upfront payments, gross payments, etc., and attractive consolidation opportunities. This general nice description actually is quite representative of the Norwegian continental shelf tax regime.

However, most of these characteristics are also relevant for the major part of our portfolio outside of the Norwegian continental shelf, leaving us with attractive opportunities to capture upside potential, but also with an effective downside protection.

And referring to our resource base of 22 billion barrels, around 85% of these resources are located in this kind of what we say is preferred fiscal environments, and where the NCS represents a solid base load for many years to come.

Then, I will move on to give you some guidance on our spend levels for 2010. Referring to my presentation earlier today, our cash CapEx level for 2009 was at $12.4 billion. For this year, 2010, we expect CapEx at approximately the same level, or we have said $13 billion, excluding again, any lease capitalization items that might arise.

The investments in our E&P activities is split fairly evenly between our NCS activities and activities outside of Norway, with approximately 45% each. The remaining 10% will be invested into mid and downstream business and our new energy business, which represents approximately 2% to 3% of our total CapEx for next year.

Five new fields will be put into production for late this year with an average breakeven price of $35, in that range. And that is exactly the same level as we saw for our seven new fields that came into production last year.

A few comments then to our exploration activity level. As highlighted by Helge, we have, since 2007, added substantial and valuable resources or contributions of approximately 2 billion barrels. Last year, as mentioned, the drill-out volumes were 650 million barrels at a cost of approximately $4 per barrel.

We revisited our exploration strategy during 2009, and the conclusion was that we will increasingly focus our efforts on a selected number of prioritized basins with high volume potential, and probability of impact discoveries.

During the next two years, we will drill strategic wells in several prioritized basins. And these can typically prove new petroleum basins or play models, both in proven hydrocarbon basins like the Norwegian continental shelf and in Gulf of Mexico; and in frontier basins like the Faroes, Tanzania, Indonesia, and Egypt, as an illustration. In 2010, we plan to drill approximately 50 wells. Around 40% of those wells will be drilled in Norway, where impact well examples are the Skrugard in the Barents Sea, and I would like also to mention Megalodon, and Brynhild in the North Sea.

Internationally, we plan to drill 5 to 8 wells, in that range in the Gulf of Mexico with two to four of those wells being impact, potential impact wells. Eight to 10 near field wells in Angola and additional wells in Brazil, Indonesia, Nigeria, and in Ireland.

Outside the NCS, we are also planning with the acquisition of 3-D seismic, offshore Tanzania, Mozambique and Alaska.

The expected cost level for 2010 is estimated at NOK2.3 billion, slightly down compared to NOK2.7 billion last year. And this indicates a slightly higher cost per well. And this is mainly driven by longer wells and higher ownership share, mainly on the Norwegian continental shelf and in Gulf of Mexico; and also the high seismic activities that I mentioned, higher activities both on the NCS and internationally.

Looking beyond 2010, we expect to see a somewhat increasing activity level, although we will not revert to the peak levels that we saw in 2008 and 2009.

Our prospect inventory for the future exploration is quite extensive and also balanced. We generally categorize our exploration opportunities into three archetypes. It's the near field drilling, which is typically smaller sized and time critical combined with high success rates that we have demonstrated for many years now, and also high value.

The second category is frontier exploration with higher risk and reward, typically when entering into new basins. And finally, we have the so-called growth exploration, which is in between these categories.

We have a well-balanced portfolio of drilling opportunities ahead of us, both geographically and in terms of the risk-reward profile.

Our current prospect portfolio has more than 40 prospects with high impact potential. That is the potential of more than 250 million barrels.

The key drivers for the near field exploration, mainly on the Norwegian continental shelf, is to add production, and to create value from efficient use of the existing infrastructure. We expect to deliver material drill-out volumes from this portfolio over the next five to six years. The estimated and risked recoverable resources from our current prospect inventory is around 5 billion barrels, from what you can see here. Although any such number and the disclaimer is obviously associated with a lot of uncertainty.

And we will, of course, continue to access high-quality acreage and high-grade our exploration portfolio also in the future.

Then, I will offer some comment to our corporate financial status. A key priority for us has been, as already mentioned, to safeguard our financial position through the downturn. And I honestly think we have done so very successfully during 2009. We are still alert to potential negative developments in the global economy, but obviously also see a stronger basis for a more robust commodity environment going forward.

We have added cost efficient new debt of $7.2 billion during last year, closing the year-end account with a net debt to capital employed ratio of 27%.

Our refinancing risk is also very low with very small redemptions prior to 2014. For 2010, we expect our debt ratio to stay around 25%, assuming oil and gas prices at the current type of environment.

Finally, I would like to reiterate the main takeaways from this presentation. We have achieved significant cost reductions during 2009, securing our competitive cost position. We are possessing an attractive growth portfolio with both value creation potential and significant upside potential. And we have maintained a robust financial platform through the downturn and, financially, we are very well fit to support our growth strategy going forward.

Our firm intention is to deliver attractive returns and attractive shareholder value, as we have demonstrated during 2009 as such.

As mentioned by Helge, we have also recently launched a process to consider a separation, and most likely an IPO route of our retail business, which we think will be to the benefit of the shareholders of Statoil as well as for the future development of the retail business as such.

Our production guiding is as follows -- our equity production in 2010 is estimated between, and then it's all these numbers. 1,925,000 and 1,975,000 barrels per day. And in 2012, our production guidance is in the range of 2.1 to 2.2. And the indicated ranges that we give you is mainly reflecting the uncertainty related to the short-term gas markets.

And that gives me an excellent opportunity to leave the floor to Mr. Rune Bjornson, who will dive us -- take you deeper into the prospects of our gas business.

Rune Bjornson - *Statoil ASA - EVP, Natural Gas*

[Good afternoon. 2009 has been an eventful year for everybody in the gas business. I have been in the gas business for more than 25 years, and I would say that 2009 stands out as one of the most turbulent years I have experienced. The gas price level is relative high in a historic context, but we see a different price level between oil and gas, and that is reflected in a huge gap between oil-indexed gas contracts and spot market quotation. The other main observation is that we after 30 years with continuous growth for the first time experienced a decline in demand

We have managed our business well in these challenging markets. The value of our contract portfolio has been maintained.] (Company supplied text missing from audio.) We have been able to take advantage of the volatility in the market. And lastly, I think we have put ourselves in a position to take part in what we strongly believe is going to be a very prosperous market in the long term.

