Press release

29 July 2010

High activity and good operations

Second quarter Operating and Financial Review

Statoil's second quarter 2010 net operating income was NOK 26.6 billion, compared to NOK 24.3 billion in the second quarter of 2009.

The quarterly result was affected by a 32% increase in liquids prices measured in NOK, a 6% increase in equity production and a 12% decrease in gas prices measured in NOK. Also impairments, loss on derivatives and a provision for an onerous contract influenced net operating income.

Adjusted earnings in the second quarter 2010 were NOK 36.4 billion, up 25% from second quarter 2009 when adjusted earnings were NOK 29.2 billion.

Net income in the second quarter of 2010 was NOK 3.1 billion. This result reflects higher oil prices and increased liftings, lower net financial losses and lower tax rates partly offset by lower gas prices, impairments, losses on derivatives and an onerous contract compared to the second quarter of 2009, when net income was zero and the tax rate unusually high.

Adjusted earnings after tax were NOK 10.6 billion in the second quarter of 2010, up 21% from second quarter 2009 when adjusted earnings after tax were NOK 8.8 billion. Adjusted earnings after tax excludes the effect of financial items and the tax on net financial items, and represents an effective adjusted tax rate of 71% in the second quarter of 2010 and 70% in the second quarter of 2009.

"Statoil's second quarter is characterised by strong operational performance and a high activity level," says Statoil's Chief Executive Officer Helge Lund.

"We are making good progress on important projects. The Gjøa production platform is now anchored at the field in the North Sea. The Gudrun development was approved by the Norwegian Parliament in June, and key contracts have now been awarded. In Brazil, the Peregrino field development is moving forward and we have agreed to bring in Sinochem as a 40% partner in the project," says Lund.

"Statoil's production is on track. Equity production is up 6% compared to second quarter last year. However, planned maintenance turnarounds will heavily impact production in the third quarter," says Statoil's CEO Helge Lund.

	Second quarter			First half			Full year
	2010	2009	Change	2010	2009	Change	2009
Net operating income (NOK billion)	**26.6**	24.3	9 %	**66.2**	59.8	11 %	121.6
Adjusted earnings (NOK billion)	**36.4**	29.2	25 %	**75.3**	65.2	15 %	130.7
Net income (NOK billion)	**3.1**	0.0	>100 %	**14.2**	4.0	>100 %	17.7
Earnings per share (NOK)	**1.14**	0.02	>100 %	**4.63**	1.18	>100 %	5.75
Average liquids price (NOK/bbl)	**462**	349	32 %	**447**	320	40 %	364
Average gas price (NOK/scm)	**1.61**	1.82	(12 %)	**1.62**	2.21	(27 %)	1.90
Equity production (mboe per day)	**1,957**	1,845	6 %	**2,029**	1,959	4 %	1,962

Highlights since first quarter 2010:

- Equity production is up 6% from second quarter 2009 to 1,957 mboe per day. For the first six months of the year, equity production is 2,029 mboe per day.
- Entitlement production is up 2% from second quarter last year to 1,765 mboe per day.
- Average prices measured in NOK are up 32% for liquids and down 12% for gas compared to second quarter last year. Gas prices continue to be low in a historical perspective.
- On 19 May pressure change and loss of drilling fluid occurred in the C-06 well at Gullfaks C, causing production on Gullfaks C, Gimle and Tordis to be shut down. Production on Gullfaks and Gimle was resumed 14 July, and Tordis will be back on stream after a planned pipeline operation, which started on 20 July.
- On 21 May Statoil announced its agreement with the Sinochem Group to sell 40% of the Peregrino field offshore Brazil.
- On 27 May a six months drilling moratorium was imposed in the Gulf of Mexico.

- On 16 June the Norwegian Parliament (Stortinget) approved the plan for development and operation (PDO) for Gudrun.
- On 1 July the Agbami equity determination process was completed increasing Statoil's share in the Nigerian field from 18.85% to 20.21%.

OPERATIONAL REVIEW

Second quarter

Total liquids and gas entitlement **production** in the second quarter of 2010 was 1,765 mboe per day, compared to 1,729 mboe per day in the second quarter of 2009. Total equity [9] production was 1,957 mboe per day in the second quarter of 2010 compared to 1,845 mboe per day in the second quarter of 2009.

The 6% increase in total equity production was primarily related to the start-up of new fields and ramp-up of production from existing fields, and was partly offset by declining production from mature fields, maintenance activities and various operational issues.

