Statoil

Press release

7 February 2013

2012 FOURTH QUARTER RESULTS

Fourth quarter and preliminary 2012 Operating and Financial review

Statoil's fourth quarter 2012 net operating income was NOK 45.8 billion. In 2012, net operating income was NOK 206.6 billion.

Statoil delivered equity production of 2,004 mboe per day in 2012, increased by 8% from 1,850 mboe per day in 2011. Adjusted earnings increased by 7% to NOK 193.2 billion in 2012, from NOK 179.9 billion in 2011. Statoil achieved an organic reserve replacement ratio (RRR) of 1.1 in 2012.

"2012 was a year of strong strategic and operational progress for Statoil. We grew our production by 8% in 2012, in line with the target we announced in 2011, and we deliver strong earnings growth. We are well underway to deliver profitably on our ambition of producing more than 2.5 million barrels of oil equivalents per day in 2020," says Helge Lund, Statoil's president and CEO.

"Statoil's strategy remains firm. We continue our strong exploration performance, adding more than 1.5 billion barrels in new resources, and we are maturing our high quality project portfolio, including the Johan Sverdrup and Skrugard fields. We continue to manage our balance sheet and enter 2013 from a robust financial position," says Lund.

Statoil's Board of Directors will propose to increase the dividend to NOK 6.75 per share for 2012. This is in line with the company's dividend policy and an increase from NOK 6.50 in 2011.

Statoil maintains its ambition of producing more than 2.5 million barrels of oil equivalents per day by 2020 and estimates organic capital expenditures for 2013 at around USD 19 billion. The company will complete around 50 exploration wells in 2013 with a total exploration activity level at around USD 3.5 billion.

Terror attack in Algeria

On 16 January 2013, Statoil together with our partners BP and Sonatrach, were hit by a terror attack on the In Amenas gas production facility in Algeria. Five esteemed and dear Statoil-colleagues lost their lives in the attack. Twelve of our employees managed to escape to safety. Many colleagues from partners and suppliers are confirmed dead or remain unaccounted for.

"What happened in Algeria is brutal, international terrorism of the worst kind. This affects innocent people from a variety of nations and innocent victims from a number of companies and countries have been subjected to senseless violence. The whole of Statoil is strongly affected by the terror attack. We continue to assist and support the families, friends and colleagues who have lost those dear to them. The safety of our staff and partners will remain our highest priority," says Lund.

Statoil will conduct an investigation to determine the relevant chain of events before, during and after the In Amenas terror attack in order to enable Statoil to further improve within the areas of security, risk-assessment and emergency preparedness.

Capital Markets Update

Today, Statoil presents the Capital Markets Update, focusing on our position as the leading oil and gas operator in Norway and the second largest gas supplier to Europe.

"On the Norwegian continental shelf, we announce that we are on track to meet our ambition of producing more than 1.4 million barrels of oil equivalents per day in 2020," says Lund.

"We also announce that Statoil's gas sales in the European markets were all-time high in 2012, at solid prices. We see a strong outlook for the European gas markets and are well positioned to capture value as the markets develop," says Lund.

Statoil also announces today increased gas volumes for the Block 2 discoveries offshore Tanzania to 7-9 Tcf in total recoverable resources.

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Fourth quarter results 2012

Statoil's net operating income was NOK 45.8 billion compared to NOK 60.7 billion in the fourth quarter of 2011.

Adjusted earnings were NOK 48.3 billion, compared to NOK 45.9 billion in the fourth quarter of 2011.

Adjusted earnings after tax were NOK 15.1 billion, up from NOK 14.5 billion in the fourth quarter of 2011.

Net income was NOK 13.0 billion compared to NOK 25.5 billion in the fourth quarter of 2011.

