Statoil

Press release

26 October 2012

2012 THIRD QUARTER RESULTS

Statoil's third quarter 2012 net operating income was NOK 40.9 billion, a 4% increase compared to NOK 39.3 billion in the third quarter of 2011.

"Statoil delivered solid financial results in the quarter. By ramping up new fields, we have grown production year to date by 10% compared to the same period last year, and 8% compared to the 2011 average. This is in line with our plans. Our operational performance is solid and we progressed an extensive maintenance programme according to plan. We are on track, and maintain our guidance for 2012," says Helge Lund, Statoil's president and CEO.

In 2012, Statoil has increased cash flows from underlying operations [8] by 12% to NOK 188 billion. Successful exploration activities have added larger volumes to Statoil's resource base in the first nine months of 2012 than in all of 2011.

"We maintain momentum in realising our strategy for growth towards 2020, with new discoveries and investments for improved oil recovery on the NCS, and continued profitable growth in our production outside Norway," says Lund.

Adjusted earnings [8] were NOK 40 billion, 7% lower than in the same period of 2011. The company increased gas sales while realising higher prices. However, higher exploration costs and lower liquids volumes in accordance with expectations, more than offset the increase.

Statoil has further strengthened its financial position, and the company now holds NOK 85 billion in liquid assets. Portfolio management has contributed NOK 29 billion in proceeds from sale of assets and business this year.

"This week's agreement with Wintershall gives a more focused portfolio, consolidates our position as the largest player on the Utsira High, enhances Statoil's financial flexibility and demonstrates the value of our NCS assets," says Lund.

After the divestments of NCS assets, Statoil expects 2013 production to be lower than in 2012. However, the company is on track for an average growth of 2 to 3% from 2012 to 2016 and equity production above 2.5 million barrels per day of oil equivalent in 2020.

	Third quarter			First nine months			Full year
	2012	2011	Change	2012	2011	Change	2011
Net operating income (NOK billion)	**40.9**	39.3	4%	**160.8**	151.1	6%	211.8
Adjusted earnings (NOK billion) [8]	**40.0**	43.1	(7%)	**144.9**	134.0	8%	179.9
Adjusted earnings after tax (NOK billion) [8]	**11.9**	11.4	4%	**40.1**	36.2	11%	50.7
Net income (NOK billion)	**14.5**	9.9	47%	**56.5**	53.0	7%	78.4
Earnings per share (NOK)	**4.52**	3.27	38%	**17.58**	16.75	5%	24.76
Average liquids price (NOK/bbl) [1]	**591**	591	(0%)	**609**	593	3%	592
Average invoiced gas prices (NOK/scm)	**2.16**	1.97	10%	**2.22**	1.99	12%	2.08
Equity production (mboe per day)	**1,811**	1,764	3%	**1,994**	1,808	10%	1,850
Serious incident frequency (SIF)	**0.9**	1.1		**1.0**	1.1		1.1

The serious incident frequency (SIF) was 0.9 in the third quarter of 2012, compared to 1.1 in the third quarter of 2011.

Equity production was 1,811 mboe per day in the third quarter, up 3% from 1,764 mboe per day in the same period in 2011.

Adjusted earnings [8] were NOK 40.0 billion in the third quarter, down 7% from NOK 43.1 billion in the third quarter last year.

Adjusted earnings after tax [8] were NOK 11.9 billion, compared to NOK 11.4 billion in the third quarter of 2011.

Net income was NOK 14.5 billion in the third quarter, up 47% from NOK 9.9 billion in the same period in 2011.

Statoil

Key events since second quarter:

- **Continuing value creation through portfolio management and revitalising the NCS with high-value barrels:** Signed agreement with Wintershall to exit the Brage license, farm down Gjøa and Vega, and enter the Edvard Grieg license. The transaction is subject to governmental approval. Agreed consideration is USD 1.45 billion. Entered strategic partnership with Wintershall and BASF to develop new insights and technologies on improved oil recovery (IOR).
- **Applying technology to increase recovery:** Sanctioned four IOR projects on the NCS, commenced building of Norwegian IOR centre and announced average recovery rate of 50% for Statoil's NCS portfolio.
- **Developing a leading global exploration company:** Added barrels to the Johan Sverdrup field through the Geitungen discovery, confirmed potential of Peregrino South oil discovery through new exploration well, signed agreements for Russian offshore exploration with Rosneft, and announced a nine well drilling campaign for 2013 in the Norwegian Barents Sea.
- **Growing unconventionals and taking strategic mid-stream positions:** Started transporting Bakken crude from North Dakota in the U.S. to market by rail, significantly increasing the oil's value.
- **Utilising oil and gas competencies to open new renewable energy opportunities:** Opened Sheringham Shoal offshore wind farm and acquired a 70% share of the Dudgeon offshore wind farm project in the UK.