But first, let me go back to the short-term market because that is where we have seen most of the turbulence. On the left-hand side here, you will see some elements that you are all familiar with, and, which has taken the gas market to where it is today.

The demand for gas has been reduced. Lower economic activity has reduced the general demand for energy. Industrial production is down globally. And that has, of course, affected the demand for gas as well, where we have an estimated reduction in the EU area of around 6%.

That has also, of course, affected our core markets. Germany is down approximately 8%. The UK -- no, sorry, the UK down 8%. Germany approximately 6%, and France down 3%.

At the same time, we have seen a significant increase in the capacity on the supply side. We have seen LNG liquefaction coming on-stream, especially from Qatar. At the same time, we have seen technology advancements in the production of shale gas, which has completely changed the US supply picture. The implication, as you all know by now, a reduction in the spot and the forward prices of gas.

A major concern has, therefore, been to what extent this affects our gas business. If we look at our financial result, I'm pleased to say that it has had a very limited affect, actually. The adjusted net operating income for the natural gas part of the business is NOK16.5 billion compared to NOK12.5 last year.

Our processing and transportation has generated NOK7.5 billion and as most of you will know, this part of our business is a regulated business on the Norwegian continental shelf, which basically means that the profit is very dependent on throughput and cost efficient operations.

These earnings are also very stable in the sense that they are close to independent of the price level. Marketing and trading has contributed by NOK9 billion. Our long-term portfolio has been affected less than many of you might have expected. I will revert to that. But the realized gas price for 2009 was NOK1.9 per cubic or standard cubic meters as opposed to NOK2.4 in 2008. And have in mind that most of this is due to the reduction in the oil price, rather than the decline we have seen in the spot prices of natural gas. A lot of the reduction in the prices of natural gas has been compensated by our trading activity.

I believe that these results shows that our integrated gas business, where we participate in most parts of the value chain is a very robust model.

I will now show you a bit on the details and where the value is created in the different parts of our value chain. We constantly work at maximizing the volume. And to achieve that, especially these days, it's very important that we move the gas into the highest-priced periods, and to the highest-priced markets, more so than optimizing based on volume within a certain time period, as both Helge and Eldar has touched upon.

We have managed to do so through our highly flexible upstream system, especially the Troll Field and the Oseberg Field, in combination with our processing and transportation system that has access to different markets.

As illustrated on the left-hand side of this view graph, where you see the NBP price or the UK market price, that certainly lends itself to concluding that the gas should be moved forward in time to higher-priced periods, rather than delivering the gas as produced. And that is exactly what we have done.

However, of course, this is an extremely dynamic picture, and we continuously optimize to make sure that we achieve the highest possible value. We also compete from a very cost competitive position. We have our reserves very close to the market. And we constantly work with improvements of our operation in the processing and transportation system.

To give you an example, we have shown here on the view graph that our Karsto and Kollsnes plants have an outstanding cost performance compared to similar facilities in this benchmark study. Furthermore, in 2010, we will finalize a five-year cost-cutting exercise, where we have documented cost savings of 20% compared to the 2005 budget numbers.

Of course, this NCS infrastructure was mainly developed to cater for our long-term commitments to continental buyers in our long-term contracts. And when it comes to these long-term contracts, there has been a lot of speculation, but my main message is that we have had a limited negative impact.

During 2009, the main concern with our customers was, of course, the reduction in demand and the deviation between the spot price on the one hand side and the contract price on the other side. And they were, at times, or we had contract prices at times that were double what you could buy in the market.

Therefore, we have been through discussions with our customers, where we have, through this process, addressed these short-term challenges. We have done some adjustments on price and some adjustment on volume to make them more competitive in their home markets.

These price and volume adjustments have been singled out in a separate contract to make sure that our legacy contracts remain exactly the same as they always have been, but with slightly less volumes in them.

As most of you are aware, these long-term contracts include price provisions that says that the buyer or the seller can ask for an adjustment of the price, typically every third year to the extent that the price in the contract does not reflect what we see in the market. In addition, they typically have a limited number of opportunities to adjust the prices outside these regular intervals.

Now when we settle with our customers, it was, therefore, important that once these adjustments were done, we had to make sure that they did not have a chance to come back in the near future to ask for further adjustments.

In October, in 2009, 60% of the volume under our long-term contracts were up for a possible review of the price. In January 2010, only 13% of the volumes were up for adjustments. That, to me, means that we have made sure that we have limited our downside exposure for the next two to three years.

For the settlements we have done, typically no adjustments can be triggered before October 2012. The similar numbers for 2011 and 2012 is 17% and 35%, respectively.

Now, apart from adjusting the prices and the volumes and making sure that we have no further adjustments, we always try in these discussions to increase the optionality in our contracts?. More than ever, because of the current situation we are in, optionality is key to adding on volumes -- value to our assets.

So to give you an example, since 2005, we have restructured our contracts such that we have now contractual rights to free sourcing. We have more than all increased it by more than 3 times, or a factor of 3. We have increased our entry capacity into the traded hub by a factor of 4. In addition, to cater for additional value creation, we have expanded our storage capacity in Europe by a factor of 3. And it's exactly this optionality, this flexibility, that has enabled us to generate record high earnings on our trading activity.

During 2009, if we can have the next view graph. During 2009, we had scaled up our trading activities significantly, resulting in a record high contribution of NOK3.4 billion. We have done so by being active on all the European traded [hubs]. This presence, combined with our storage and our capacity to trade price differential, has been a large part of this additional value creation.

On top of that, of course, comes the LNG arbitrage, where we direct our LNG cargoes to whichever market offers the best price, whether that be the Asian market, the North American market, or the European market.

In total, I think we are very well positioned to act on our market view. Our long and deep relationships with the major players in the European gas business gives us a unique understanding of the consumer behavior and, therefore, also the demand development. This, in addition to our understanding of the supply situation enables us to build solid views to take position on where the market is heading.

But, even more important, I think, these days, is to make sure that we have the optionality, the flexibility, to live in different types of scenarios.

You might ask, are these results sustainable? We have a very skilled and professional team, very keen to extract the maximum value out of our position. But having said that, I think it's fair to say that you should be prepared to see variation in these results. But I am confident that solid contribution from trading in general is sustainable.

At last, you may wonder, can we see these or find these results in our accounts? Yes, to some extent, you can, because first you will see it through the marked to market accounting. Secondly, it will impact our realized gas prices. And thirdly, you will also see it through increased production in future periods. But then with prices attached to it, that is higher than you would if this gas was to be sold as produced.