	Fourth quarter			For the year ended		
	2012	2011	Change	2012	2011	Change
Net operating income (NOK billion)	45.8	60.7	(25%)	206.6	211.8	(2%)
Adjusted earnings (NOK billion) [8]	48.3	45.9	5%	193.2	179.9	7%
Adjusted earnings after tax (NOK billion) [8]	15.1	14.5	4%	55.1	50.7	9%
Net income (NOK billion)	13.0	25.5	(49%)	69.5	78.4	(11%)
Earnings per share (NOK)	4.08	8.01	(49%)	21.66	24.76	(13%)
ROACE adjusted (last 12 months)	15.2%	15.3%	(0%)	15.2%	15.3%	(0%)
Average liquids price (NOK/bbl) [1]	584	592	(1%)	602	592	2%
Average invoiced gas prices (NOK/scm)	2.12	2.25	(6%)	2.19	2.08	5%
Equity production (mboe per day)	2,032	1,975	3%	2,004	1,850	8%
Serious incident frequency (SIF)	1.0	1.1		1.0	1.1	

Key events since third quarter 2012

- Creating value from a superior gas position, by entering into a long-term gas sales agreement with Wintershall for the delivery of a total of 45 billion cubic meters (bcm) to the German and other North-West European markets.
- Building new growth on the NCS through submission of the Dagny and Aasta Hansteen development plans (PDO), start-up of Visund South and approval of the Svalin fast-track development.
- Building material positions in offshore business clusters, by investment decisions to develop the Mariner oil field (Statoil-operated) in the UK North Sea and the Hebron development project offshore Canada.
- Continuing the development of Statoil as a leading global exploration company, by making a third discovery offshore Tanzania, adding additional acreage in the Espirito Santo Basin offshore Brazil, and added barrels to the Johan Sverdrup field.
- Continuing portfolio management and expanding in unconventionals, through the acquisition of around 70,000 operated net acres in the liquid rich part of the central Marcellus area.
- Further strengthening our financial position through the execution of USD 2 billion in debt capital market transactions at highly competitive terms.

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OPERATIONAL REVIEW

Operational data	Fourth quarter			For the year ended		
	2012	2011	Change	2012	2011	Change
Average liquids price (USD/bbl)	102.7	102.8	(0%)	103.5	105.6	(2%)
USDNOK average daily exchange rate	5.68	5.76	(1%)	5.82	5.61	4%
Average liquids price (NOK/bbl) [1]	584	592	(1%)	602	592	2%
Average invoiced gas prices (NOK/scm)	2.12	2.25	(6%)	2.19	2.08	5%
Refining reference margin (USD/bbl) [2]	5.0	1.6	>100%	5.7	2.3	>100%
Production (mboe per day)						
Entitlement liquids production	956	989	(3%)	966	945	2%
Entitlement gas production	885	789	12%	839	706	19%
Total entitlement liquids and gas production [3] [4]	1,841	1,778	4%	1,805	1,650	9%
Equity liquids production	1,122	1,149	(2%)	1,137	1,118	2%
Equity gas production	910	826	10%	867	732	18%
Total equity liquids and gas production [7]	2,032	1,975	3%	2,004	1,850	8%
Liftings (mboe per day)						
Liquids liftings	944	972	(3%)	959	910	5%
Gas liftings	885	789	12%	839	706	19%
Total liquids and gas liftings [5]	1,828	1,761	4%	1,797	1,616	11%
Production cost (NOK/boe, last 12 months)						
Production cost entitlement volumes [6]	47	47	(1%)	47	47	(1%)
Production cost equity volumes [7]	42	42	(0%)	42	42	(0%)

The statements below are related to developments in the fourth quarter of 2012 compared to the fourth quarter of 2011, and developments in 2012 compared to 2011, respectively.

Fourth quarter 2012

Total equity liquids and gas production [7] was up 3%, to 2,032 mboe per day in the fourth quarter, primarily due to increased gas sales from the NCS, ramp-up of production on various fields and relatively lower effect from maintenance in the fourth quarter 2012 compared to the same period in 2011. The Heidrun redetermination settlement with a relatively higher production in the fourth quarter of 2011, reduced ownership share at Kvitebjørn, operational challenges and expected natural decline on mature fields, partly offset the increase in equity production.

Total entitlement liquids and gas production was up 4%, to 1,841 mboe per day, impacted by the increase in equity production as described above. The average Production Sharing Agreement (PSA) effect was 191 mboe per day compared to 197 mboe per day in the fourth quarter of 2011.

Production cost per boe of entitlement volumes [6] was NOK 47 for the 12 months ended 31 December 2012, compared to NOK 47 for the 12 months ended 31 December 2011. Based on equity volumes, the production cost per barrel was NOK 42 for the respective two periods [7].

