Press release

7 February 2014

2013 FOURTH QUARTER RESULTS

Statoil's fourth quarter and preliminary 2013 results and capital markets update

Statoil's fourth quarter 2013 net operating income was NOK 43.9 billion. In 2013, net operating income was NOK 155.5 billion. At today's Capital Markets Update, Statoil presents its plan for reduced capital expenditure by more than USD 5 billion from 2014-16 compared to previous plans. This will enable positive organic free cash flow after dividend from 2016. Statoil expects to deliver around 3 % average rebased organic production growth from 2013-16.

Adjusted earnings for the fourth quarter of 2013 were NOK 42.3 billion, compared to NOK 48.3 billion in the fourth quarter of 2012. The international result in the quarter was impacted by a higher gas share, lower realised prices and high depreciation cost in the US onshore business.

For the full year, adjusted earnings were NOK 163.1 billion in 2013 compared to NOK 193.2 billion in 2012. The result is impacted by divestments and redetermination. Net income in the fourth quarter of 2013 was NOK 14.8 billion, which is an increase of 14% compared to NOK 13.0 billion in the same period in 2012.

Statoil delivered equity production of 1,940 mboe per day in 2013, compared to 2,004 mboe per day in 2012. The decrease is mainly a result of divestments and redetermination. Statoil increased its annual equity production outside Norway to a record high 723 mboe in 2013, driven by start-up and ramp-up of new fields.

"Our operational performance was good, with safety improvements, production as expected and strong project execution. We delivered leading exploration results and strengthened our resource base," says Helge Lund, Statoil's president and CEO.

Statoil delivered the best oil and gas exploration results in the industry in 2013, measured by conventional discovered volume, and made the world's largest conventional oil discovery by volume last year through the Bay du Nord discovery offshore Canada. The company added 1.25 billion barrels of oil equivalent from exploration in 2013. During 2013 Statoil completed 59 exploration wells, 26 of which were discoveries.

Through effective resource management and the maturing of new projects, Statoil achieved a reserve replacement ratio (RRR) of 128% in 2013. Organic RRR was 147%, which is a record since 1999. Statoil maintained strong project execution through 2013 with projects delivered on cost and ahead of schedule, with strong safety performance.

Statoil announced divestments in 2013 with net proceeds worth a total of more than USD 4 billion, including the divestments of assets on the UK and Norwegian continental shelves to OMV and the agreement to reduce ownership in the Shah Deniz project in Azerbaijan and the South Caucasus Pipeline.

The serious incident frequency (SIF) was 0.7 in the fourth quarter of 2013 compared to 1.0 in the fourth quarter in 2012. For the full year, the SIF improved from 1.0 in 2012 to 0.8 in 2013.

Capital markets update
At its capital markets update in London on 7 February, Statoil will announce its updated outlook for 2014-16.

"The industry is facing demanding challenges and we address these from a position of strength. We have a competitive resource base, a robust financial position and a highly competent organisation recognised for its technological and operational experience," says Lund.

"Our strategy for value creation and growth remains firm, but we are making some important changes. Stricter project prioritisation and a comprehensive efficiency program will improve cash flow and profitability. Our strong balance sheet enables prioritisation of capital distribution to shareholders," says Lund.

Statoil will invest around USD 20 billion on average per year 2014-16. This is a reduction of 8% from previous estimates, mainly due to strict prioritisation and increased capital efficiency.

In the 2014-16 period, Statoil expects to maintain return on average capital employed (ROACE) around the 2013 level based on an oil price of USD 100 per barrel (real 2013). Production growth is estimated around 2 per cent 2013-14 and around 3 per cent organic CAGR from 2013-16 from a rebased equity production of 1,850 mboe per day in 2013.

Statoil expects to drill around 50 wells in 2014 and around 20 high impact wells from 2014-16. The exploration spend in 2014 will be around USD 3.5 billion.

Committed to capital distribution

The Statoil Board of Directors proposes an increased dividend of NOK 7.00 in 2013 from NOK 6.75 in 2012. The Board will also propose to the Annual General Meeting (AGM) to introduce quarterly dividend payments. Conditional on approval from the AGM, this means that Statoil in 2014 will distribute two quarterly dividends in addition to the annual dividend for 2013.

Statoil also announces that it intends to use share buy-backs more actively going forward, based on transaction proceeds, cash flow developments and balance sheet strength.

Balancing return and growth

Safe and efficient operations, strict prioritisation, and predictable and competitive development of a strong resource base will enable profitable growth through 2020 and beyond.