Entitlement production increased by 2% impacted by the changes in equity production described above as well as the relatively higher adverse effect from Production Sharing Agreements (PSA-effects) in the second quarter of 2010. The average negative PSA effect was 192 mboe per day in the second quarter of 2010 compared to 116 mboe per day in the second quarter of 2009. The increase was a result of changes in profit tranches regarding fields in Angola, some positive PSA adjustments in second quarter 2009 related to previous periods and higher prices in second quarter of 2010 leading to reduced entitlement shares.

Operational data	Second quarter			First half			Full year
	2010	2009	Change	2010	2009	Change	2009
Average liquids price (USD/bbl)	**74.1**	53.7	38 %	**74.0**	47.8	55 %	58.0
USDNOK average daily exchange rate	**6.24**	6.50	(4 %)	**6.04**	6.69	(10 %)	6.28
Average liquids price (NOK/bbl) [3]	**462**	349	32 %	**447**	320	40 %	364
Gas prices (NOK/scm)	**1.61**	1.82	(12 %)	**1.62**	2.21	(27 %)	1.90
Refining margin, FCC (USD/boe) [4]	**6.0**	4.8	25 %	**5.9**	5.1	16 %	4.3
Total entitlement liquids production (mboe per day)[5]	**981**	1,032	(5 %)	**1,023**	1,068	(4 %)	1,066
Total entitlement gas production (mboe per day)	**783**	696	12 %	**817**	763	7 %	740
Total entitlement liquids and gas production (mboe per day) [6]	**1,765**	1,729	2 %	**1,839**	1,831	0 %	1,806
Total equity gas production (mboe per day)	**809**	708	14 %	**847**	783	8 %	760
Total equity liquids production (mboe per day)	**1,147**	1,137	1 %	**1,182**	1,176	1 %	1,202
Total equity liquids and gas production (mboe per day)	**1,957**	1,845	6 %	**2,029**	1,959	4 %	1,962
Total liquids liftings (mboe per day)	**942**	968	(3 %)	**1,010**	1,049	(4 %)	1,045
Total gas liftings (mboe per day)	**783**	696	12 %	**817**	764	7 %	740
Total liquids and gas liftings (mboe per day) [7]	**1,725**	1,664	4 %	**1,826**	1,813	1 %	1,785
Production cost entitlement volumes (NOK/boe, last 12 months) [8]	**40.1**	38.0	5 %	**40.1**	38.0	5 %	38.4
Production cost equity volumes (NOK/boe, last 12 months)	**36.3**	35.0	4 %	**36.3**	35.0	4 %	35.3
Equity production cost excluding restructuring and gas injection cost (NOK/boe, last 12 months) [9]	**35.2**	35.6	(1 %)	**35.2**	35.6	(1 %)	35.3

Total **liftings** of liquids and gas were 1,725 mboe per day in the second quarter of 2010, a 4% increase from 1,664 mboe per day in the second quarter of 2009. The increase in lifting is based on the increase in entitlement production. In the second quarter of 2010 there was an underlift of 26 mboe per day [5], compared to an underlift of 49 mboe per day in the second quarter of 2009.

Refining margins (FCC) were USD 6.0 per barrel in the second quarter of 2010, a 25% increase compared with the second quarter of 2009, however, continue to be low in a historical perspective.

Production cost per boe of entitlement volumes was NOK 40.1 for the 12 months ended 30 June 2010, compared to NOK 38.0 for the 12 months ended 30 June 2009 [8]. Based on equity volumes [9], the production cost per boe for the two periods was NOK 36.3 and NOK 35.0, respectively.

Adjusted for restructuring costs and other costs arising from the merger recorded in the fourth quarter of 2007, and partially reversed in the fourth quarter of 2008 and 2009, and gas injection costs, the production cost per boe of equity production for the 12 months ended 30 June 2010 was NOK 35.2 The comparable figure for the 12 months ended 30 June 2009 was NOK 35.6.

The decrease in adjusted production cost per boe is mainly related to value driven deferral of gas volumes in 2009 and lower maintenance activity in the second quarter of 2010 compared to second quarter of 2009, as well as currency effects from the strengthening of NOK versus USD in the most recent 12 month period compared to the 12 months ended 30 June 2009.

In the second quarter of 2010, a total of eight **exploration wells** were completed before 30 June 2010, five on the NCS and three internationally. Seven wells were announced as discoveries, of which two are located outside the NCS.