Now, where does this take us? How do we compare? It's difficult to compare gas prices because there are so many prices out there.

To evaluate this, therefore, we have compared published data from the accounts for a number of companies that are active in the European gas market. These prices contain all revenue basically, divided by volume, actually meaning that they are more than the prices you see in our long-term contracts. These numbers tell us that we consistently have achieved the highest price, both compared to the market here represented by the UK prices, the NBP prices, but also compared to our peers, which is shown in the blue shaded area. This is, in my view, maybe the best proof of our unique market position on gas and our ability to capitalize on this.

Last part on my presentation, I will focus more on the long-term perspective. We are very confident that gas will be a very prosperous market. We will see increased demand in the longer term. In our long-term demand forecast, we see an increased demand, both across the different markets, the different regions, but also across the different segments. We expect a significant growth in the demand for gas into power generation, both in the US and in Europe. Europe has already decided ambitious climate targets and we expect the US to develop in a similar direction.

In the power segment, near-term capacity decisions will, to a large extent, lock in the future fuel mix in this sector. Significant new power generation is needed, both to replace retiring capacity, but also to adopt to new and stricter climate regulation.

In my view, gas is the obvious fuel of choice for the following reasons. Gas is very competitive price-wise, but there is also little risk attached to time it takes to develop a gas-fired power plant and the price of it.

Use of natural gas has also a much smaller carbon footprint. And, if we see the introduction of even stricter climate regulation, this balance on merit for the gas-fired power plants will strengthen even further. In the midst of this, I believe that the gas industry can offer long-term secure supplies from abundant results.

So in summary, we expect growth in the power sector to be strong -- 20% in Europe and 40% in the US towards [2030]. And we are very well positioned to take part in this growth, both based on our result base and our competence.

So what does this mean for our strategy? Our strategy basically remains firm. We will continue to increase flexibility and optionality. We will continue to use our long-term contracts as means for doing capacity and flexibility deals with our existing customers. We will buy additional transportation rights from the landing points and into attractive markets. We will buy additional storage capacity to be able to modulate the gas even more. Generally speaking, I think it's fair to say that we typically follow an asset-light approach, but there will be some direct investment typically in the midstream area, like Kollsnes, Karsto and for storage like the Etzel storage could be one example.

We will also continue to increase both the scale and scope of our trading activities. Geographically, we have focused on the UK to some extent, the Belgium and the Netherlands. But increasingly, also, Germany is becoming an interesting marketplace for doing short-term trading.

Scope-wise, we also look at the possibilities to increase our trading of power and CO2, both because we have the trading competence, but also because CO2 and power is very closely linked to our gas trading activities.

Thirdly, we now have new gas available for sales and we will, in the coming months, approach selected segments and selected customers. I am personally very excited about the development of the power segment, which could, as I said, represent long-term, very interesting opportunities for us. In the short to medium term, we will focus on the UK and the Northwest European market as target markets.

Finally, we will continue to develop new value chains in Europe. We will work to develop a transportation solution for the Shah Deniz phase 2, which is a significant development. That, today, very much hinges on political issues, and to be more specific, it is actually very much about getting transit through Turkey. Before that is sorted, we can't conclude any commercial deal.

The US gas market, another very important area for us. It is becoming increasingly important for Statoil. Our activities there are supplied mainly from three sources. First, it is LNG from the Snohvit field and third-party purchases of LNG. Here, we control the whole value chain; have a competent marketing and trading organization that optimizes the whole LNG value chain. But it's fair to say that, currently, we have spare capacity at Cold Point that we are working hard every day to fill, both with short-term LNG cargoes and more long-term contracts.

Our second source of supply is the Gulf of Mexico, approximately or slightly more than 1 billion cubic meters per annum.

And our third source is, of course, the growing volumes from Marcellus, which could reach as much as 10 billion cubic meters already by 2020.

In many ways, Marcellus is a new legacy asset for Statoil. It very much strengthens our foothold in the US gas market. It's an asset that builds scale far beyond where we are today in this market. It also enables us to reach new and very attractive markets. As you can see from the view graph here, we've shown the New York market, which probably could or offers very high premium compared to Henry Hub. Therefore, we have signed on to a long-term commitment on a new development with the intention of getting an additional gas into the New York area, which will cover a part of our Marcellus production.

So, in sum, if I was to sum up what is the take-away from this part of our presentation, I would say that we deliver solid profits from our long-term contracts and our trading in, I would say, a very challenging market. Secondly, we prioritize value over volume. Thirdly, we have reduced our exposure to the spot market for the next two to three years significantly. And we are well placed with new sales possibilities in a long-term growth market. Thank you.

QUESTIONS AND ANSWERS

Lars Sorensen - *Statoil ASA - SVP, IR*

Well, thank you, Rune. We are now ready for the Q&A. All three speakers are on stage. We have already received a number of questions via the Internet, and I will mix them with questions from the floor. If I can ask people in the room here to wait for the microphone before you ask your questions, then the people on the Internet can listen to the question as well. The questions from the Internet can be sent in via the Submit Question button on your screen.

We will take a question -- the first question from the floor is from Carnegie. John Olaissen is in the middle of the audience there.

John Olaissen - *Carnegie - Analyst*

Two questions. First to Helge and then one afterwards to Rune. Helge, you have been quoted in the media today saying that you have an ambition to keep the Norwegian production stable into 2020. Is that true, and does that mean the ambition to have it stable to 215 has been extended to 2020? And can you also elaborate, if it is true, what that requires? Does it require opening up of new areas?

Then the second question is to Rune. What can we expect of actual gas price going forward given spot prices where they are now and oil prices where they are now? Will we all realize gas price continued to fall from the Q4 level in 2010?

Helge Lund - *Statoil ASA - CEO*

Thank you I go first on the region continental shelf. It is true that I said it and I tried to repeat it in the presentation as well, that as we see it, we have the resources in place, to be able to sustain the current level towards 2020 as an ambition. So it is a re-confirmation of the view that we have on the underlying resource potential at the NCS.

I think we have moved beyond the terms of thinking about in more concrete terms how should we effectively and most profitably develop these resources as the structure of the opportunity is changing in smaller developments, and I talked about the fast-track project and how we think about that. So basically in my view, whether or not we are able to do it, it is much more related to how we as management and the organization will be able to execute on the resources rather than a question of whether the resources are there or not. It does not require opening up of new areas because that would typically stretch beyond that period towards 2010.