Statoil continues to optimise projects in order to increase returns, increasing the average IRR for non-sanctioned projects pre-2020 with eight percentage points to 24%, compared to the current portfolio of sanctioned projects.

Since 2010, Statoil has divested assets totalling a value of USD 18 billion, realising gains of around USD 10 billion.

Reducing cost

Statoil has a competitive unit of production cost, in the first quartile compared to peers. The company has maintained stable underlying operating expenses on the Norwegian continental shelf (NCS) for twelve consecutive quarters.

Through a comprehensive improvement programme, Statoil expects to realise annual savings of USD 1.3 billion per year from 2016.

The quarter in brief

Statoil's net operating income was NOK 43.9 billion compared to NOK 45.8 billion in the fourth quarter of 2012.

Adjusted earnings [5] were NOK 42.3 billion, compared to NOK 48.3 billion in the fourth quarter of 2012.

Adjusted earnings after tax [5] were NOK 11.0 billion, compared to NOK 15.1 billion in the fourth quarter of 2012.

Net income was NOK 14.8 billion compared to NOK 13.0 billion in the fourth quarter of 2012.

	Fourth quarter			For the year ended		
	2013	2012	change	2013	2012	change
Net operating income (NOK billion)	**43.9**	45.8	(4%)	**155.5**	206.6	(25%)
Adjusted earnings (NOK billion) [5]	**42.3**	48.3	(12%)	**163.1**	193.2	(16%)
Adjusted earnings after tax (NOK billion) [5]	**11.0**	15.1	(27%)	**46.4**	55.1	(16%)
Net income (NOK billion)	**14.8**	13.0	14%	**39.2**	69.5	(44%)
Basic earnings per share (NOK)	**4.66**	4.08	14%	**12.53**	21.66	(42%)
ROACE adjusted (last 12 months) [5]	**11.8%**	15.2%	(22%)	**11.8%**	15.2%	(22%)
Average liquids price (NOK/bbl) [1]	**608**	584	4%	**588**	602	(2%)
Average invoiced gas prices (NOK/scm) [8]	**2.09**	2.12	(1%)	**2.01**	2.19	(8%)
Equity production (mboe per day)	**1,945**	2,032	(4%)	**1,940**	2,004	(3%)
Serious incident frequency (SIF)	**0.7**	1.0		**0.8**	1.0	

OPERATIONAL REVIEW

Total equity production was down 4% in the fourth quarter of 2013. Growth from start-up and ramp-up on several fields was more than offset by lower gas off-take on the NCS, divestments, redeterminations and expected natural decline. Reserves increased in 2013, due to continued IOR efforts, and sanctioning of new field developments.

	Fourth quarter			For the year ended		
Operational data	2013	2012	change	2013	2012	change
Average liquids price (USD/bbl)	100.4	102.7	(2%)	100.0	103.5	(3%)
USDNOK average daily exchange rate	6.05	5.68	6%	5.88	5.82	1%
USDNOK end rate	6.08	5.57	9%	6.08	5.57	9%
Average liquids price (NOK/bbl) [1]	608	584	4%	588	602	(2%)
Average invoiced gas prices (NOK/scm)	2.09	2.12	(1%)	2.01	2.19	(8%)
Refining reference margin (USD/bbl) [2]	2.5	5.0	(50%)	4.1	5.5	(25%)
Production (mboe per day)						
Entitlement liquids production	940	956	(2%)	964	966	(0%)
Entitlement gas production	826	885	(7%)	792	839	(6%)
Total entitlement liquids and gas production [3]	1,766	1,841	(4%)	1,756	1,805	(3%)
Total entitlement liquids and gas production - net of US royalties [10]	1,723	1,813	(5%)	1,719	1,778	(3%)
Equity liquids production	1,087	1,122	(3%)	1,115	1,137	(2%)
Equity gas production	858	910	(6%)	825	867	(5%)
Total equity liquids and gas production [4]	1,945	2,032	(4%)	1,940	2,004	(3%)
Production cost (NOK/boe, last 12 months) [9]						
Production cost entitlement volumes [11]				50	48	5%
Production cost equity volumes				44	42	5%

The statements below are related to developments in the fourth quarter of 2013 compared to the fourth quarter of 2012, and developments in 2013 compared to 2012, respectively.

Fourth quarter 2013

Total equity liquids and gas production [4] was down 4% to 1,945 mboe per day in the fourth quarter. The decrease was mainly due to lower gas off-take from the NCS, divestments and redeterminations, and expected natural decline on mature fields. Start-up and ramp-up of production on various fields, and lower maintenance and operational effects, partly offset the decrease.