Major business developments in the period include the start up of the Tyrihans well on 8 May, the tow out of the Gjøa platform in June, the agreement for sale of 40% of the Peregrino field offshore Brazil to Sinochem Group (21 May), the signing of an intergovernmental declaration between Turkey and Azerbaijan (7 June) and the completion of the Agbami equity determination process increased Statoil's share from 18.85% to 20.21% in the Agbami field offshore Nigeria (1 July). On 27 May a six months drilling moratorium was imposed in the Gulf of Mexico following the Deepwater Horizon accident in April which will, if sustained significantly affect Statoil's exploration activity in US Golf of Mexico. Statoil has not recognised any provision for onerous contracts in the second quarter 2010 following the current moratorium.

On 19 May a well control incident with loss of drilling fluid occurred at Gullfaks C causing the production to shut down both on Gullfaks C and the satellite fields Gimle and Tordis. A plan to manage the incident was implemented and barriers in the well were re-established allowing for production to resume on 14 July without any environmental spills or safety being compromised.

First half 2010

Total liquids and gas entitlement **production** in the first half of 2010 was 1,839 mboe per day, largely unchanged from 1,831 mboe per day in the first half of 2009. Total equity production was 2,029 mboe per day in the first half of 2010 compared to 1,959 mboe per day in the first half of 2009.

The 4% increase in total equity production in the first six months of 2010 compared to the same period in 2009 was primarily due to increased production from start up of new fields and ramp up on existing fields, partly offset by declining production from mature fields, shut down of the Lufeng field in 2009, various operational issues and maintenance activities.

The average negative PSA effect on entitlement production was 190 mboe per day in the first half of 2010 compared to 127 mboe per day in the first half of 2009. The increase was a result of changes in profit tranches regarding fields in Angola, some positive PSA adjustments in second quarter 2009 related to previous periods and higher prices in second quarter of 2010 leading to reduced entitlement shares.

Total liquids and gas **liftings** in the first half of 2010 were 1,826 mboe per day, compared to 1,813 mboe per day in the first half of 2009. The 1% increase in lifting is based on the increase in entitlement production. In the first half of 2009 there was an underlift position of 3 mboe per day, but there was no under/overlift position in the first six months of 2010.

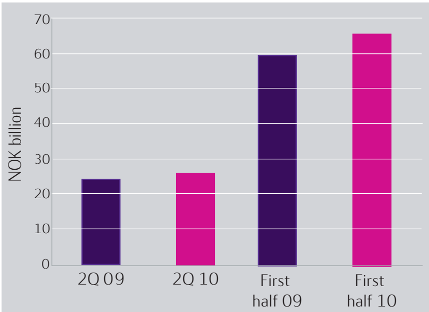
Refining margins (FCC) were USD 5.9 per barrel in the first half of 2010, a 16% increase since the same period of 2009, however, continue to be low in a historical perspective.

In the first half of 2010 Statoil completed 18 **exploration wells**, nine on the NCS and nine internationally. A total of 11 wells were announced as discoveries in the period, eight on the NCS and three internationally.

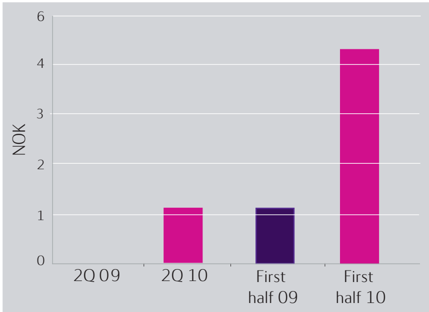
In the first half of 2010 **production started** from the Tyrihans well (8 May) on the NCS.

FINANCIAL REVIEW

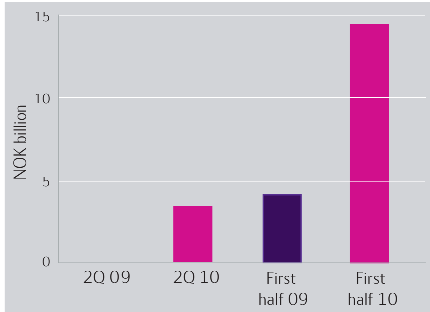
Net operating income



Earnings per share



Net income



Second quarter

In the second quarter of 2010, **net operating income** was NOK 26.6 billion, compared to NOK 24.3 billion in the second quarter of 2009. The increase is mainly attributable to higher prices for liquids and higher volumes of gas sold, partly offset by lower gas prices. Purchases (net of inventory variation) represent Statoil's purchases of SDFI and 3rd party volumes and increased by 39%, mainly due to higher prices of liquids measured in NOK. Operating expenses increased by NOK 1.6 billion and selling, general and administration expenses increased by NOK 1.2 billion, significantly affected by a provision of NOK 3.8 billion regarding an onerous contract at a re-gasification terminal in the US.