Exploration expenditure (including capitalised exploration expenditure) was NOK 4.9 billion, compared to NOK 5.5 billion in the fourth quarter of 2011. The NOK 0.6 billion decrease was mainly due to less seismic activity in the fourth quarter of 2012 compared to the fourth quarter of 2011.

Exploration expenses (in NOK billion)	Fourth quarter			For the year ended		
	2012	2011	Change	2012	2011	Change
Exploration expenditure (activity)	4.9	5.5	(11%)	20.9	18.8	11%
Expensed, previously capitalised exploration expenditure	0.3	1.0	(65%)	2.7	1.8	49%
Capitalised share of current periods exploration activity	(0.6)	(1.0)	(32%)	(5.9)	(6.4)	(8%)
Impairment / Reversal of Impairment	0.0	(0.8)	>(100%)	0.4	(0.3)	>(100%)
Exploration expenses IFRS	4.7	4.8	(2%)	18.1	13.8	31%

In the fourth quarter of 2012, a total of ten **exploration wells** were completed before 31 December 2012, four on the NCS and six internationally. Five wells were announced as discoveries in the fourth quarter, three on the NCS and two internationally.

In 2012

Total equity liquids and gas production was up 8% to 2,004 mboe per day in 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, due to increased water injection and additional wells, and higher maintenance activities in 2011, added to the increase. Expected natural decline on mature fields and the Heidrun redetermination settlement with a relatively high production in 2011, counteracted the increase in equity production.

Total entitlement liquids and gas production was up 9% to 1,805 mboe per day in 2012, impacted by the increase in equity production as described above. The average PSA effect on entitlement production was 199 mboe per day in 2012 compared to 200 mboe in 2011.

Exploration expenditure (including capitalised exploration expenditure) was NOK 20.9 billion in 2012, compared to NOK 18.8 billion in 2011. The NOK 2.1 billion increase stems mainly from both higher drilling activity internationally and increased field evaluation costs, partly offset by lower activity on the NCS.

In 2012 Statoil completed 46 exploration wells, 19 on the NCS and 27 internationally. A total of 23 wells were announced as discoveries in the period, 14 on the NCS and nine internationally.

The exploration activity is in line with our guidance for 2012, we expected to complete around 45 wells in 2012 with a total exploration activity level at around USD 3.5 billion.

Proved reserves at the end of 2012 were 5,422 mmboe, similar to 5,426 mmboe at the end of 2011. In 2012, a total of 735 mmboe were added through revisions, extensions, discoveries and acquisitions. Reduction in proved reserves is related to sale of reserves in place of 74 mmboe and entitlement production of 665 mmboe.

The reserve replacement ratio (RRR), which measures the proved reserves added to the reserve base (including the effect of sales and purchases) relative to the amount of oil and gas produced, was 1.0 in 2012, compared to 1.2 in 2011. The organic reserves replacement ratio was 1.1 compared to 1.0 in 2011 and the average three-year replacement ratio (including the effects of sales and purchases), was 1.0 at the end of 2012 compared to 0.9 in 2011. The reserves added in 2012 is 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, Canada and the UK and continued drilling in our US onshore assets Bakken, Eagle Ford and Marcellus.

FINANCIAL REVIEW

Income statement under IFRS (in NOK billion)	Fourth quarter 2012	Fourth quarter 2011	Fourth quarter Change	For the year ended 2012	For the year ended 2011	For the year ended Change
REVENUES AND OTHER INCOME						
Revenues	159.2	173.9	(8%)	705.7	645.6	9%
Other income	1.4	8.8	(84%)	17.7	24.6	(28%)
Total revenues and other income	160.6	182.7	(12%)	723.4	670.2	8%
OPERATING EXPENSES						
Purchases [net of inventory variation]	76.8	82.8	(7%)	363.1	319.6	14%
Operating expenses and selling, general and administrative expenses	17.5	20.7	(15%)	75.1	73.6	2%
Depreciation, amortisation and net impairment losses	15.8	13.8	15%	60.5	51.4	18%
Exploration expenses	4.7	4.8	(2%)	18.1	13.8	31%
Total operating expenses	(114.9)	(122.0)	(6%)	(516.9)	(458.4)	13%
Net operating income	45.8	60.7	(25%)	206.6	211.8	(2%)
Net financial items	0.2	(0.6)	>(100%)	0.2	2.1	(92%)
Income tax	(32.9)	(34.7)	(5%)	(137.2)	(135.4)	1%
Net income	13.0	25.5	(49%)	69.5	78.4	(11%)
Non-controlling interests	0.0	(0.0)	>(100%)	0.6	(0.3)	>(100%)

The statements below are related to developments in the fourth quarter of 2012 compared to the fourth quarter of 2011, and developments in 2012 compared to 2011, respectively.