Total entitlement liquids and gas production - net of US royalties [3][10] was down 5% to 1,723 mboe per day, impacted by the decrease in equity production as described above and a lower average Production Sharing Agreement (PSA) effect of 179 mboe per day compared to 191 mboe per day in the fourth quarter of 2012. The reduction was mainly due to production growth on fields with lower PSA effects and production decline on fields with higher PSA effects.

Exploration expenditures (including capitalised exploration expenditures) increased by NOK 0.8 billion to NOK 5.7 billion mainly because of higher drilling activity, particularly on the NCS, and increased rig mobilisation expenses in the international business. Increased field development costs mainly related to Johan Castberg and Johan Sverdrup added to the increase and was partly offset by lower seismic expenditures.

Exploration expenses (in NOK billion)	Fourth quarter 2013	2012	change	For the year ended 2013	2012	change
Exploration expenditures (activity)	**5.7**	4.9	16%	**21.8**	20.9	4%
Expensed, previously capitalised exploration expenditures	**1.2**	0.3	>100%	**1.9**	2.7	(30%)
Capitalised share of current period's exploration activity	**(2.4)**	(0.6)	>100%	**(6.9)**	(5.9)	16%
Impairment / reversal of impairment	**0.4**	0.0	>100%	**1.2**	0.4	>100%
Exploration expenses IFRS	**4.9**	4.7	5%	**18.0**	18.1	(1%)

In 2013

Total equity liquids and gas production [4] was down 3% to 1,940 mboe per day in 2013, primarily because of divestments and redeterminations, decreased gas deliveries from the NCS and expected natural decline on mature fields. The decrease was partly offset by start-up and ramp-up of production on various fields.

Total entitlement liquids and gas production - net of US royalties [3][10] was 1,719 mboe per day, down 3% compared to 2012. This was impacted by the decrease in equity production as described above. The PSA effect was 182 mboe per day compared to 199 mboe per day in 2012. The reduction was mainly due to production growth on fields with lower PSA effects and production decline on fields with higher PSA effects.

Production cost per boe of entitlement volumes [9][11] was NOK 50 for the 12 months ended 31 December 2013, compared to NOK 48 for the 12 months ended 31 December 2012. Based on equity volumes [4], the production cost per barrel was NOK 44 for the 12 months ended 31 December 2013 compared to NOK 42 for the 12 months ended 31 December 2012. The 5% increase was mainly related to lower equity volumes and slightly higher production cost.

Exploration expenditures (including capitalised exploration expenditures) were up 4% to NOK 21.8 billion in 2013. Increased drilling activity and field development costs were only partly offset by lower seismic expenditures.

Proved reserves at the end of 2013 were 5,600 mmboe, an increase compared to 5,422 mmboe at the end of 2012. In 2013, a total of 933 mmboe were added through revisions, extensions, discoveries and acquisitions. The reductions in proved reserves were related to sale of reserves in place of 131 mmboe and entitlement production of 625 mmboe.

The reserve replacement ratio (RRR), which measures the proved reserves added to the reserve base (including the effects of sales and purchases) relative to the amount of oil and gas produced, was 1.3 in 2013, compared to 1.0 in 2012. The organic reserves replacement ratio was 1.5 compared to 1.1 in 2012 and the average three-year replacement ratio (including the effects of sales and purchases), was 1.1 at the end of 2013 compared to 1.0 in 2012. The increase in reserves in 2013 was primarily due to positive revisions on several of our producing fields due to good production performance and continued IOR efforts, sanctioning new field developments in Norway, Azerbaijan and Angola and continued drilling in our US onshore assets Bakken, Eagle Ford and Marcellus. Shah Deniz phase II was booked with a 25.5% equity share. The announced divestment of a 10% equity share will impact the RRR in 2014.

FINANCIAL REVIEW

The fourth quarter results were impacted by decreased production and lower average gas prices, partly offset by higher liquids prices. We delivered solid adjusted earnings across the company. However, the North American upstream business was affected by net lower prices due to the production mix, and increased depreciation. The quarter was also characterised by stable unit of production cost.