OPERATIONAL REVIEW

Operational data	Third quarter 2012	Third quarter 2011	Change	First nine months 2012	First nine months 2011	Change	Full year 2011
Average liquids price (USD/bbl)	**99.9**	107.5	(7%)	**103.7**	106.7	(3%)	105.6
USDNOK average daily exchange rate	**5.91**	5.50	8%	**5.87**	5.56	6%	5.61
Average liquids price (NOK/bbl) [1]	**591**	591	(0%)	**609**	593	3%	592
Average invoiced gas prices (NOK/scm)	**2.16**	1.97	10%	**2.22**	1.99	12%	2.08
Refining reference margin (USD/bbl) [2]	**7.9**	2.7	>100%	**5.7**	2.5	>100%	2.3
Production (mboe per day)							
Total entitlement liquids production	**894**	949	(6%)	**970**	930	4%	945
Total entitlement gas production	**730**	625	17%	**823**	677	22%	706
Total entitlement liquids and gas production [3] [4]	**1,624**	1,573	3%	**1,793**	1,607	12%	1,650
Total equity liquids production	**1,058**	1,124	(6%)	**1,142**	1,108	3%	1,118
Total equity gas production	**753**	640	18%	**853**	700	22%	732
Total equity liquids and gas production	**1,811**	1,764	3%	**1,994**	1,808	10%	1,850
Liftings (mboe per day)							
Total liquids liftings	**899**	940	(4%)	**964**	889	8%	910
Total gas liftings	**730**	625	17%	**823**	677	22%	706
Total liquids and gas liftings [5]	**1,629**	1,565	4%	**1,787**	1,566	14%	1,616
Production cost (NOK/boe, last 12 months)							
Production cost entitlement volumes [6]	**49**	45	8%	**49**	45	8%	47
Production cost equity volumes [7]	**44**	40	9%	**44**	40	9%	42

The statements below are related to developments in the third quarter of 2012 compared to the third quarter of 2011, and developments in the first nine months of 2012 compared to the first nine months of 2011, respectively.

Third quarter 2012

Total equity liquids and gas production [7] was up 3%, to 1,811 mboe per day in the third quarter, primarily due to increased gas sales from the NCS, ramp-up of production on various fields, and increased production from Gullfaks on the NCS because of increased water injection and additional wells. The Heidrun redetermination settlement with a relatively higher equity production in the third quarter of 2011, reduced ownership share at Kvitebjørn as of May 2012, higher maintenance activity and expected natural decline on mature fields, counteracted the increase in equity production.

Total entitlement liquids and gas production was up 3%, to 1,624 mboe per day, impacted by the increase in equity production as described above. The average Production Sharing Agreement (PSA) effect was 188 mboe per day compared to 191 mboe per day in the third quarter of 2011.

Production cost per boe of entitlement volumes [6] was NOK 49 for the 12 months ended 30 September 2012, compared to NOK 45 for the 12 months ended 30 September 2011. Based on equity volumes, the production cost per barrel for the two periods was NOK 44 and NOK 40, respectively [7]. The increase is mainly related to higher costs from fields in the production ramp-up phase during the last twelve months resulting in relatively higher cost per barrel from new fields coming on stream and increased activity related to well maintenance.

Exploration expenditure (including capitalised exploration expenditure) was NOK 4.9 billion in the third quarter, the same level as in the third quarter of 2011. Increased seismic expenditures were offset by reduced drilling expenditures.

In the third quarter of 2012, a total of 11 **exploration wells** were completed before 30 September 2012, six on the NCS and five internationally. Five wells were announced as discoveries in the third quarter, four on the NCS and one internationally.