IFRS income statement	Second quarter			First half			Full year
(in NOK billion)	2010	2009	Change	2010	2009	Change	2009
Revenues and other income							
Revenues	129.2	104.6	23 %	257.9	217.3	19 %	462.3
Net income (loss) from associated companies	0.1	0.6	(91 %)	0.7	0.6	7 %	1.8
Other income	(0.0)	0.0	>(100) %	0.4	0.1	>100 %	1.4
Total revenues and other income	129.2	105.2	23 %	258.9	218.0	19 %	465.4
Operating expenses							
Purchase (net of inventory variation)	64.9	46.6	39 %	122.3	90.7	35 %	205.9
Operating expenses	15.6	14.0	11 %	31.3	28.0	12 %	56.9
Selling, general and administrative expenses	4.3	3.1	40 %	6.9	5.8	19 %	10.3
Depreciation, amortisation and net impairment losses	14.3	12.8	12 %	25.4	24.0	6 %	54.1
Exploration expenses	3.6	4.4	(19 %)	6.8	9.7	(30 %)	16.7
Total operating expenses	(102.6)	(80.9)	(27 %)	(192.8)	(158.2)	(22 %)	(343.8)
Net operating income	26.6	24.3	9 %	66.2	59.8	11 %	121.6
Net financial items	(0.8)	(4.8)	84 %	(2.5)	(8.7)	72 %	(6.7)
Income tax	(22.8)	(19.5)	(17 %)	(49.5)	(47.1)	(5 %)	(97.2)
Net income	3.1	0.0	>100 %	14.2	4.0	>100 %	17.7

Net operating income includes certain items that management does not consider to be reflective of Statoil's underlying operational performance. Management adjusts for these items to arrive at adjusted earnings. **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.

In the second quarter of 2010, impairment losses net of reversals (NOK 3.0 billion) mainly related to the Mongstad refinery, underlift (NOK 0.6 billion), lower values of products in operational storage (NOK 0.1 billion), lower fair value of derivatives (NOK 1.5 billion) and other provisions (NOK 4.6 billion), including provision for an onerous contract regarding a re-gasification terminal in the US (NOK 3.8 billion), all had a negative impact on net operating income. Adjusted for these items, **adjusted earnings** were NOK 36.4 billion in the second quarter of 2010.

In the second quarter of 2009, impairment charges net of reversals (NOK 3.3 billion), underlift (NOK 1.1 billion), lower fair value of derivatives (NOK 0.5 billion) and other accruals (NOK 0.1 billion) negatively impacted net operating income, while higher values of products in operational storage (NOK 1.2 billion) and gain on sale of assets (NOK 0.2 billion) both had a positive impact on net operating income. Adjusted for these items and effects of eliminations (NOK 1.3 billion), **adjusted earnings** were NOK 29.2 billion in the second quarter of 2009.

The 25% increase in adjusted earnings from second quarter 2009 to second quarter 2010 was primarily caused by increased liquids prices and higher volumes of gas sold, partly offset by lower gas prices. Adjusted depreciation, amortisation and impairment charges increased by 2% mainly due to higher production. Adjusted exploration expenses increased by 52% due to increased drilling costs, expensing of capitalised exploration cost from previous years and increased pre-sanctioning costs.

In the second quarter of 2010 adjusted operating expenses decreased by 4% to NOK 13.9 billion mainly because of reduced maintenance costs and strict capital management. Also adjusted selling, general and administrative expenses was 12% lower in the second quarter this year compared to the same period last year.

Adjusted earnings	Second quarter			First half			Full year
(in NOK billion)	2010	2009	Change	2010	2009	Change	2009
Total revenues and other income adjusted	**132.9**	108.2	23 %	**260.9**	220.4	18 %	465.7
Purchase, net of inventory variation adjusted	**64.8**	47.8	36 %	**122.7**	92.4	33 %	208.1
Operating expenses adjusted	**13.9**	14.6	(4 %)	**28.5**	29.5	(3 %)	58.5
Selling, general and administrative expenses adjusted	**2.6**	3.0	(11 %)	**5.2**	5.6	(6 %)	10.1
Depreciation, amortisation and impairment adjusted	**11.4**	11.2	2 %	**22.5**	22.1	2 %	47.0
Exploration expenses adjusted	**3.7**	2.4	52 %	**6.6**	5.6	18 %	11.3
Adjusted earnings [11]	**36.4**	29.2	25 %	**75.3**	65.2	15 %	130.7