Condensed income statement under IFRS (in NOK billion)	Fourth quarter 2013	Fourth quarter 2012	change	For the year ended 2013	For the year ended 2012	change
Total revenues and other income	**158.4**	160.1	(1%)	**637.4**	722.0	(12%)
Purchases [net of inventory variation]	**(70.3)**	(77.2)	(9%)	**(307.5)**	(364.5)	(16%)
Operating expenses and selling, general and administrative expenses	**(20.7)**	(16.6)	24%	**(84.1)**	(72.3)	16%
Depreciation, amortisation and net impairment losses	**(18.7)**	(15.8)	18%	**(72.4)**	(60.5)	20%
Exploration expenses	**(4.9)**	(4.7)	5%	**(18.0)**	(18.1)	(1%)
Net operating income	**43.9**	45.8	(4%)	**155.5**	206.6	(25%)
Net financial items	**(4.1)**	0.1	>(100%)	**(17.0)**	0.1	>(100%)
Income before tax	**39.8**	45.9	(13%)	**138.4**	206.7	(33%)
Income tax	**(25.0)**	(32.9)	(24%)	**(99.2)**	(137.2)	(28%)
Net income	**14.8**	13.0	14%	**39.2**	69.5	(44%)

The statements below are related to developments in the fourth quarter of 2013 compared to the fourth quarter of 2012, and developments in 2013 compared to 2012, respectively.

Fourth quarter 2013

Net operating income was NOK 43.9 billion in the fourth quarter, a decrease of 4% compared to the fourth quarter of 2012. Lower average invoiced gas prices measured in NOK, lower volumes of both liquids and gas sold, lower fair values of derivatives and impairment losses affected net operating income negatively in the fourth quarter. The decrease was partly offset by gains on sales of assets and higher average liquids prices measured in NOK.

Adjusted earnings is a supplemental non-GAAP measure to Statoil's IFRS measure of net operating income which management believes provides an indication of Statoil's underlying operational performance in the period and facilitates a better evaluation of operational developments between periods. See Use and reconciliation of non-GAAP financial measures for more information on adjusted earnings and a reconciliation from Net operating income.

Adjusted earnings [5] (in NOK billion)	Fourth quarter 2013	Fourth quarter 2012	change	For the year ended 2013	For the year ended 2012	change
Adjusted total revenues and other income	**156.2**	162.3	(4%)	**632.5**	712.2	(11%)
Adjusted purchases	**(71.1)**	(76.7)	(7%)	**(308.1)**	(364.6)	(15%)
Adjusted operating expenses and selling, general and administrative expenses	**(20.7)**	(17.3)	20%	**(78.5)**	(76.8)	2%
Adjusted depreciation, amortisation and net impairment losses	**(17.5)**	(15.3)	14%	**(65.6)**	(59.3)	11%
Adjusted exploration expenses	**(4.6)**	(4.7)	(2%)	**(17.1)**	(18.3)	(6%)
Adjusted earnings [5]	**42.3**	48.3	(12%)	**163.1**	193.2	(16%)

In the fourth quarter of 2013, net operating income was negatively impacted by lower fair values of derivatives (NOK 5.1 billion), net impairment losses (NOK 1.5 billion) and other adjustments (NOK 0.6 billion), while gains on sales of assets (NOK 10.5 billion), change in over/underlift position (NOK 0.6 billion) and higher value of products in operational storage (NOK 0.2 billion) had a positive impact on net operating income. Adjusted for these items including the effects of eliminations (NOK 2.4 billion), adjusted earnings were NOK 42.3 billion in the fourth quarter of 2013.

In the fourth quarter of 2012, lower fair values of derivatives (NOK 0.8 billion), lower value of products in operational storage (NOK 0.6 billion) and impairments, net of reversals (NOK 0.3 billion) had a negative impact on net operating income, while net over/underlift position (NOK 0.5 billion) and other provisions/adjustments (NOK 0.1 billion) had a positive impact on net operating income. Adjusted for these items including the effects of eliminations (NOK 1.5 billion), adjusted earnings were NOK 48.3 billion in the fourth quarter of 2012.

The 12% decrease in **adjusted earnings** was mainly due to reduction in revenues from lower gas prices and reduced volumes of liquids and gas sold. Increased operating expenses and depreciation added to the decrease. Higher liquids prices measured in NOK and a slight decrease in exploration costs, partly offset the reduction in earnings.

Adjusted total revenues and other income were down 4%. Higher liquids prices measured in NOK were offset by reduced volumes of liquids and gas sold and lower average gas prices due to increasing share of US gas.

Adjusted purchases, which represent Statoil's purchase of SDFI [6] and third party volumes, decreased by 7% mainly due to a decrease in purchased volumes of liquids from SDFI and lower average gas prices measured in NOK. Higher third party volumes of gas purchased and increased liquids prices measured in NOK, partly offset the decrease.