Exploration expenses (in NOK billion)	Third quarter 2012	Third quarter 2011	Third quarter Change	First nine months 2012	First nine months 2011	First nine months Change	Full year 2011
Exploration expenditure (activity)	**4.9**	4.9	(2%)	**16.0**	13.2	21%	18.8
Expensed, previously capitalised exploration expenditure	**1.5**	0.1	>100%	**2.4**	0.8	>100%	1.8
Capitalised share of current periods exploration activity	**(1.3)**	(2.3)	(43%)	**(5.3)**	(5.5)	(4%)	(6.4)
Impairment / Reversal of Impairment	**0.1**	0.6	(74%)	**0.3**	0.5	(31%)	(0.3)
Exploration expenses IFRS	**5.2**	3.3	58%	**13.4**	9.0	49%	13.8

First nine months 2012

Total equity liquids and gas production was up 10% to 1,994 mboe per day in the first nine months of 2012, primarily because of increased gas deliveries from the NCS, start-up of production from new fields and ramp-up of production on various fields. Increased production from Gullfaks on the NCS, because of increased water injection and additional wells, and higher maintenance activities in the first nine months of 2011, added to the increase. Expected natural decline on mature fields and the Heidrun redetermination settlement with a relatively high equity production in the first nine months of 2011, counteracted the increase in equity production.

Total entitlement liquids and gas production was up 12% to 1,793 mboe per day in the first nine months of 2012, impacted by the increase in equity production as described above and a relatively lower negative effect from production sharing agreements. The average PSA effect on entitlement production was 201 mboe per day in the first nine months of both 2012 and 2011.

Exploration expenditure (including capitalised exploration expenditure) was NOK 16.0 billion in the first nine months of 2012, compared to NOK 13.2 billion in the same period of 2011. The NOK 2.8 billion increase was mainly due to more expensive wells and an increased number of wells being drilled. Increased seismic and field evaluation costs also added to this increase.

In the first nine months of 2012 Statoil completed 36 exploration wells, 15 on the NCS and 21 internationally. A total of 18 wells were announced as discoveries in the period, 10 on the NCS and eight internationally.

FINANCIAL REVIEW

Income statement under IFRS (in NOK billion)	Third quarter 2012	Third quarter 2011	Change	First nine months 2012	First nine months 2011	Change	Full year 2011
REVENUES AND OTHER INCOME							
Revenues	**165.3**	166.4	(1%)	**546.5**	471.7	16%	645.6
Other income	**1.4**	0.4	>100%	**16.3**	15.8	3%	24.6
Total revenues and other income	**166.7**	166.8	(0%)	**562.8**	487.5	15%	670.2
OPERATING EXPENSES							
Purchases [net of inventory variation]	**87.0**	88.1	(1%)	**286.3**	236.8	21%	319.6
Operating expenses and selling, general and administrative expenses	**19.0**	18.9	0%	**57.6**	53.0	9%	73.6
Depreciation, amortisation and net impairment losses	**14.6**	17.2	(15%)	**44.7**	37.6	19%	51.4
Exploration expenses	**5.2**	3.3	58%	**13.4**	9.0	49%	13.8
Total operating expenses	**(125.8)**	(127.6)	(1%)	**(402.0)**	(336.4)	19%	(458.4)
Net operating income	**40.9**	39.3	4%	**160.8**	151.1	6%	211.8
Net financial items	**3.0**	2.9	3%	**0.0**	2.6	(99%)	2.1
Income tax	**(29.4)**	(32.3)	(9%)	**(104.4)**	(100.7)	4%	(135.4)
Net income	**14.5**	9.9	47%	**56.5**	53.0	7%	78.4
Non-controlling interests	**0.1**	(0.6)	>(100%)	**0.5**	(0.3)	>(100%)	(0.3)

The statements below are related to developments in the third quarter of 2012 compared to the third quarter of 2011, and developments in the first nine months of 2012 compared to the first nine months of 2011, respectively.

Third quarter 2012

Net operating income was NOK 40.9 billion, an increase of 4% compared to the third quarter of last year.