Rune Bjornson - *Statoil ASA - EVP, Natural Gas*

What is the gas market going to look like for 2010? I guess we, as most others would, say that firstly it seemed to have -- demand reduction seemed to have leveled out, and most expected stable, maybe even slightly tightening gas market. But, first and foremost, it very much hinges on a situation that is very volatile in light of the economic situation we are facing. So again, I think for us it is as important to focusing on having the optionality as getting a firm view on the market.

Now how will we be unaffected, how will our price in the end look like?

Well, I think that will be affected by a number of factors. There is a lot of new supplies coming, so then demand has to pick up. What we have done to cater for our situation is, of course, as I said, we have -- there is only limited now possibilities to ask for a review of our contracts. And we will continue also to gear up our trading activities such that if the market continues to be volatile, and then we will compensate through that.

So we will follow to some extent the general market development. But remember now, say, only 20% to 25% of our portfolio is actually exposed to the gas market. The rest is non-gas indexed prices. The reason why I cannot be more precise on that is that it hinges on what the offtake is on our contracts and how much volume we move in time.

Lars Sorensen - *Statoil ASA - SVP, IR*

Okay. We will take a question from the Internet, and after that we will have John from UBS. But the question from the Internet is from Lucy Haskins. Well, it is a little bit about the NCS, about how confident we are for the long-term, and I think Helge already answered that. But can you give some more color on the reserve replacement in 2009? It is about how much unconventional have we booked and how have we used the SEC rules. You answered that a little bit in your first presentation, Helge, but can we do that again, please?

Helge Lund - *Statoil ASA - CEO*

Okay. I can try again. Well, first of all, in terms of the SEC rules, they have actually had quite a limited impact in our reserve bookings, some impact. So it's not measurable -- neglected, but not a material impact. And the main reason for that is related to the recent continental shelf and the nature of our assets there, which is quite mature, and we have a good insight into the reservoirs. And, as such, adding on analogues and new technology does not in itself -- proving the technology just in itself add a lot to the resources.

When it comes specifically to the unconventionals, it is the new regulation says that you can use analogues to prove sort of more reliable technology, and we have taken that into account in the unconventionals. But it is very limited. We still have to approve and sanction new projects. And the only thing that we have sanctioned, which is ongoing in oil sands is our demonstration plan. So it is very limited, and we have started booking very carefully based on this new approach from the SEC on the oil sands. I cannot give you a number, but it is a very limited one.

Lars Sorensen - *Statoil ASA - SVP, IR*

Thank you. Then it is John from UBS.

Unidentified Audience Member

Two questions actually. The first is just to pick up on the point you made, Helge, on limited access. Because you were a participant in the opening up of Iraq, which took place last year, and that is access to an additional 11 million barrels a day of production. So, as regard to limited access, I am a bit confused by your comment.

Has the effect of Iraq, which will clearly help you on the volume side, also been factored into your view on prices for the next decade?

The second is on the Chesapeake/Marcellus joint venture. You acknowledged rightly that unconventionals have been a game changer for the US market. Are you able to provide us any insights, update or initial observations of what you are seeing with Chesapeake on the opportunities there outside of the US?

Helge Lund - *Statoil ASA - CEO*

Well, in terms of portfolio, I wanted to first say that I think a relatively big opportune company as ours, we need to take on different types of risks. So I guess my main message was that I think in terms of the profile of the technology strong company, I felt that I would rather be overrated on technology risks rather than political risks in more unstable areas. But that does not rule out that we will, of course, have decisions in that as well in terms of building our portfolio.

So in the sense I think you should expect as we develop that we will focus on the four core areas that we have identified in our strategy, but from time to time, we also need to take positions in other areas, and I think Iraq is such an example. And I tried to argue that in my presentation, even though competitive as a profitable contract, it gives starting a position where we can learn, where we can develop a position in an area with huge oil resources, and also in terms of creating options moving forward. In terms of our assessment of the market, we, of course, follow this very, very closely, and the opportunities in Iraq is factored into our view.

My basic view is that given the access challenge, given generally the complexity of the resources that we are attacking and given the decline around the globe of existing oil producing assets, I think it will continue to be a challenge for the industry to supply enough liquids to the market, even though we see that it is clearly leveling off in the US and Europe. But we see, of course, an increased demand in Asia and the Middle East. Then we have the issue as to how quickly one can ramp up in Iraq in totality. I'm not going to pass a judgment on that today, but I'm only going to say that we are working hard to deliver an early startup of West Qurna 2 with our partner.

Lars Sorensen - *Statoil ASA - SVP, IR*

Thank you. We have Oswalt first and then Iain afterwards, but Oswalt Clint from Bernstein.

Oswalt Clint - *Sanford C. Bernstein - Analyst*

It has been a while since we have had any sizable acquisitions from yourselves whether it is corporate or asset linked. I wonder if you could say is that still part of the market you intend to be involved in, and will it be focused on the deep water and such is the assets that come up from the likes of Devon, etc.? Is that the sort of deep water, does that look interesting to you?

And then just also on the Chesapeake JV. I wonder if you can explain -- and you also talk about picking up quality exploration acreage -- why you go for the [Carubias] in South Africa for future shale gas in contrast to Poland, Romania, Germany to say why you find South Africa more attractive than Central Europe?

Helge Lund - *Statoil ASA - CEO*

Well, sorry, I did not reply on Marcellus. I think it's a combined asset to the two. We have had a team in Chesapeake for the better part of a year to study different opportunity sets around the world. I think we have looked at several hundred opportunities, and it has now boiled down to, I would say, between five and 15 areas where we look initially. And I think it is too early to conclude that the world will look at similar resources that we see in the US elsewhere in the world.

You know, there are areas in South America, there are areas in Europe and Eastern Europe, particularly as you alluded to, and it's also South Africa, we mentioned, and, of course, also in some places in Asia. But I want to remind you on the fact that in order to make shale gas profitable, you not only need the technical resources in place, you need an industrial infrastructure, you need also it's a big benefit if it's a gas infrastructure in place. And on top of that, you need a fiscal framework that is attractive for this kind of activity. So at this stage I'm not in a position to conclude that shale will do a big sort of change in the global market yet in line with what we have seen in the US. I'm not ruling it out, but I think what we have seen so far I think there are many hurdles that you need to pass. And then you asked more specifically on South Africa, and I guess it is only illustrates that this is an area where we -- as a combined team, it looks attractive, and we would like to take a closer look.