Fourth quarter 2012

Net operating income was NOK 45.8 billion, a decrease of 25% compared to the fourth quarter of 2011.

Revenues were down 8% mainly because of reduced volumes for liquids and lower prices for both liquids and gas measured in NOK, partly offset by increased volumes of gas sold. The drop in revenues as a result of the divestment of the Fuel and Retail segment in the second quarter of 2012, and higher unrealised gains on derivatives in the fourth quarter of 2011, added to the decrease. The NOK 7.4 billion decrease in **Other income** stem mainly from gain on sale of assets in the fourth quarter of 2011.

Purchases [net of inventory variation], which represent Statoil's purchases of SDFI [9] and third-party volumes, decreased by 7% mainly because of lower prices for liquids and gas. **Operating expenses and selling, general and administrative expenses** were down 15%, impacted by the drop of expenses as a result of the divestment of the Fuel and Retail segment in the second quarter of 2012. The 15% increase in **depreciation, amortisation and net impairment losses** stem mainly from increased production from start-up and ramp-up on various fields. **Exploration expenses** decreased by 2% mainly because of lower seismic activity and lower exploration expenditures capitalised in previous periods being expensed this quarter. The decrease was partly offset by a lower portion of exploration expenditures capitalised due to non-commercial wells, and by a reversal of impairment in the fourth quarter of 2011.

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)	Fourth quarter 2012	Fourth quarter 2011	Fourth quarter Change	For the year ended 2012	For the year ended 2011	For the year ended Change
Adjusted total revenues and other income	**162.8**	168.9	(4%)	**713.6**	639.3	12%
Adjusted purchases	**76.3**	82.9	(8%)	**363.2**	320.3	13%
Adjusted operating expenses and selling, general and administrative expenses	**18.2**	20.5	(11%)	**79.6**	74.8	6%
Adjusted depreciation, amortisation and net impairment losses	**15.3**	13.9	10%	**59.3**	50.2	18%
Adjusted exploration expenses	**4.7**	5.6	(17%)	**18.3**	14.2	29%
Adjusted earnings [8]	**48.3**	45.9	5%	**193.2**	179.9	7%

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 impairment, 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 and the effects of eliminations (NOK 1.5 billion), **adjusted earnings** were NOK 48.3 billion in the fourth quarter of 2012, which is an increase of 5% compared to the same period in 2011.

In the fourth quarter of 2011, net gain on sale of assets (NOK 8.5 billion), higher fair values of derivatives (NOK 5.1 billion), underlift (NOK 0.1 billion), impairment, net of reversals (NOK 1.0 billion) and higher value of products in operational storage (NOK 0.2 billion), had a positive impact on net operating income, while other adjustments (NOK 0.2 billion) had a negative impact on net operating income. Adjusted for these items and the effects of eliminations (NOK 0.2 billion), adjusted earnings were NOK 45.9 billion in the fourth quarter of 2011.

Adjusted earnings were positively affected by good results from the sale of gas. Gas volumes were considerably higher compared to the fourth quarter 2011. Also, higher refinery margins and lower adjusted operating and exploration costs made a positive contribution to adjusted earnings. Reduced volumes of liquids, lower liquids and gas prices and higher adjusted depreciation costs reflecting the overall increased production level, partly offset the increase.

Adjusted total revenues and other income were down 4% mainly because of reduced volumes for liquids and lower prices for both liquids and gas measured in NOK. The decrease was partly offset by increased volumes of gas sold. Also, the drop in revenues as a result of the divestment of the Fuel and Retail segment in the second quarter of 2012, added to the decrease.

Adjusted purchases decreased by 8% mainly because of lower prices for 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.

Adjusted operating expenses and selling, general and administrative expenses decreased by 11% to NOK 18.2 billion. The drop of NOK 1.8 billion in expenses as a result of the divestment of the Fuel and Retail segment in the second quarter of 2012, added to the decrease. Also, reduced ownership share following the Heidrun redetermination and decreased transportation costs due to lower volumes of liquids, added to the decrease. Higher activity related to start-up and ramp-up of production on various fields, and increased royalty payments, counteracted the decrease.