Adjusted operating expenses and selling, general and administrative expenses increased by NOK 3.4 billion, mainly due to common control costs related to SDFI, increased transportation costs in the US and a one-off cost reduction related to commercial gas agreements on the NCS in fourth quarter 2012. Higher expenses from start-up and ramp-up on various fields and royalties outside the US added to the increase. In addition, purchase expenses were reclassified to operating expenses in the first quarter of 2013. The underlying cost development is stable.

Adjusted depreciation, amortisation and net impairment losses increased by 14% to NOK 17.5 billion, mainly due to higher depreciation from ramp-up on various fields internationally. Increased investments on major producing fields and new fields in production with higher depreciation cost per unit, added to the increase. Decreased depreciation on ARO assets, lower production, divestments and redeterminations partly offset the increase in depreciation.

Adjusted exploration expenses decreased from NOK 4.7 billion to NOK 4.6 billion. Increased drilling activity and field development costs on the NCS, together with a higher portion of exploration expenditures capitalised in previous periods expensed this quarter, were more than offset by a higher portion of current exploration expenditures being capitalised this quarter because of successful wells being drilled.

Net financial items amounted to a loss of NOK 4.1 billion in the fourth quarter of 2013, compared to a gain of NOK 0.1 billion in the fourth quarter of 2012. The change was mainly due to reduced currency effects from positions in NOK related to foreign exchange and liquidity management, as well as a loss on derivative financial instruments related to long term debt compared to a gain last year.

Exchange rates, period-end	31 December 2013	30 September 2013	31 December 2012	28 September 2012
USDNOK	6.08	6.01	5.57	5.70
EURNOK	8.38	8.11	7.34	7.37

Adjusted for the items in the table below, **net adjusted financial items** before tax amounted to a loss of NOK 0.8 billion in the fourth quarter of 2013.

Net financial items in the fourth quarter of 2013 (in NOK billion)	Interest income and other financial items	Net foreign exchange gains (losses)	Gains (losses) derivative financial instruments	Interest and other finance expenses	Net before tax	Estimated tax effect	Net after tax
Financial items according to IFRS	0.7	(1.4)	(1.7)	(1.7)	(4.1)	2.3	(1.8)
Foreign exchange (FX) impacts (incl. derivatives)	(0.2)	1.4			1.2		
Interest rate (IR) derivatives			1.7		1.7		
Impairment of financial investment (net)	0.3				0.3		
Subtotal	0.1	1.4	1.7	0.0	3.2	(1.6)	1.6
Financial items excluding FX and IR derivatives	0.9	0.0	0.0	(1.7)	(0.8)	0.7	(0.1)

Income taxes were NOK 25.0 billion in the fourth quarter of 2013, equivalent to an **effective tax rate** of 62.9%, compared to 71.6% in the fourth quarter of 2012. The tax rate decreased mainly due to a tax exempted gain in the fourth quarter of 2013 and a one-off deferred tax expense in the fourth quarter of 2012 related to a tax law change in Norway. This was partly offset by increased costs and impairment losses in the fourth quarter of 2013 with lower than average tax rates and recognition of previously unrecognised deferred tax assets in the fourth quarter of 2012.

Management provides an alternative tax measure that excludes items not directly related to underlying operational performance. **Adjusted earnings after tax**, which excludes net financial items and tax on net financial items, is an alternative measure which provides an indication of Statoil's tax exposure to its underlying operational performance in the period, and management believes that this measure better facilitates a comparison between periods. See Use and reconciliation of non-GAAP financial measures - reconciliation of adjusted earnings after tax to net income.

Adjusted earnings after tax and the effective tax rate on Adjusted earnings, are stated in the table below.

Adjusted earnings after tax by segment [5]	Fourth quarter					
	2013			2012		
(in NOK billion)	Adjusted earnings	Tax on adjusted earnings	Adjusted earnings after tax	Adjusted earnings	Tax on adjusted earnings	Adjusted earnings after tax
Development and Production Norway	35.4	(26.6)	8.8	37.5	(28.3)	9.2
Development and Production International	3.6	(3.1)	0.5	5.7	(1.7)	4.0
Marketing, Processing & Renewable energy	3.7	(2.0)	1.7	5.1	(3.5)	1.6
Other	(0.3)	0.4	0.1	(0.1)	0.3	0.2
Group	42.3	(31.3)	11.0	48.3	(33.2)	15.1
Effective tax rates on adjusted earnings			73.9%			68.8%

Adjusted earnings after tax were NOK 11.0 billion, equivalent to an effective tax rate on adjusted earnings of 73.9%, compared to an effective tax rate on adjusted earnings of 68.8% in the fourth quarter of 2012. The tax rate increase was mainly due to recognition of previously unrecognised deferred tax assets in the fourth quarter of 2012, increased costs without tax shield related to our US activity and relatively higher adjusted earnings from the NCS in the fourth quarter of 2013. Income from NCS is subject to a marginal tax rate of 78%. This was partly offset by a one-off deferred tax expense in the fourth quarter of 2012 related to a tax law change in Norway affecting the Development and Production International segment.