Lars Sorensen - *Statoil ASA - SVP, IR*

Thank you. I will take a question from the Internet and then Iain. It is [Tal Lanusen] from Oracle Securities. Compared to previous production guiding for 2012 of 2.2 million barrels a day, the updated target is reduced slightly to 2.1 to 2.2 million barrels per day. What are the main risks to the new target beyond a weak gas market?

Rune Bjornson - *Statoil ASA - EVP, Natural Gas*

Well, we gave -- I will try to give the reason for why we have provided it. I'm not going to repeat that. That was the gas market. It is also related to an additional delay on the Ireland project, and then there are some effect, limited effect of some marginal project on the regional continental shelf. And, you know, the risks are the more normal risks related to project execution I would highlight as the more normal risks that we have provided what we think is the best range within which we are comfortable.

Iain Reid - *UBS - Analyst*

Yes, the question is for Rune, please. Rune, can you explain a bit more about what you have done in this short-term way on your oil league contracts? So have you actually decreased the linkage to oil to some percentage that we can model if you like? And what have you done on the volume side? Have you lowered the take-or-pay level to something below the normal 85%?

Rune Bjornson - *Statoil ASA - EVP, Natural Gas*

Neither of the two actually. What we have done is taken -- we have kept the contracts exactly as they are, but we have taken out a chunk, which is either reduced or converted to spot in a separate contract, which to us very much comes down to the same. Either you sell on spot through commitment to one of the incumbents, or you give them the relief of the volume, which basically means that you yourself can sell it in the spot market. And we have done so only to a very limited extent. So then you are back to the guiding I gave. Typically now we have -- well, 25% to 30%, which is linked to the gas market depending on offtake, etc. after these adjustments have been done. But they will vary, so it is not a mechanical sort of number.

Iain Reid - *UBS - Analyst*

That goes on to 2012, and then you go back to --?

Rune Bjornson - *Statoil ASA - EVP, Natural Gas*

That varies. That varies depending on what type of solutions. Some are permanent; some are less permanent. But to us, remember, if or let me rephrase, in the long-term when this picks up, we will be a part of that also on the volumes we have adjusted. Because to us the crisis in a way is over when the spot prices start to increase again.

Helge Lund - *Statoil ASA - CEO*

I just wanted to remind in order for the models there is this range that we are providing is uncertain because it depends eventually also on how much the clients are taking. So it is more like a directional guiding more than a precise figure.

Lars Sorensen - *Statoil ASA - SVP, IR*

We have [Ana Yun] first, then James afterwards.

Ana Yun - - *Analyst*

Thank you. A question related to exploration. Last year you drilled 70 wells with a very high success rate of 70%. But if you go one year back in time and look at that exploration portfolio, had that much higher likelihood of discoveries stand the 50 wells to be drilled now? So, in other words, is the risk resources in that portfolio clearly lower than the 650 million barrels?

Helge Lund - *Statoil ASA - CEO*

I think there is slightly more high risk and but also high opportunity wells that we are drilling in 2010. And you also see that typically we had $2.7 billion for the 70 wells, and you see 2.3 guiding for these 50 wells. That has to do with that we are doing more on maturing the discoveries that we have made, and also that there is a reflection on some of these wells are more expensive than those we drilled in 2009. But yes, I think it is a slightly higher risk than we saw in 2009.

Unidentified Audience Member

Two questions, please. Has your understanding of the NCS oil and gas decline rates changed over the last year compared to where you were a year ago? And secondly, you have given a number of 5 billion recoverable for VISTA resources in your entire portfolio over the next presumably decade or so. Since you have the numbers, could you either now or perhaps in an e-mail later give us our number for the 50 exploration wells you plan for this year?

Helge Lund - *Statoil ASA - CEO*

Well, first of all, the 5 billion, that is what is in the current portfolio right now. It is a risk number. It is an estimated number with a lot of uncertainty to it, but that what comes out of our models. The activity is going to be spread over many years, and I think the intention is to be more precise and divided into individual years as such. And we are still working on the specific drilling program for 2009 and what is exactly which wells are going to be drilled. So out of the 50 wells, they are not firm wells by now. So I have not got the number. But I have got the total portfolio. So we can give you an overview on that. That is what we are giving.

Unidentified Audience Member

But the 50 wells will have a number (inaudible).

Eldar Saetre - *Statoil ASA - EVP and CFO*

Eventually they will, but we don't know exactly which 50 wells. I indicated five wells, eight wells in the Gulf of Mexico, eight to 10 in Angola, and approximately 40% in Norway. We don't still know exactly which 40% that is going to be. So the drilling program, it's actually too early to have firmed up the whole drilling program.

Helge Lund - *Statoil ASA - CEO*

In terms of the decline rate, our change we provided roughly five last year and to do it as well. We have not provided one specific number for (inaudible) in the region part, but there is no change to our thinking and our analysis compared to last year.

Lars Sorensen - *Statoil ASA - SVP, IR*

We have a question from [Emily Deviclarae] and then Colin afterwards. You give equity guidance for 2010 and 2012. Can you remind us what the sensitivity to oil price is now and what could be the entitlement production?

Eldar Saetre - *Statoil ASA - EVP and CFO*

Well, the entitlement production, we have guided on entitlement production. I have not got the whole spreadsheet there in my mind, but, as I recall, at approximately $75 we are looking at around 180 million per 1000 barrels a day, and for 2010 and 190 approximately for 2012.

Lars Sorensen - *Statoil ASA - SVP, IR*

And in the fourth-quarter presentation pack, the last slide is actually guiding on PSAs. So everybody can look at that, download that from the Internet.

Eldar Saetre - *Statoil ASA - EVP and CFO*

In terms of sensitivities, will that also question that source of information that you could find in our material, but, as I recall, for this year approximately net income is around NOK7 billion on a $10 movement in oil price.

Lars Sorensen - *Statoil ASA - SVP, IR*

Then it is Colin.

Unidentified Audience Member

Looking a little bit further forward, you show a bar for 2017/2018 production, it looks like about 2.5 million barrels a day. And I wondered if you could comment on what you have got in from Marcellus and if anything what you got from Shtokman and West Qurna in there, what the PSA effect is, and what price you are using for that particular PSA effect?