Adjusted depreciation, amortisation and net impairment losses were up 10%, mainly because of increased production from start-up and ramp-up on various fields.

Adjusted exploration expenses decreased by NOK 0.9 billion, mainly because of lower seismic activity and lower exploration expenditures capitalised in previous periods being expensed this quarter. The decrease was partly offset by a lower portion of current exploration expenditures capitalised due to non-commercial wells.

Net financial items amounted to a gain of NOK 0.2 billion in the fourth quarter of 2012, compared to a loss of NOK 0.6 billion in the fourth quarter of 2011.

Exchange rates	31 December 2012	30 September 2012	30 June 2012	31 December 2011
USDNOK	5.57	5.70	5.98	5.99
EURNOK	7.34	7.37	7.53	7.75

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Adjusted for the items in the table below, **net adjusted financial items** before tax amounted to a loss of NOK 0.7 billion in the fourth quarter of 2012.

Net financial items in the fourth 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	0.6	0.5	0.5	(1.4)	0.2	(0.4)	(0.3)
Foreign exchange (FX) impacts (incl. derivatives)	0.1	(0.5)			(0.4)		
Interest rate (IR) derivatives			(0.5)		(0.5)		
Subtotal	0.1	(0.5)	(0.5)	0.0	(0.8)	0.8	0.0
Financial items excluding FX and IR derivatives	0.7	0.0	0.0	(1.4)	(0.7)	0.4	(0.3)

Income taxes were NOK 32.9 billion in the fourth quarter, equivalent to an **effective tax rate** of 71.6%, compared to 57.7% in the fourth quarter of 2011. The tax rate increased mainly due to capital gains in the fourth quarter of 2011 with lower than average tax rates and a one-off deferred tax expense in the fourth quarter of 2012 related to an enacted tax law change in Norway. The increase was also caused by relatively higher income from the NCS in the fourth quarter of 2012. Income from the NCS is subject to a higher than average tax rate. The tax rate in both the fourth quarter of 2012 and the fourth quarter of 2011 was decreased due to recognition of previously unrecognised deferred tax assets.

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]	Fourth 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	37.5	28.3	9.2	38.2	28.9	9.3
Development and Production International	5.7	1.7	4.0	1.6	(1.7)	3.3
Marketing, Processing & Renewable energy	5.1	3.5	1.6	5.5	4.0	1.4
Fuel & Retail	-	-	-	0.3	0.1	0.2
Other	(0.1)	(0.3)	0.2	0.3	0.1	0.2
Group	48.3	33.2	15.1	45.9	31.4	14.5
Effective tax rates on adjusted earnings			68.8%			68.4%

Adjusted earnings after tax were NOK 15.1 billion, equivalent to an effective tax rate on adjusted earnings of 68.8%, compared to 68.4% in the fourth quarter of 2011. The increase in tax rates compared to the fourth quarter of 2011 was mainly explained by a NOK 2.3 billion one-off deferred tax expense in the fourth quarter of 2012 related to an enacted tax law change in Norway affecting the Development and Production International segment. This was partly offset by relatively lower adjusted earnings from high tax regimes within the Development and Production International segment in the fourth quarter of 2012, and relatively lower adjusted earnings from the NCS in the fourth quarter of 2012. Income from the NCS is subject to a marginal tax rate of 78%. The tax rate on adjusted earnings was decreased in both quarters due to recognition of previously unrecognised deferred tax assets, mainly within the Development and Production International segment. The recognised deferred tax asset amounted to NOK 2.8 billion in the fourth quarter of 2012 and NOK 3.8 billion in the fourth quarter of 2011.

Net income amounted to NOK 13.0 billion in the fourth quarter, a decrease of 49% compared to the fourth quarter of 2011. The decrease was mainly attributable to gain from sale of assets in the fourth quarter of 2011, and higher unrealised gain on derivatives in the fourth quarter of 2011.

In 2012

In 2012, **net operating income** was NOK 206.6 billion, a decrease of 2% compared to 2011.

Revenues and other income 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, substantial net gains from sale of assets in 2011 and the drop in revenues caused by the divestment of the Fuel and Retail segment in the second quarter of 2012, offset the increase in revenues.