Financial data	Second quarter			First half			Full year
	2010	2009	Change	2010	2009	Change	2009
Weighted average number of ordinary shares outstanding	**3,182,704,054**	3,184,206,446		**3,182,943,356**	3,184,516,025		3,183,873,643
Earnings per share (NOK)	**1.14**	0.02	>100 %	**4.63**	1.18	>100 %	5.75
Non-controlling interests (NOK billion)	**0.6**	0.1	>100 %	**0.5**	(0.3)	>100 %	0.6
Cash flows provided by operating activities (NOK billion)	**23.4**	30.5	(23 %)	**47.9**	38.7	24%	73.0
Gross investments (NOK billion)	**18.5**	19.8	(6 %)	**39.7**	39.3	1%	85.0
Net debt to capital employed ratio	**29.2 %**	28.3 %		**29.2 %**	28.3 %		27.3 %

Net financial items amounted to a loss of NOK 0.8 billion in the second quarter of 2010, compared to a loss of NOK 4.8 billion in the second quarter of 2009. The loss in the second quarter of 2010 was primarily due to foreign exchange losses of NOK 3.3 billion, partly offset by fair value gains on interest rate swap positions related to the interest rate management of external loans of NOK 2.9 billion. The loss in the second quarter of 2009 was mainly due to losses on interest rate swap positions related to the interest rate mangement of NOK 4.0 billion and a loss related to impairment of the investment in the Pernis refinery of NOK 1.1 billion.

The fair value gains on interest rate swap positions are caused by decreasing USD interest rates during the second quarter of 2010. The net foreign exchange losses mainly relate to currency swap positions used for liquidity management, due to an increase in USDNOK currency rates during the second quarter of 2010.

Adjusted for these factors, foreign exchange effects on the financial income and impairment of assets, net financial items before tax would amount to a loss of approximately NOK 0.6 billion for the period. In the second quarter of 2009 adjusted net financial items before tax was a gain of NOK 0.2 billion.

Net financial items	Second quarter 2010					
(in NOK billion)	Interest income	Net foreign exchange	Interest expense	Net before tax	Estimated tax effect	Net after tax
Financial items according to IFRS	0.4	(3.3)	2.1	(0.8)	1.4	0.6
Foreign exchange (FX) impacts (incl. derivatives)	(0.1)	3.3		3.2		
Interest rate (IR) derivatives			(3.0)	(3.0)		
Subtotal	(0.1)	3.3	(3.0)	0.2	(1.1)	(0.9)
Financial items excluding FX and IR derivatives	0.3	0	(0.9)	(0.6)	0.3	(0.3)

Exchange rates	30 June 2010	31 December 2009	30 June 2009
USDNOK	6.50	5.78	6.38
EURNOK	7.97	8.32	9.02

Income taxes were NOK 22.8 billion in the second quarter of 2010, equivalent to a tax rate of 88.2%, compared to NOK 19.5 billion in the second quarter of 2009, equivalent to a tax rate of 99.9%. The decrease in tax rate was mainly due to a high tax rate in the second quarter of 2009 caused by significantly higher taxable income than consolidated accounting income in companies that are taxable in other currencies than the functional currency. This was partly offset by operating losses and impairment losses in the second quarter of 2010 in entities which are subject to lower than average tax rate. Also, deferred taxes in the second quarter of 2010 were higher than in the second quarter of 2009 due to currency effects in companies that are taxable in other currencies than the functional currency.

In the second quarter of 2010, income before tax amounted to NOK 25.8 billion, while taxable income was estimated to be NOK 4.8 billion lower. The estimated difference of NOK 4.8 billion arose in companies that are taxable in other currencies than the functional currency. The tax effect of this estimated difference contributed to a tax rate of 88.2%. Management does not consider this tax rate to be reflective of the underlying tax exposure. Adjusted earnings after tax, which exclude 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.

Composition of tax expense and effective tax rate in the second quarter of 2010	Before tax	Tax	Tax rate	After tax
Adjusted earnings	36.4	(25.9)	71 %	10.6
Adjustments	9.8	(1.7)	17 %	8.2
Net operating income	26.6	(24.2)	91 %	2.4
Financial items	(0.8)	1.4	184 %	0.7
Total	25.8	(22.8)	88 %	3.1

Adjusted earnings after tax in the second quarter of 2010 was NOK 10.6 billion, up from NOK 8.8 billion in the second quarter of 2009. The tax rate on adjusted earnings was 71% and 70% in the second quarter of 2010 and 2009, respectively.