Helge Lund - *Statoil ASA - CEO*

I will take this because this is not mathematics. And, first of all, I would like to say that you should not automatically assume the departure for your question, this number. I think, just at this stage, we do not guide further than 2012. What we have tried to do today and throughout our presentations is to make visible the number of projects and the size of the projects indicative that we have to work on also be on 2012. But we will come back to further guiding.

The idea with West Qurna 2 is that it will be up and running by the backend of 2012. So there are no Iraqi numbers into the 2012 guiding. And then we indicated in my presentation that if we are able to deliver on the current sort of phased approach on Shtokman, you know, an indication from the partners are 2016 for the first cubic meter of gas produced. So this is at this stage the best indication I can give.

Eldar Saetre - *Statoil ASA - EVP and CFO*

Can I just give one -- I mean you asked also on the PSA effects a very specific question. But I can say the general approach to that is that we -- approximately 80%, below 80% is now from the international portfolio is now within PSA. That is declining to around 60% by 2012 and will continue to decline with the portfolio that we show you going forward. But to be more exact on that, I have not got that information. It was a nice try.

Lars Sorensen - *Statoil ASA - SVP, IR*

Okay. We will take a question from the Internet, and then it is Irene afterwards. It is from Geoffroy Stern at Cheuvreux. Could you please give us additional details on the adjustments which were made to volumes and pricing of natural gas contracts?

Rune Bjornson - *Statoil ASA - EVP, Natural Gas*

The details? I think I provided as much details as we can at this stage because we cannot go into the individual contracts simply because that is a bilateral confidential matter between us as a seller and our customers as buyers.

Lars Sorensen - *Statoil ASA - SVP, IR*

Then it is Irene.

Irene Himona - *Exane BNP Paribas - Analyst*

Exane BNP Paribas. I had three short questions. Firstly, production guidance in 2012 of between 2.1 and 2.2 million barrels a day. Could you clarify how much of that is due to originating projects, not sanctioned as yet?

Secondly, thinking about costs, last year you were guiding to unit production costs of between NOK33 and NOK36 per barrel. In both 2009 and 2010, we are at the upper end of the range because of maturity. Should we expect that unit costs will remain at the upper end of the range?

And finally, on dividends you aim with the new policy to grow dividends in line with underlying EPS. Does that mean a constant price environment where the only controllables are volume and costs?

Helge Lund - *Statoil ASA - CEO*

Well, if I just respond on the dividend, maybe you can comment on the others. I think I did take a very simple approach to the dividend, and the only reason we have changed it is basically to create more clarity for our investors. So the simple approach is that we believe in the long-term price development for oil and gas. We think we have sufficient resources on the ground. We have indicated the 22 billion barrels of oil equivalents in the ground. We know we are running a cyclical business, and we make a commitment to continue to grow our ordinary dividend. And realizing that we are running a cyclical business, our intention is to try to look through these periods of cyclicality and, therefore, have a very strong intention of delivering an annual growth in the ordinary dividend. And I wanted to underline yet again I think it was discussed earlier today also that the purpose of the change in the dividend policy is not in anyways whatsoever to signal a lower or a higher dividend but simply to make more clarity.

Eldar Saetre - *Statoil ASA - EVP and CFO*

Could I just comment on the two other questions?

Helge Lund - *Statoil ASA - CEO*

Yes.

Eldar Saetre - *Statoil ASA - EVP and CFO*

The 2.1 to 2.2 in 2012 does not include any non-sanctioned project. They have to be sanctioned to be in place by 2012. When it comes to the unit cost guidance of NOK33 to NOK36, that is still valid. We indicated that at the higher end of the range. That is still also valid. We have taken down the volume slightly due to the gas uncertainty, and that puts a pressure to still keep us at the upper end of this range. But we are really -- so we have to improve even more to stay within that range to put it that way with the volume uncertainty that we have given you in these ranges today, and that is what we intend to do.

Lars Sorensen - *Statoil ASA - SVP, IR*

We have [Alister] first and then [Neil] afterwards. So Alister sign down there, please?

Unidentified Audience Member

Can I just come back to James' question on the risk exploration portfolio? Given the shift in the program last year, are you now drilling enough? Are you sort of rightsized for the ambitions of the Company, or do you need to still scale up for what you want to do?

Helge Lund - *Statoil ASA - CEO*

I think we have made over the last few years a quite significant step-up in exploration compared to what the Company did at the start of the last decade, and I think we are approaching the level we should be in. I think maybe you will see, as we move forward, a direction in which we take more high impact, high risk opportunities, and the direction is probably more moving that direction trying to be early into a specific area. But this will be step-by-step.

Lars Sorensen - *Statoil ASA - SVP, IR*

Then it is showing Neil.

Neill Morton - *MF Global - Analyst*

Neill Morton, MF Global. A couple of questions. Just firstly on gearing, with the clarity in the dividend policy, you have now moved more into line with your peers. But you are still out on a limb somewhat in refusing to give a target gearing level. I would perhaps argue that 27% net debt to capital, despite the careful selected group of peers that you showed in your chart, is perhaps rather high for a Company with fairly significant upstream exposure and, therefore, exposed to volatility in oil prices. Would you perhaps comment on that?

And then secondly, on the gas side, you clearly had a fairly stunning year in 2009 in the face of a market downturn, but also in the face of a Russian capitulation in the face of uncommercial Russian gas prices. They themselves now seem to be renegotiating terms and parameters with clients. Do you see the prospect of a sort of Russian backlash in 2010?

Eldar Saetre - *Statoil ASA - EVP and CFO*

I think we will maintain the view that we will not provide sort of a guiding range or comfort level in terms of -- specifically in terms of the year, but, as I said, we are quite comfortable with our current situation, and we indicated that, with the current environment, this type of oil price and this type of gas environment also and this type of down stream environment, which is rather depressing on the downstream side, we can still manage within the -- we still maintain sort of around 25% gearing level. And I would not mind seeing it slightly lower to put it that way, but 25% is far away from a level where I get uncomfortable. So hopefully we will eventually get a stronger gas market and also a stronger downstream business, and that creates a more robust basis also for our longer-term gearing prospect.

Rune Bjornson - *Statoil ASA - EVP, Natural Gas*

Taking the Russian's gas pump statement yesterday, they said that they were to increase the volumes, but not significantly I would say taking it at face value. And I think the whole situation, therefore, in the gas market is much, much more dependent on whether we see industrial demand coming on stream again or increasing than the new numbers coming from Gazprom. I think whether that -- as you might be aware, we have never set any marketshare targets, which is maybe different from some of the other producers, including Gazprom. We will go for value and leaving the volume coming out of that optimization at the most sort of optimal level.