Purchases [net of inventory variation] increased by 14%, mainly due to increased volumes and higher prices of liquids purchased measured in NOK. **Operating expenses and selling, general and administrative expenses** totalled NOK 75.1 billion, up 2% compared to 2011, mainly explained by increased operating plant costs from 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 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 18% mainly because of increased production from start-up and ramp-up on various fields. **Exploration expenses** increased 31% to NOK 18.1 billion, mainly because of higher drilling activity in the international business and increased spending on seismic and field evaluation.

In 2012, lower fair values of derivatives (NOK 3.6 billion) and impairment losses (NOK 1.0 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 0.1 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.

In 2011, impairment losses net of reversals (NOK 0.9 billion), net over/underlift position (NOK 2.9 billion) and other adjustments (NOK 0.2 billion) negatively impacted net operating income, while gain on sale of assets (NOK 22.6 billion), higher fair value of derivatives (NOK 12.0 billion), higher value of products in operational storage (NOK 0.7 billion) and reversal of provisions (NOK 0.6 billion) had a positive impact on net operating income. Adjusted for these items and effects of eliminations (NOK 0.1 billion), adjusted earnings were NOK 179.9 billion in 2011.

The 7% 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. Higher exploration costs, increased depreciation costs and other operating expenses reflecting the overall increased activity level, partly offset the increase.

Adjusted total revenues and other income were positively impacted by increased volumes of liquids and gas sold, and higher prices for both liquids and gas, measured in NOK. The drop in revenues caused by the divestment of the Fuel and Retail segment in the second quarter of 2012, partly offset the increase.

Adjusted purchases increased by 13%, 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 6%, mainly explained by increased operating plant costs and start-up and ramp-up of production on various fields. Also, increased royalty payments, 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 3.5 billion drop in expenses caused by the divestment of the Fuel and Retail segment in the second quarter of 2012, partly offset the increase.

Adjusted depreciation, amortisation and net impairment losses were up 18% 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. Higher reserve estimates and lower ownership share in Gassled partly offset the increase.

Adjusted exploration expenses increased by 29%, mainly because of higher drilling activity in the international business, increased spending on seismic and field evaluation, and because a lower portion of exploration expenditures was capitalised in 2012 due to non-commercial wells. A higher portion of exploration expenditures capitalised in previous periods being expensed in 2012, added to the increase.

Net financial items amounted to a gain of NOK 0.2 billion in 2012, compared to a gain of NOK 2.1 billion in 2011. The decrease was mainly due to an impairment loss related to a financial investment in 2012, partly offset by a positive financial investment and interest income result in 2012 compared to 2011. In addition a decrease in fair value gains on interest rate swap positions related to the interest rate management of external loans, contributed to the decrease, offset by a decrease in interest and finance expenses.

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Adjusted for the items in the table below, **net adjusted financial items** before tax amounted to a loss of NOK 1.9 billion in 2012.

Net financial items for the year 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	1.8	0.8	3.0	(5.5)	0.2	(0.1)	0.0
Foreign exchange (FX) impacts (incl. derivatives)	0.4	(0.8)			(0.5)		
Interest rate (IR) derivatives			(3.0)		(3.0)		
Impairment of financial investment	2.1				2.1		
Gain on financial lease	(0.7)				(0.7)		
Subtotal	1.7	(0.8)	(3.0)	0.0	(2.1)	3.1	1.0
Financial items excluding FX and IR derivatives	3.5	0.0	0.0	(5.5)	(1.9)	3.0	1.0

Income taxes were NOK 137.2 billion in 2012, equivalent to an **effective tax rate** of 66.4%, compared to 63.3% in 2011. The increase was mainly due to a one-off deferred tax expense related to an enacted tax law change in Norway. The increase was also caused by relatively higher income from the NCS in the fourth quarter of 2012. Income from the NCS is subject to a higher than average tax rate. The tax rate in both 2012 and 2011 was decreased due to recognition of previously unrecognised deferred tax assets.