Adjusted earnings after tax by segment	Second quarter					
	2010			2009		
(in NOK billion)	Adjusted earnings	Tax on adjusted earnings	Adjusted earnings after tax	Adjusted earnings	Tax on adjusted earnings	Adjusted earnings after tax
E&P Norway	29.1	21.5	7.6	20.7	15.1	5.6
International E&P	2.9	1.5	1.4	2.8	0.9	1.9
Natural Gas	3.3	2.5	0.8	4.2	3.3	0.8
Manufacturing & Marketing	0.7	0.2	0.5	1.4	0.9	0.5
Other	0.5	0.1	0.3	0.2	0.3	(0.1)
Adjusted earnings [11]	36.4	25.9	10.6	29.2	20.4	8.8

In the second quarter of 2010, **net income** was NOK 3.1 billion compared to NOK 0.0 billion in the second quarter of 2009. The significant increase is mainly due to the increase in operating income caused mainly by higher prices for liquids and increased volumes of gas sold, but also reduced loss on net financial items and a lower effective tax rate contributed to the positive development.

In the second quarter of 2010, **earnings per share** based on net income were NOK 1.14 compared to NOK 0.02 in the second quarter of 2009.

Cash flows provided by operating activities amounted to NOK 23.4 billion in the second quarter of 2010, compared to NOK 30.5 billion in the second quarter of 2009. The NOK 7.1 billion decrease was mainly due to decreased cash flows from financial investments and derivatives and negative changes in working capital. These negative items were partly offset by lower tax payments, positive changes in cash flows from underlying operations and positive changes in other non-current items related to operating activities.

Cash flows from underlying operations were NOK 41.6 billion in the second quarter of 2010 compared to NOK 37.8 billion in the same period last year. The NOK 3.8 billion increase was mainly due to increased income before tax.

Cash flows used in investing activities amounted to NOK 16.5 billion in the second quarter of 2010 compared to NOK 19.6 billion in the same period last year. The decrease stems mainly from NOK 2.1 billion in higher proceeds from sale of assets.

First half 2010

In the first half of 2010, the **net operating income** was NOK 66.2 billion, compared to NOK 59.8 billion in the first half of 2009. The increase is mainly attributable to higher prices for liquids and higher volumes of gas sold, only partly offset by lower gas prices. Purchases (net of inventory variation) increased by 35%, mainly due to higher prices of liquids measured in NOK. Operating expenses increased by NOK 3.3 billion and selling, general and administration expenses increased by NOK 1.1 billion significantly affected by the NOK 3.8 billion provision for an onerous contract in the second quarter 2010. Depreciation, amortisation and net impairment losses increased by 6% in the first half of 2010 compared to same periode last year, mainly due to higher equity volumes produced. Exploration expenses were down 30 % compared to first half of 2009 mainly because of lower drilling activity, and were only partly offset by increased drilling costs and pre-santioning costs.

In the first half of 2010, impairment losses net of reversals (NOK 3.1 billion), lower fair value of derivatives (NOK 1.1 billion), underlift (NOK 0.2 billion) and other accruals (NOK 5.1 billion) negatively impacted net operating income, while higher values of products in operational storage (NOK 0.4 billion) and gain on sale of assets (NOK 0.2 billion) had a positive impact on net operating income. Adjusted for these items and effects of eliminations (NOK 0.2 billion), **adjusted earnings** were NOK 75.3 billion in the first half of 2010.

In the first half of 2009, lower fair value of derivatives (NOK 0.6 billion), impairment charges net of reversals (NOK 5.7 billion) and underlift (NOK 0.5 billion) negatively impacted net operating income, while higher values of products in operational storage (NOK 1.7 billion), gain on sale of assets (NOK 0.5 billion) and other accruals (NOK 1.4 billion) had a positive impact on net operating income for the second quarter of 2009. Adjusted for these items and effects of eliminations (NOK 2.2 billion), adjusted earnings was NOK 65.2 billion in the first half of 2009.

The 15% increase in adjusted earnings from the first half of 2009 to the first half of 2010 was primarily caused by the increase in liquids prices and the higher volumes of gas sold, and was only partly offset by lower gas prices and increased exploration expenses due to higher drilling activity and expensing of capitalised exploration costs previous years. Adjusted exploration expenses increased by 18% due to higher drilling costs, expensing of capitalised exploration cost from previous years and increased pre-sanctioning costs. Adjusted depreciation, amortisation and impairment expenses increased by 2% mainly because of higher production volumes. Other contributing factors to the increase in adjusted earnings were a 3% decrease in adjusted operating expenses and a 6% decrease in adjusted selling, general and administrative expense.