Lars Sorensen - *Statoil ASA - SVP, IR*

I will just take a question from the Internet and then Paul Spedding. It is from Gudmund Isfeldt, DnB NOR Markets. How large NCS gas volumes have you moved to 2011 and 2012?

Rune Bjornson - *Statoil ASA - EVP, Natural Gas*

I will not give any numbers, but what I can say is that they are a significant.

Lars Sorensen - *Statoil ASA - SVP, IR*

Then Paul Spedding.

Paul Spedding - *HSBC - Analyst*

HSBC. I'm afraid another question on gas. In terms of the new contracts that have moved out of firm contracts into spot contracts, are all or will all of them or most of them active during the fourth quarter, or are some of them due to change as we go through 2010?

And the second question is, is it your option to supply under those contracts; i.e. if the price is low, can you refuse to supply, or do the customers have some right to force you to supply them?

Rune Bjornson - *Statoil ASA - EVP, Natural Gas*

Your first question, the earliest come into affect Q1 this year. To the second question, when we have chosen the spot part and not the volume reduction part, we have an obligation to supply. But it really does not matter much in the situation we have placed us in. Because if the prices are low, we can always choose to buy it in the market, and that is in a way the beauty of this arrangement, if I may say so.

Lars Sorensen - *Statoil ASA - SVP, IR*

There is a question from Barry MacCarthy.

Barry MacCarthy - *RBS - Analyst*

Barry MacCarthy, RBS. When you move to establish this range of production in 2012, in particular the lower end of that range, how conservatives have you been in setting on that number? Is there a link between that low end of the range and the minimum off-take requirements of your gas customers, or is there some other link? Is it a worse case scenario in your view?

Rune Bjornson - *Statoil ASA - EVP, Natural Gas*

I don't want to offer much more detail than what we have said earlier that what we're trying to do is, based on all the factors that we judge when they give this guidance, we feel that this is the best sort of -- the best data points we can give you in order to assess deliveries in 2010 and 2012. So you can I think neither conclude that it is aggressive nor conservative. It is more the best range that we can provide at this stage, and there is not an automatic link to any one of the bigger gas contracts.

Lars Sorensen - *Statoil ASA - SVP, IR*

I have a question from the Internet and then (inaudible) afterwards. It is from Simon King at RBS. The reason used on Shtokman following the board meeting you attended last week suggests a delay, and Alexander Medvedev at Gazprom is reported today suggesting that costs will be 30% higher. Can you comment on whether this project will be seeking bank financing, and if so, to what extent is the availability of such finance critical for the development?

Helge Lund - *Statoil ASA - CEO*

First of all, I do not think we should comment at this stage on any numbers because this is exactly the purpose of doing the feed process to arrive at the FID that is either you can sanction it or you cannot. And at this stage I don't think I would offer any thoughts at this stage on the financing, other than saying that, as the market has looked like the last few years, it would clearly have been difficult to project finance -- a project of this nature and profile.

Unidentified Audience Member

Two questions. I'm going to be boring and come back to gas again. I just wanted to reconcile your production targets with your indication that you have moved significant volumes of gas between each of the years. Has the moves that you have taken in terms of locking in movements between the years been taken into consideration, or is that a variable that we have to adjust for in terms of looking at your production targets?

And the second question I have is regarding portfolio optimization. We have already seen some moves in the Gulf of Mexico. You have a very big footprint there, and you have moved into Alaska and the like. Is that a start of a move away from the Gulf of Mexico? And also, if you could give any progress updates on what is going on with Peregrino and some of the indications that you might be selling down there?

Helge Lund - *Statoil ASA - CEO*

Well, in terms of what we are doing in these areas you are mentioning, I think that the first message is that really we are trying to strengthen our foothold within this four tier framework that we have presented. And I think both the preemption that we did on St. Malo and the recent joint venture that we are doing with Conoco Phillips in Alaska is speaking to two of these areas -- strengthen further our position in Gulf of Mexico and continue to develop our position in Arctic harsh environment areas.

In terms of a more precise question related to Peregrino, we are not usually comment on individual business development initiatives either buying or selling. But what we have said is that at the outset that we would probably look at a partner for Peregrino if we find one that can provide the right sort of skills as a partner, and secondly, that are willing to offer the kind of value that we look at. But I will not update other than that at this stage.

And that reminds me that I did not answer the question here, and that was related to acquisitions. Is that still on the agenda? I wanted to say the clear sort of marching order last year from me to the troops in Statoil was to really focus hard on maturing the resource base we already had in hand. And I think we reconfirmed and we can do it again that the main route for long-term value creation in this industry in our view is through exploration. We look at business development IDs and partnerships, and, of course, from time to time, we look at acquisitions and we will continue to do so. But I think the single most important factor right now is to continue to show you and others that we are making progress on the strategic initiatives that we have taken over the last few years, which was part of the purpose of my presentation. Then on gas and guiding?

Rune Bjornson - *Statoil ASA - EVP, Natural Gas*

All these -- the production guiding as shown here today, they do include the fact that we have moved gas, if that is your question. But, of course, which period this gas is paced in depends very much on our physical position versus the forward curve at each point in time.

Helge Lund - *Statoil ASA - CEO*

I wanted maybe to highlight also that this is not a stable picture. Because these are independent judgments and decisions that we are taking all the time in terms of how we look at the market at that specific point in time, and we have to continue to do that. I guess what we are signaling in providing this range towards 2012 is that we are uncertain and expect a volatile and deep market towards that period.

Lars Sorensen - *Statoil ASA - SVP, IR*

I will take questions from the Internet. It is from Klaus Madsen from Handelsbanken Capital Markets. How large are the reserves on Jack's/St. Malo in the Gulf of Mexico, and when do you expect to produce from these fields?

Helge Lund - *Statoil ASA - CEO*

Well, we have -- we are not offering individual resource estimates. I think if you go into the foil that I had in my presentation, you will have an indication of all the areas that we are producing.

Lars Sorensen - *Statoil ASA - SVP, IR*

We will take another question from the Internet. It is from Gudmund Isfeldt at DnB. What is your shale gas strategy for Europe? Isn't US and European shale gas and LNG a threat to sanctioning Shtokman, and what is the breakeven price of the pipe gas on Shtokman Phase 1?