Revenues were slightly down compared to the third quarter of 2011, mainly because of lower prices measured in USD and reduced volumes for liquids, partly offset by higher gas prices and increased volumes of gas sold. Trading of liquids and improved refinery margins also made an important positive contribution. **Purchases** [net of inventory variation], which represent Statoil's purchases of SDFI [9] and third party volumes, decreased by 1%. **Operating expenses and selling, general and administrative expenses** were NOK 19.0 billion, slightly up NOK 0.1 billion from the third quarter of 2011, mainly because of new fields coming on stream, increased transportation costs and increased royalty expenses, partly offset by the drop of NOK 1.7 billion in expenses caused by the divestment of the Fuel and Retail segment in the second quarter of 2012. The 15% decrease in **depreciation, amortisation and net impairment losses** was mainly due to a higher level of impairment losses in the third quarter of 2011. This was partly offset by increased depreciation and amortisation costs related to start-up and ramp-up of production on various fields and increased entitlement production. **Exploration expenses** increased by NOK 1.9 billion mainly because higher exploration expenditures capitalised in previous periods were expensed this quarter, and because a lower portion of exploration expenditures was capitalised due to non-commercial wells.

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 to Net operating income.

Adjusted earnings [8] (in NOK billion)	Third quarter 2012	Third quarter 2011	Change	First nine months 2012	First nine months 2011	Change	Full year 2011
Adjusted total revenues and other income	**166.8**	164.9	1%	**550.8**	470.5	17%	639.3
Adjusted purchases	**88.2**	87.8	0%	**286.9**	237.3	21%	320.3
Adjusted operating expenses and selling, general and administrative expenses	**18.9**	18.2	4%	**61.4**	54.3	13%	74.8
Adjusted depreciation, amortisation and net impairment losses	**14.6**	13.0	12%	**44.0**	36.2	21%	50.2
Adjusted exploration expenses	**5.2**	2.7	94%	**13.6**	8.5	59%	14.2
Adjusted earnings [8]	**40.0**	43.1	(7%)	**144.9**	134.0	8%	179.9

In the third quarter of 2012, lower fair values of derivatives (NOK 0.8 billion) had a negative impact on net operating income, while gain on sale of assets (NOK 0.9 billion), higher value of products in operational storage (NOK 1.1 billion), over/underlift position (NOK 0.1 billion) and other provisions/adjustments (NOK 0.1 billion) had a positive impact on net operating income. Adjusted for these items and the effects of eliminations (NOK 0.4 billion), **adjusted earnings** were NOK 40.0 billion in the third quarter of 2012.

In the third quarter of 2011, impairment losses net of reversal (NOK 4.8 billion), lower value of products in operational storage (NOK 0.3 billion), net loss on sale of assets (NOK 0.1 billion) and provisions (NOK 0.1 billion), had a negative impact on net operating income, while higher fair values of derivatives (NOK 3.3 billion) had a positive impact on net operating income. Adjusted for these items and the effects of eliminations (NOK 1.7 billion), adjusted earnings were NOK 43.1 billion in the third quarter of 2011.

Adjusted earnings were positively affected by good results from the sale of gas. Both gas prices and volumes were considerably higher compared to the third quarter last year, and trading of liquids and improved refinery margins made an important positive contribution to adjusted earnings. However, lower volumes of liquids, higher exploration costs because of non-commercial wells and increased other operating expenses, reflecting the overall increased activity level, more than offset the increase and adjusted earnings were down by 7% compared to the third quarter 2011.

Adjusted purchases increased slightly by NOK 0.4 billion.

Adjusted operating expenses and selling, general and administrative expenses increased by 4%, mainly because of new fields coming on stream, increased transportation costs related to higher produced and traded gas volumes and increased royalty expenses, partly offset by the drop of NOK 1.7 billion in expenses caused by the divestment of the Fuel and Retail segment in the second quarter of 2012.

Adjusted depreciation, amortisation and net impairment losses were up 12%, mainly due to increased production and because new fields with higher depreciation came on stream in the international business in the latter part of 2011. The increase was partly offset by higher proved reserve estimates on the NCS reducing the depreciation per barrel rate.

Adjusted exploration expenses increased by NOK 2.5 billion, mainly due to increased seismic and field developments costs and higher exploration expenditures capitalised in previous periods being expensed in this quarter. A lower portion of exploration expenditures being capitalised because of non-commercial wells this quarter, added to the increase. Reduced exploration expenditures due to lower drilling activity partly offset the increase.

Net financial items amounted to a gain of NOK 3.0 billion in the third quarter of 2012, compared to a gain of NOK 2.9 billion in the third quarter of 2011.

Exchange rates	30 September 2012	30 June 2012	31 December 2011	30 September 2011
USDNOK	5.70	5.98	5.99	5.84
EURNOK	7.37	7.53	7.75	7.89

Statoil

Adjusted for the items in the table below, **net adjusted financial items** before tax amounted to a loss of NOK 0.2 billion in the third quarter of 2012.