Net financial items amounted to a loss of NOK 2.5 billion in the first half of 2010, compared to a loss of NOK 8.7 billion in first half of 2009. The loss in the first half of 2010 was primarily due to foreign exchange losses of NOK 5.8 billion, partly offset by fair value gains on interest rate swap positions related to the interest rate management of external loans of NOK 3.9 billion. The loss in the first half of 2009 was mainly due to losses on interest rate swap positions related to the interest rate mangement of NOK 6.0 billion, a loss related to impairment of the investment in the Pernis refinery of NOK 1.1 billion and net foreign exchange losses of NOK 1.6 billion.
The fair value gains on interest rate swap positions are caused by decreasing USD interest rates during the six month period ended 30 June 2010. The net foreign exchange losses mainly relate to currency swap positions used for liquidity management, due to an increase in USDNOK currency rates during the first half of 2010.

Adjusted for these factors, foreign exchange effects on the financial income and impairment of assets, net financial items before tax would amount to approximately a loss of NOK 0.8 billion for the period. In the first half of 2009 adjusted net financial items before tax was a gain of NOK 0.1 billion.

Net financial items	First half 2010					
(in NOK billion)	Interest income	Net foreign exchange	Interest expense	Net before tax	Estimated tax effect	Net after tax
Financial items according to IFRS	1.3	(5.8)	2.0	(2.5)	2.2	(0.3)
Foreign exchange (FX) impacts (incl. derivatives)	0.0	5.8		5.8		
Interest rate (IR) derivatives			(4.1)	(4.1)		
Subtotal	0.0	5.8	(4.1)	1.7	(1.7)	(0.0)
Financial items excluding FX and IR derivatives	1.3	0	(2.1)	(0.8)	0.5	(0.3)

Income taxes were NOK 49.5 billion in the first half of 2010, equivalent to a tax rate of 77.7%, compared to NOK 47.1 billion in the first half of 2009, equivalent to a tax rate of 92.2%. The decrease in tax rate was mainly due to high tax rate in the first half of 2009 caused by higher taxable income than consolidated accounting income in companies that are taxable in other currencies than the functional currency.

Composition of tax expense and effective tax rate in the first half of 2010	Before tax	Tax	Tax rate	After tax
Adjusted earnings	75.3	(52.5)	70%	22.8
Adjustments	9.1	(0.8)	8%	8.4
Net operating income	66.2	(51.8)	78%	14.4
Financial items	(2.5)	2.2	91%	(0.2)
Total	63.7	(49.5)	78%	14.2

Adjusted earnings after tax excludes the effects of net financial items and tax on financial items, and in the first half of 2010 adjusted earnings after tax were NOK 22.8 billion, up from NOK 19.1 billion in the same period last year. The adjusted tax rate on adjusted earnings was 70% and 71% in the first half of 2010 and 2009, respectively.

Adjusted earnings after tax by segment	First half					
	2010			2009		
(in NOK billion)	Adjusted earnings	Tax on adjusted earnings	Adjusted earnings after tax	Adjusted earnings	Tax on adjusted earnings	Adjusted earnings after tax
E&P Norway	58.2	43.1	15.1	50.4	37.3	13.1
International E&P	7.3	3.4	3.9	3.1	1.2	1.9
Natural Gas	7.9	5.7	2.2	9.2	6.9	2.2
Manufacturing & Marketing	1.7	0.5	1.2	3.0	1.4	1.6
Other	0.3	(0.3)	0.5	(0.4)	(0.7)	0.3
Group	75.3	52.5	22.8	65.2	46.2	19.1

In the first half of 2010, **net income** was NOK 14.2 billion compared to NOK 4.0 billion in the same period last year. The significant increase is mainly due to increased operating income caused by higher revenues from liquids and gas sales, reduced loss on net financial items and a lower effective tax rate, and was only partly offset by higher operating expenses due to a provision for an onerous contract.

In the first half of 2010 **earnings per share** based on net income amounted to NOK 4.63, compared to NOK 1.18 in the first half of 2009.

Cash flows provided by operations amounted to NOK 47.9 billion in the first half of 2010, increased by NOK 9.2 billion from the same period last year. The increase was mainly due to lower income tax payment and positive changes in cash flows from underlying operations and other non-current items related to operating activities. These positive items were partly offset by negative changes in working capital.