Helge Lund - *Statoil ASA - CEO*

Well, on the breakeven price on Shtokman, it is hard to offer any opinion on that right now because we do not have an FID estimate. Is shale gas a threat to Shtokman and other complicated offshore developments? Clearly, in the short term, it could be. Longer term we have laid out our view on the gas development, and I'm confident that Shtokman will come to the market given the source or the size of the resource base.

In terms of our gas strategy for Europe, our shale gas strategy for Europe, I can only say that everything we do at Statoil beyond the US is now in collaboration with Chesapeake, and we are at this stage, apart from South Africa, we are in the sort of investigative stage. So it is too early to conclude on any specific strategic goals in Europe on shale.

Lars Sorensen - *Statoil ASA - SVP, IR*

We have got a little bit of an elaboration on the first part of the question at least from Jason Kenney at ING. Gazprom this week were quite damning to the environmental impact of US tight gas drilling. And I quote, "This technology endangers drinking water." Given that you are in both US pipe gas and also Russia Arctic gas as a partner with Gazprom and Shtokman, is this just politics on Gazprom's behalf to encourage interest in Russian LNG long-term?

Helge Lund - *Statoil ASA - CEO*

I'm not going into a public debate through Internet with Gazprom. I can only say that I think this is a very good illustration of the challenges that this industry will face regardless of what kind of projects and areas we look at these days.

Clearly I take the view that there will be on increased focus on environmental footprint also for shale, and I think that is exactly one of the reasons why the strong and experienced players are now entering also this phase because I think we have a lot to offer in terms of operational practices, in terms of standards, in terms of our technology. So I have no doubt that the industry will be able to work and improve also in this area. And I think this is also clearly a big challenge for resources being developed in the Arctic area, and probably one of the most important factors that the industry has to show in order to being able to continue to develop resources in this area. This was a rather political statement, but still this is what I mean.

Lars Sorensen - *Statoil ASA - SVP, IR*

A little bit more on gas and Gazprom. [Shopan Lismore] from ICS here asks, are there any more details on the import capacity deal with Gazprom at Cove Point regasification terminal? A binding agreement was expected this quarter.

Helge Lund - *Statoil ASA - CEO*

Do you want to comment on that, Rune?

Rune Bjornson - *Statoil ASA - EVP, Natural Gas*

No, there is no additional information. We have basically provided the information we intend to provide on that, and it was a MOU.

Lars Sorensen - *Statoil ASA - SVP, IR*

Okay. I question from Helge Andre Martinsen at Nordea. Your average breakeven price of nonsanctioned -- upstream projects seem to have increased slightly compared to the level given at the [conference on market day] in 2009, despite the fact that we've seen significant cost deflation through the last 12 months. Could you please elaborate and explain why?

Eldar Saetre - *Statoil ASA - EVP and CFO*

Well, actually it has not increased. I think we had talked about slightly below 45 and now we talk about around 45. It is basically the same portfolio. There have come new elements into the portfolio, which has been more matured, and those projects have typically been in the deep water and heavy oil part of the portfolio. But there is no -- as such, there is no movement in that direction.

And, as I said, it is basically the cost environment that is -- and it's not fully reflecting the potential that we see currently to take advantage of further cost reductions in their suppliers market. So there is potential to optimize both from a technological and a cost and a reservoir perspective. So it is -- there is no starting point. It does not represent any change to what we introduced last year.

Lars Sorensen - *Statoil ASA - SVP, IR*

We have got a couple of more questions from the Internet here. [Mr. Usigh] at Goldman Sachs. What percentage of 2009 gas sales were done directly in the spot market, and what percentage were done on the long-term oil price linked contracts?

Rune Bjornson - *Statoil ASA - EVP, Natural Gas*

That is not a fixed number because some of our long-term contracts are also linked to the spot market. I think we said publicly some years back, for instance, that the large contract we had with Centrica is linked to the spot market.

Lars Sorensen - *Statoil ASA - SVP, IR*

Just a very short question from Helge Andre Martinsen at Nordea, when do you expect startup of Corrib?

Helge Lund - *Statoil ASA - CEO*

Well, I think the first plan was to have it up and running in 2001 or something. So, you know, I guess I have to refer that question to the operator. We have taken it out of our guiding for 2012.

Lars Sorensen - *Statoil ASA - SVP, IR*

A little bit about exploration from Gudmund Isfeldt at DnB. When do you intend to drill exploration wells offshore Greenland?

Helge Lund - *Statoil ASA - CEO*

Well, I -- we are in the process of looking at that, and I think we have capabilities in the history there that makes us able to do it. I guess there is a new round coming and licensing coming up around in the Eastern part of Greenland in the next couple of years, and we are focusing on accessing that. And I think it's too early to state when potentially if the access -- when we can drill. But I can confirm our interest.

Lars Sorensen - *Statoil ASA - SVP, IR*

Two more questions from the Internet. Helge Andre Martinsen at Nordea, you seem confident about the West Qurna Phase 2 volumes, and at the same time, you have a positive view on future oil prices. If expected volumes from all the contracts signed in Iraq hit the oil market, there will be a supply-side revolution in the global oil market, clearly affecting the future oil price development. Could you please share your thoughts on this subject?

Helge Lund - *Statoil ASA - CEO*

Well, I tried to do it and rather not to do it in a sense that I said that I offered opinion on what we are trying to do on West Qurna. Then I did not offer a view particularly on what the total industry are able to do in collaboration with the Iraqi authorities in terms of how quickly they can ramp up production. But I cannot disagree. If these volumes are coming with this magnitude, the market it will impact, of course, the oil market on a global basis.

Lars Sorensen - *Statoil ASA - SVP, IR*

We will take the last question from the Internet today. It is from Helge Andre Martinsen at Nordea again. Which upstream projects do you expect to sanction in 2010?

Helge Lund - *Statoil ASA - CEO*

Do you have that?

Rune Bjornson - *Statoil ASA - EVP, Natural Gas*

It is a long list actually. It is so many, I can't -- I mean it is between 20 and 25, I think, projects. Sorry, I cannot start on that list. But it's a quite long list of projects. Small and medium-sized (inaudible) projects.

Lars Sorensen - *Statoil ASA - SVP, IR*

Okay. I don't see any more fingers here in London. We will just end this Q&A. Thank you very much and good-bye. ??

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