Net financial items in the third quarter of 2012 (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	2.6	0.4	1.3	(1.2)	3.0	(1.4)	1.6
Foreign exchange (FX) impacts (incl. derivatives)	(0.9)	(0.4)			(1.3)		
Interest rate (IR) derivatives			(1.3)		(1.3)		
Gain on financial lease	(0.7)				(0.7)		
Subtotal	(1.6)	(0.4)	(1.3)	0.0	(3.2)	2.0	(1.2)
Financial items excluding FX and IR derivatives	1.0	0.0	0.0	(1.2)	(0.2)	0.6	0.4

Income taxes were NOK 29.4 billion in the third quarter, equivalent to an **effective tax rate** of 66.9%, compared to 76.6% in the third quarter of 2011. The tax rate decreased mainly due to impairments, with lower than average tax rates, in the third quarter of 2011, and high deferred taxes in the third quarter of 2011 compared to deferred tax income in the third quarter of 2012. The deferred tax effects is related to currency effects in entities that are taxable in currencies other than the functional currency. The decrease is also caused by relatively lower income from the NCS in the third quarter of 2012. Income from the NCS is subject to a higher than average tax rate. The decreased tax rate was partly offset by taxable foreign exchange gains in the third quarter of 2012 compared to deductible foreign exchange losses in the third quarter of 2011 in entities that are taxable in currencies other than the functional currency.

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 [8]	Third quarter					
	2012			2011		
(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	31.1	22.9	8.2	35.8	26.9	8.9
Development and Production International	4.4	2.6	1.8	4.1	2.0	2.1
Marketing, Processing & Renewable energy	4.1	2.4	1.7	2.5	2.4	0.0
Fuel & Retail	-	-	-	0.6	0.2	0.5
Other	0.4	0.2	0.2	0.1	0.2	(0.1)
Group	40.0	28.1	11.9	43.1	31.7	11.4
Effective tax rates on adjusted earnings			70.4%			73.5%

Adjusted earnings after tax were NOK 11.9 billion, equivalent to an effective tax rate on adjusted earnings of 70.4%. The decrease in tax rates compared to the third quarter of 2011 is mainly explained by relatively lower adjusted earnings from the NCS. Income from the NCS is subject to a marginal tax rate of 78%. The decreased tax rate on adjusted earnings in the third quarter of 2012 was partially offset by a high tax rate on adjusted earnings from Development and Production International. This was due to relatively higher adjusted earnings from high tax regimes and exploration costs with lower than average tax rates.

Net income amounted to NOK 14.5 billion in the third quarter, an increase of 47% compared to the third quarter 2011. In addition to the impact of change in net operating income, the increase was mainly attributable to a lower effective tax rate.

First nine months 2012

In the first nine months of 2012, **net operating income** was NOK 160.8 billion, an increase of 6% compared to the same period last year.

Revenues were positively impacted by increased volumes of liquids and gas sold and higher prices measured in NOK for both liquids and gas. Lower unrealised gains on derivatives partly offset the increase in revenues. **Purchases** [net of inventory variation] increased by 21%, mainly due to increased volumes and higher prices of liquids purchased measured in NOK. **Operating expenses and selling, general and administrative expenses** totalled NOK 57.6 billion, up 9% compared to the first nine months of 2011, mainly explained by increased operating plant costs and start-up and ramp-up of production on various fields. The reversal of a provision in the second quarter 2012 related to the discontinued part of the early retirement pension, and the drop of NOK 5.3 billion in expenses caused by the divestment of the Fuel and Retail segment in the second quarter of 2012, counteracted the increase. **Depreciation, amortisation and net impairment losses** were up 19% mainly because of new fields coming on stream and ramp-up of production on various fields. Also, net impairment losses of NOK 0.7 billion added to the increased depreciation costs. **Exploration expenses** increased by NOK 4.4 billion to NOK 13.4 billion, mainly because of increased spending on seismic and field evaluation and because higher exploration expenditures capitalised in previous periods were expensed in this period.

In the first nine months of 2012, lower fair values of derivatives (NOK 2.8 billion) and impairment losses (NOK 0.7 billion) negatively impacted net operating income, while gain on sale 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 0.6 billion) and over/underlift position (NOK 0.3 billion) had a positive impact on net operating income. Adjusted for these items and the effects of eliminations (NOK 0.1 billion), **adjusted earnings** were NOK 144.9 billion in the first nine months of 2012.