In 2013

Net operating income was NOK 155.5 billion, a decrease of 25% compared to 2012. The decrease is primarily explained by decreased production and lower prices for both liquids and gas. Impairment losses, provisions related to an onerous contract and a redetermination process (*see note 8 in Condensed interim financial statements*), added to the decrease. Gain from sales of assets mainly related to the NCS, partly offset the decrease.

In 2013, net operating income was negatively impacted by impairment losses (NOK 7.6 billion), lower fair values of derivatives (NOK 6.1 billion), provisions related to a redetermination process (NOK 4.3 billion), and an onerous contract (NOK 4.9 billion), change in over/underlift position (NOK 0.6 billion), and other adjustments (NOK 1.5 billion), while gains on sales of assets (NOK 16.9 billion), higher value of products in operational storage (NOK 0.1 billion), had a positive impact on net operating income. Adjusted for these items including the effects of eliminations (NOK 0.4 billion), adjusted earnings were NOK 163.1 billion in 2013.

In 2012, lower fair values of derivatives (NOK 3.6 billion) and impairment losses (NOK 1.0 billion) negatively impacted net operating income, while gains on sales of assets (NOK 14.3 billion), other adjustments related to the discontinued part of the early retirement pension (NOK 4.3 billion), higher value of products in operational storage (NOK 0.1 billion) and net over/underlift position (NOK 0.8 billion) had a positive impact on net operating income. Adjusted for these items and the effects of eliminations (NOK 1.6 billion), adjusted earnings were NOK 193.2 billion in 2012.

The 16% decrease in **adjusted earnings** was mainly due to lower prices and reduced volumes of liquids and gas. Also, lower refining margins and higher depreciation expenses, added to the decrease.

Adjusted total revenues and other income were down 11% mainly due to reduced volumes of liquids and gas sold. Lower prices measured in NOK for both liquids and gas and the drop in revenues due to the divestment of the Fuel and Retail segment in the second quarter of 2012, added to the decrease. Increased volumes of third party gas sold, partly offset the decrease in revenues.

Adjusted purchases, which represent Statoil's purchase of SDFI [6] and third party volumes, decreased by 15% mainly due to lower SDFI volumes purchased and lower prices for both liquids and gas. The drop in purchases as a result of the divestment of the Fuel and Retail segment in the second quarter of 2012, added to the decrease. Increased volumes of third party gas purchased, partly offset the decrease.

Adjusted operating expenses and selling, general and administrative expenses increased by 2%, mainly due to increased operating cost from start-up and ramp-up on various fields, higher royalties and a reclassification of purchase expenses to operating expenses in the first quarter of 2013. The increase was partly offset by a drop in expenses as a result of the divestment of the Fuel and Retail segment in the second quarter of 2012.

Adjusted depreciation, amortisation and net impairment losses increased by 11% mainly because new fields with higher depreciation came on stream, higher depreciation from ramp-up on various fields and increased investment on producing fields. The increase was partly offset by the reduction in depreciation due to the lower production volumes and increased reserves estimates.

Adjusted exploration expenses decreased by 6% mainly because of a higher portion of current exploration expenditures being capitalised due to commercial wells in 2013, and a lower portion of exploration expenditures capitalised in previous periods, being expensed in this period. Increased drilling activity and field development costs partly offset the decrease.

Net financial items amounted to a loss of NOK 17.0 billion in 2013, compared to a gain of NOK 0.1 billion in 2012. The change was mainly due to negative currency effects from positions in NOK related to foreign exchange and liquidity management, as well as losses on derivative financial instruments related to long term debt compared to a gain last year.

Adjusted for the items in the table below, **net adjusted financial items** before tax amounted to a loss of NOK 1.5 billion in 2013.