Cash flows from underlying operations were NOK 91.3 billion in the first half of 2010, compared to NOK 88.9 billion in the same period last year. The NOK 2.4 billion increase was mainly due to increased income before tax party offset by lower non-cash effects from currency losses.

Cash flows used in investing activities decreased by NOK 3.7 billion compared to the same period last year, mainly due to NOK 2.7 billion more in proceeds from sales of assets.

OUTLOOK

Statoil's guidance for **equity production** is in the range of 1,925 to 1,975 mboe per day in 2010 and between 2,060 and 2,160 mboe per day in 2012 [13]. The expected volumes exclude any potential impacts of Opec cuts. Commercial considerations related to gas sales activities, operational regularity, the timing of new capacity coming on stream and gas offtake represent the most significant risks related to the production guidance.

Planned turnarounds in 2010 are estimated to have a negative impact on the equity production of around 50 mboe per day for the full year and around 120 mboe per day, quarterly effect, in the third quarter of 2010.

Capital expenditures for 2010, excluding acquisitions and capital leases, are estimated to be around USD 13 billion.

Unit production cost for 2010 equity volumes is estimated to be NOK 35-36 per boe, which is on par with 2009.

The company will continue to mature the large portfolio of exploration assets and expects an **exploration activity** level in 2010 of around USD 2.3 billion.

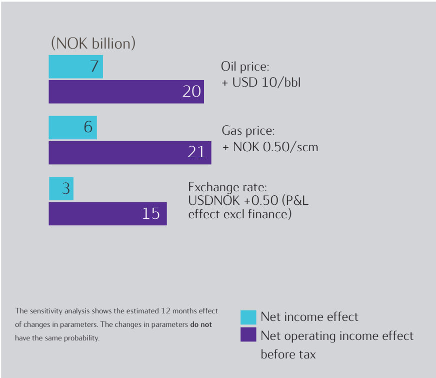
We anticipate that commodity prices will continue to be volatile and that gas market will be challenging in the near term.

Refining margins have improved slightly recently, but we anticipate that they will remain at a low level, at least in the near term.

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.

RISK UPDATE

INDICATIVE EFFECTS ON 2010 RESULTS



Risk factors

The results of operations largely depend on a number of factors, most significantly those that affect the price obtained in NOK for products sold. Specifically, such factors include the level of liquids and natural gas prices, trends in the exchange rates, liquids and natural gas production volumes, which in turn 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 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 in 2010. Changes in commodity prices, 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 operation. See the annual report for 2009 and the 2009 Annual Report on Form20-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. Statoil has so far had only limited exposure towards distressed parties and instruments. Only insignificant counterparty losses have been incurred so far. 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 comfortably for borrowers with Statoil's credit standing and general characteristics. However, under the current circumstances uncertainty still exists. Funding costs for short maturities are generally at historically low levels. Long-term funding costs are at attractive levels. 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 certificates with minimum single A-rating, or with banks with minimum single A-rating.

In accordance with our internal credit rating policy, we assess counterparty credit risk annually and assess counterparties identified as high risk more frequently. The internal credit ratings reflect our assessment of the counterparties' credit risk.

HEALTH, SAFETY AND THE ENVIRONMENT (HSE)

Second quarter

The total recordable injury frequency was 3.6 in the second quarter of 2010 compared to 4.1 in the second quarter of 2009. The serious incident frequency improved from 2.0 in the second quarter of 2009 to 1.3 in the second quarter of 2010.

The volume of oil spills decreased from 20 cubic metres in the second quarter of 2009 to 6 cubic metres in the second quarter of 2010. The number of accidental oil spills in the second quarter of 2010 was at the same level as for the second quarter of 2009.

First half 2010

The total recordable injury frequency was 4.0 in the first half year of 2010 compared to 4.4 in the first half year of 2009. The serious incident frequency rate improved from 2.2 in the first half year of 2009 to 1.3 in the first half year of 2010.

The volume of oil spills decreased from 49 cubic metres in the first half year of 2009 to 12 cubic metres in the first half year of 2010. The number of accidental oil spills in the first half year of 2010 decreased compared to the first half year of 2009.

	Second quarter		First half year		Year
HSE	2010	2009	2010	2009	2009
Total recordable injury frequency	3.6	4.1	4.0	4.4	4.1
Serious incident frequency	1.3	2.0	1.3	2.2	1.9
Accidental oil spills (number)	111	102	189	204	435
Accidental oil spills (cubic metres)	6	20	12	49	170

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

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