In the first nine months of 2011, impairment losses net of reversals (NOK 1.8 billion) and over/underlift position (NOK 2.9 billion) negatively impacted net operating income, while gain on sale of assets (NOK 14.1 billion), higher fair value of derivatives (NOK 6.9 billion), higher value of products in operational storage (NOK 0.5 billion) and net reversal of provisions (NOK 0.5 billion) had a positive impact on net operating income. Adjusted for these items and effects of eliminations (NOK 0.3 billion) adjusted earnings were NOK 134.0 billion in the first nine months of 2011.

The 8% increase in **adjusted earnings** was primarily caused by the increase in liquids and gas prices measured in NOK and increased volumes sold because of the increase in production and liftings. Liquids trading and improved refinery margins also made an important positive contribution to adjusted earnings in the period. Higher exploration costs and increased other operating expenses reflecting the overall increased activity level, partly offset the increase.

Adjusted purchases increased by 21%, mainly due to the higher volumes of oil and gas purchased, and higher prices of liquids measured in NOK.

Adjusted operating expenses and selling, general and administrative expenses increased by 13%, mainly explained by increased operating plant costs and start-up and ramp-up of production on various fields. Also, increased royalties, higher transportation activity due to higher volumes of liquids and longer distances, and increased transportation costs due to lower Gassled ownership share, added to the increase. The NOK 5.3 billion drop in expenses caused by the divestment of the Fuel and Retail segment in the second quarter of 2012, reduced the increase.

Adjusted depreciation, amortisation and net impairment losses were up 21% mainly because of start-up and acquisition of new fields. Ramp-up and higher entitlement production on various fields together with higher investments added to the increase. Increased reserve estimates and lower ownership shares partly offset the increase.

Adjusted exploration expenses increased by 59%, mainly because of increased spending on seismic and field evaluation, and because higher exploration expenditures capitalised in previous periods were expensed in this period.

Net financial items amounted to NOK 0 billion in the first nine months of 2012, compared to a gain of NOK 2.6 billion in the first nine months of 2011. The decrease was mainly due to an impairment loss related to a financial investment in the first nine months of 2012 partly offset by changes in financial investments due to different currency effects between the first nine months of 2012 and 2011. In addition a decrease in fair value gains on interest rate swap positions related to the interest rate management of external loans.

Statoil

Adjusted for the items in the table below, **net adjusted financial items** before tax amounted to a loss of NOK 1.2 billion in the first nine months of 2012. The main reason for the loss is the negative development in the stock markets, reducing the gain on equities held by Statoil's insurance company (Statoil Forsikring a.s.).

Net financial items in the first nine months of 2012 (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	1.2	0.3	2.6	(4.1)	0.0	0.3	0.3
Foreign exchange (FX) impacts (incl. derivatives)	0.2	(0.3)			(0.1)		
Interest rate (IR) derivatives			(2.6)		(2.6)		
Impairment of financial investment	2.1				2.1		
Gain on financial lease	(0.7)				(0.7)		
Subtotal	1.6	(0.3)	(2.6)	0.0	(1.2)	2.2	1.0
Financial items excluding FX and IR derivatives	2.8	0.0	0.0	(4.1)	(1.2)	2.5	1.3

Income taxes were NOK 104.4 billion in the first nine months of 2012, equivalent to an **effective tax rate** of 64.9%, compared to 65.5% in the first nine months of 2011. The decrease is mainly explained by higher effect of capital gains subject to lower than average tax rates in the first nine months of 2012 compared with the first nine months of 2011.

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

Adjusted earnings after tax by segment [8]	First nine months					
	2012			2011		
(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	117.2	87.9	29.3	112.2	84.3	27.9
Development and Production International	14.6	7.3	7.3	15.1	8.6	6.6
Marketing, Processing and Renewable energy	12.6	9.0	3.6	5.7	5.0	0.7
Fuel & Retail	0.6	0.2	0.5	1.5	0.4	1.1
Other	(0.2)	0.5	(0.7)	(0.5)	(0.4)	(0.1)
Group	144.9	104.8	40.1	134.0	97.8	36.2
Effective tax rates on adjusted earnings			72.3%			73.1%

Adjusted earnings after tax were NOK 40.1 billion, equivalent to an effective tax rate on adjusted earnings of 72.3%, compared to 73.1% in the first nine months last year. The decreased tax rate on adjusted earnings is mainly due to lower tax rate on adjusted earnings from Development and Production International. This was due to a change in earnings composition between high tax regimes and low tax regimes.