Net financial items for the year 2013 (in NOK billion)	Interest income and other financial items	Net foreign exchange gains (losses)	Gains (losses) derivative financial instruments	Interest and other finance expenses	Net before tax	Estimated tax effect	Net after tax
Financial items according to IFRS	3.6	(8.6)	(7.4)	(4.6)	(17.0)	9.2	(7.9)
Foreign exchange (FX) impacts (incl. derivatives)	(0.7)	8.6			7.9		
Interest rate (IR) derivatives			7.4		7.4		
Impairment of financial investment (net)	0.3				0.3		
Subtotal	(0.5)	8.6	7.4	0.0	15.6	(7.2)	8.4
Financial items excluding FX and IR derivatives	3.1	0.0	0.0	(4.6)	(1.5)	2.0	0.5

Income taxes were NOK 99.2 billion in 2013, equivalent to an **effective tax rate** of 71.7%, compared to 66.4% in 2012. The tax rate increased mainly due to higher impairment losses, onerous contract provisions and increased loss on financial items, all with lower than average tax rates. This was partly offset by increased capital gains with lower than average tax rates and relatively lower income from the NCS in 2013. Income from the NCS is subject to higher than average tax rates.

Adjusted earnings after tax and the effective tax rate on Adjusted earnings, are stated in the table below.

Adjusted earnings after tax by segment [5]	For the year ended					
	2013			2012		
(in NOK billion)	Adjusted earnings	Tax on adjusted earnings	Adjusted earnings after tax	Adjusted earnings	Tax on adjusted earnings	Adjusted earnings after tax
Development and Production Norway	132.5	(97.6)	34.8	154.8	(116.2)	38.6
Development and Production International	20.7	(12.5)	8.1	20.4	(9.0)	11.4
Marketing, Processing and Renewable energy	11.1	(6.9)	4.2	17.7	(12.5)	5.2
Fuel & Retail	-	-	-	0.6	(0.2)	0.5
Other	(1.1)	0.3	(0.7)	(0.3)	(0.2)	(0.5)
Group	163.1	(116.7)	46.4	193.2	(138.1)	55.1
Effective tax rates on adjusted earnings			71.6%			71.5%

Adjusted earnings after tax were NOK 46.4 billion, equivalent to an effective tax rate on adjusted earnings of 71.6%, compared to an effective tax rate on adjusted earnings of 71.5% in 2012.

Return on average capital employed after tax (ROACE) [5] was 11.3% for the 12 month period ended 31 December 2013, and 18.7% for the 12 month period ended 31 December 2012. Based on adjusted earnings after tax and average capital employed, adjusted ROACE was 11.8% and 15.2% for the two periods, respectively.

Organic capital expenditures (excluding acquisitions and capital leases) amounted to NOK 114 billion for the year ended 2013. This is in line with our guidance for 2013.

Statoil's board of directors will propose to the Annual General Meeting a **dividend** of NOK 7.00 per share for 2013. For 2012, Statoil paid an ordinary dividend of NOK 6.75 per share.

OUTLOOK

Organic capital expenditures for 2014 (i.e. excluding acquisitions and capital leases), are estimated at around USD 20 billion.

Statoil will continue to mature the large portfolio of exploration assets and expects to complete around 50 wells in 2014 with a total **exploration expenditure** level at around USD 3.5 billion, excluding signature bonuses.

Statoil continues to focus on value creation and **RoACE** is expected to stabilise at the 2013 level, based on an oil price of USD 100 per barrel (real 2013).

Our ambition for the **unit of production cost** continues to keep our position in the top quartile of our peer group.

For the period 2013 - 2016 organic growth is expected to come from new projects resulting in around 3% Compound Annual Growth Rate (CAGR) from a 2013 level rebased for divestments and redeterminations [7].

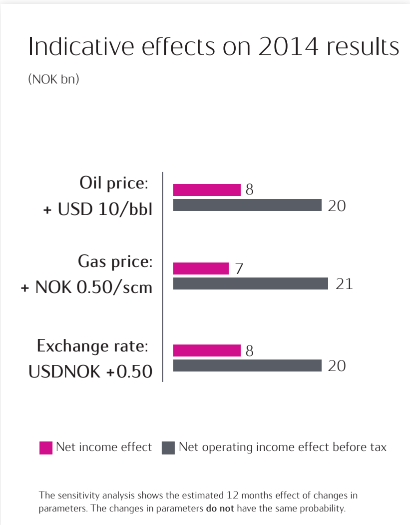
The **equity production for 2014** is estimated to be around 2% Compound Annual Growth Rate (CAGR) from a 2013 level rebased for divestments and redeterminations.

Scheduled maintenance is planned to have a negative impact on quarterly equity production of approximately 10 mboe per day in the first quarter of 2014. This is mainly outside the NCS. In total, maintenance is estimated to have a negative impact on equity production of around 55 mboe per day for the full year 2014, of which the majority is liquids.