In the first nine months of 2012, **net income** increased by 7% to NOK 56.5 billion, mainly due to the impact of net operating income as described above. Reduced gain on net financial items partly offset the increase.

OUTLOOK

Organic capital expenditures for 2012 (i.e. excluding acquisitions and capital leases), are estimated at around USD 18 billion.

The Company will continue to mature its large portfolio of exploration assets and expects to complete around 45 wells in 2012 with a total **exploration activity** level at around USD 3.5 billion, excluding signature bonuses.

Statoil has an ambition to continue to be in the top quartile, of its peer group, for **unit of production cost**.

Planned maintenance is expected to have a negative impact on the quarterly production of approximately 30 mboe per day in the fourth quarter of 2012, of which half is planned on the NCS. In total, the maintenance is estimated to have an impact on equity production of around 50 mboe per day for the full year 2012, of which most are liquids.

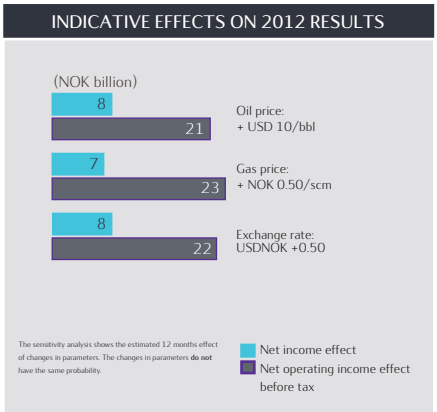
Equity production for 2012 is estimated to grow by around 3% Compound Annual Growth Rate (CAGR) based on the actual 2010 equity production [10]. Deferral of gas production to create value, gas off-take, timing of new capacity coming on stream and operational regularity represent the most significant risks related to the production guidance.

For the period beyond 2012, Statoil has an ambition to reach an equity production above 2.5 million barrels per day of oil equivalent in 2020 [10]. The growth is expected to come from new projects in the period from 2014 to 2016 resulting in a growth rate of 2 to 3% (CAGR) for the period from 2012 to 2016. A second wave of projects is expected to come on stream from 2016 to 2020 resulting in an accelerated growth rate (CAGR) of 3 to 4%.

For 2013, the recent announced transaction with Wintershall will reduce the production. In addition, growth in the U.S. onshore gas production is expected to be adjusted down by around 25 mboe per day compared to earlier assumptions due to low gas prices. Consequently, Statoil estimates the 2013 production to be lower than the 2012 level.

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



Risk factors

The 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, 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 USD/NOK 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 operation. See the annual report for 2011 and the 2011 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.

Statoil

HEALTH, SAFETY AND THE ENVIRONMENT (HSE)

Third quarter 2012

The total recordable injury frequency was 3.5 in the third quarter of 2012 compared to 4.5 in the third quarter of 2011. The serious incident frequency improved from 1.1 in the third quarter of 2011 to 0.9 in the third quarter of 2012. There were no fatal accidents in the third quarter of 2012.

The volume of accidental oil spills decreased from 9 cubic meters in the third quarter of 2011 to 3 cubic meters in the third quarter of 2012. The number of accidental oil spills decreased from 98 in the third quarter of 2011 to 47 in the third quarter of 2012.

First nine months of 2012

The total recordable injury frequency was 3.7 in the first nine months of 2012 compared to 4.5 in the same period last year. The serious incident frequency improved from 1.1 in the first nine months of 2011 to 1.0 in the nine months of 2012. There were no fatal accidents in the first nine months of 2012.

The volume of accidental oil spills decreased from 32 cubic meters in the first nine months of 2011 to 23 cubic meters in the first nine months of 2012. The number of accidental oil spills decreased from 278 in the first nine months of 2011 to 239 in the first nine months of 2012.

	Third quarter		First nine months		Full year
HSE	2012	2011	2012	2011	2011
Total recordable injury frequency	3.5	4.5	3.7	4.5	4.4
Serious incident frequency	0.9	1.1	1.0	1.1	1.1
Accidental oil spills (number)	47	98	239	278	376
Accidental oil spills (cubic metres)	3	9	23	32	44

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)