Deferral of gas production to create value, gas off-take, timing of new capacity coming on stream and operational regularity represent the most significant risks related to the production guidance.

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

FINANCIAL RISK UPDATE



Financial risk factors

The financial results of operations largely depend on a number of factors, most significantly those that affect the price for volumes sold. Specifically, such factors include liquids and natural gas prices, exchange rates, liquids and natural gas production volumes. In turn, these factors depend on entitlement volumes under profit sharing agreements and available petroleum reserves, Statoil's - as well as our partners' - expertise and co-operation in recovering oil and natural gas from those reserves, and also changes in Statoil's portfolio of assets due to acquisitions and disposals.

The illustration shows how certain changes in crude oil prices (a substitute for liquids prices), natural gas contract prices and the USDNOK exchange rate, if sustained for a full year, could impact our net operating income. Changes in commodity prices and currency and interest rates may result in income or expense for the period as well as changes in the fair value of derivatives in the balance sheet.

The illustration is not intended to be exhaustive with respect to risks that have or may have a material impact on the cash flows and results of operations. See the 2012 Annual Report on Form 20-F for a more detailed discussion of the risks to which Statoil is exposed.

Financial risk management

Statoil has policies in place to manage risk for commercial and financial counterparties by the use of derivatives and market activities in general. The Group's exposure towards financial counterparties is considered to have an acceptable risk profile.

The markets for short- and long-term financing are currently considered to function well for corporate borrowers with Statoil's credit standing and general characteristics. With regard to liquidity management, the focus is on finding the right balance between risk and reward and most funds are currently placed in short-term money market instruments with minimum single A-rating.

In accordance with our internal credit rating policy, we continuously assess counterparty credit risk with a focus on counterparties identified as high risk. We assess our overall credit risk as satisfactory.

HEALTH, SAFETY AND THE ENVIRONMENT (HSE)

Fourth quarter 2013

The total recordable injury frequency was 3.5 in the fourth quarter of 2013, the same as in the fourth quarter of 2012. The serious incident frequency was 0.7 in the fourth quarter of 2013, compared to 1.0 in the fourth quarter of 2012. There were no fatal accidents in the fourth quarter of 2013.

The volume of accidental oil spills was 4 cubic meters in the fourth quarter of 2013, compared to 7 cubic meters in the fourth quarter of 2012. The number of accidental oil spills was 46 in the fourth quarter of 2013, the same as in the fourth quarter of 2012.

In 2013

The total recordable injury frequency was 3.8 in 2013, the same as in 2012. The serious incident frequency was 0.8 in 2013, compared to 1.0 in 2012.

Forty innocent people were killed, including five Statoil employees, in the brutal terrorist attack on In Amenas 16 January. Following the attack, on 26 February 2013 the Board of Directors decided to conduct an investigation of the attack. The main objectives of the investigation were to clarify the chain of events and to facilitate learning and further improvements within risk assessment, security and emergency preparedness. Statoil has an established security risk management system, but the company's overall capabilities and culture must be strengthened to respond to the security risks associated with operations in volatile and complex environments. The company will now ensure that the recommendations are integrated and a prioritised part of the initiated improvement programme in the security area. The Board of Directors has endorsed the improvement programme, and will continuously follow up programme implementation and consider the need for further measures. The investigation report is available at Statoil.com.

The volume of accidental oil spills increased to 69 cubic meters in 2013, from 52 cubic meters in 2012. The number of accidental oil spills decreased to 219 in 2013, from 306 in 2012. Statoil Fuel & Retail is included in the figures up to and including the second quarter of 2012, but was divested at the end of the second quarter of 2012. Excluding Statoil Fuel & Retail figures, the number of accidental oil spills was stable compared to 2012.

	Fourth quarter		For the year ended	
HSE	2013	2012	2013	2012
Total recordable injury frequency	3.5	3.5	3.8	3.8
Serious incident frequency	0.7	1.0	0.8	1.0
Accidental oil spills (number)	46	46	219	306
Accidental oil spills (cubic metres)	4	7	69	52

References

To see end notes referenced in main table and text please download our complete report from our website -

http://www.statoil.com/en/InvestorCentre/QuarterlyResults/Pages/default.aspx

Further information from:
Investor relations
Hilde Merete Nafstad, senior vice president investor relations, + 47 957 83 911(mobile)
Morten Sven Johannessen, vice president investor relations USA, + 1 203 570 2524 (mobile)

Press
Jannik Lindbæk jr, vice president for media relations, + 47 977 55 622 (mobile)