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]	For the year ended					
	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	154.8	116.2	38.6	150.4	113.2	37.2
Development and Production International	20.4	9.0	11.4	16.7	6.9	9.9
Marketing, Processing and Renewable energy	17.7	12.5	5.2	11.2	9.0	2.1
Fuel & Retail	0.6	0.2	0.5	1.9	0.5	1.3
Other	(0.3)	0.2	(0.5)	(0.2)	(0.3)	0.1
Group	193.2	138.1	55.1	179.9	129.2	50.7
Effective tax rates on adjusted earnings			71.5%			71.8%

Adjusted earnings after tax were NOK 55.1 billion in 2012, equivalent to an effective tax rate on adjusted earnings of 71.5%, compared to 71.8% in 2011. The decreased tax rate on adjusted earnings was mainly due to relatively lower adjusted earnings from high tax regimes within the Development and Production International segment in 2012, and relatively lower adjusted earnings from the NCS in 2012. Adjusted earnings from the NCS is subject to a marginal tax rate of 78%. This was partly offset by a NOK 2.3 billion one-off deferred tax expense caused by an enacted tax law change in Norway related to the segment Development and Production International. The tax rate on adjusted earnings decreased both in 2012 and 2011 because of recognition of previously unrecognised deferred tax assets, mainly within the Development and Production International segment. The recognised deferred tax asset amounted to NOK 2.8 billion in 2012 and NOK 3.8 billion in 2011.

In 2012, **net income** decreased by 11% to NOK 69.5 billion, mainly due to decreased gain from sale of assets and decreased unrealised gains on derivatives, partly offset by increased adjusted earnings as described above.

Return on average capital employed after tax (ROACE) [8] was 18.7% for the 12 month period ended 31 December 2012, and 22.1% for the 12 month period ended 31 December 2011. Based on adjusted earnings after tax and average capital employed, adjusted ROACE was 15.2% and 15.3% for the two periods, respectively.

Organic capital expenditures (excluding acquisitions and capital lease) amounted to NOK 108 billion for the year ended 2012. This is in line with our guidance for 2012.

Statoil's board of directors will propose to the annual meeting a **dividend** of NOK 6.75 per share for 2012. For 2011, Statoil paid an ordinary dividend of NOK 6.50 per share.

OUTLOOK

Organic capital expenditures for 2013 (i.e. excluding acquisitions and capital leases), are estimated at around USD 19 billion.

Statoil will continue to mature the large portfolio of exploration assets and expects to complete around 50 wells in 2013 with a total **exploration activity** level at around USD 3.5 billion, excluding signature bonuses.

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

Planned maintenance is expected to have a negative impact on the quarterly production of approximately 25 mboe per day in the first quarter of 2013 all planned outside the NCS. In total, the maintenance is estimated to have a negative impact on equity production of around 45 mboe per day for the full year 2013, of which most are liquids.

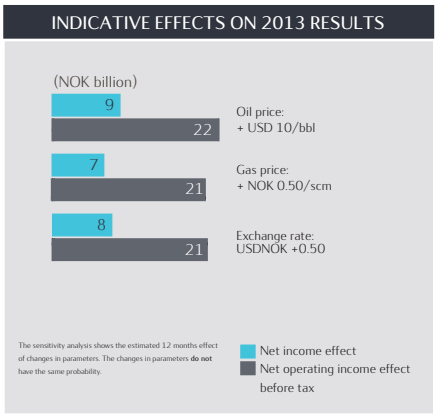
Statoil has an ambition to reach an **equity production** above 2.5 million barrels of oil equivalents per day in 2020 [10]. The growth is expected to come from new projects in the period from 2014 to 2016 resulting in a 2 to 3% Compound Annual Growth Rate (CAGR) for the period from 2012 to 2016. A second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

The growth towards 2020 will not be linear and the equity production for 2013 is estimated to be lower than the 2012 level. Following the closing of the Wintershall transaction, the impact on production will be around 40 mboe per day. Growth in the US onshore gas production is expected to be around 25 mboe lower per day compared to earlier assumptions. In Europe, as part of the value over volume strategy, the company produced somewhat higher gas volumes in 2012 than previously assumed, which reduces estimated 2013 gas production by approximately 15 mboe per day.

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. In addition, the recent terror attack implies uncertainties related to production from In Amenas in Algeria.

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, 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. 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)

On 16 January 2013, Statoil together with our partners BP and Sonatrach, were hit by a terror attack on the In Amenas gas production facility in Algeria. Five esteemed and dear Statoil-colleagues lost their lives in the attack. Twelve of our employees managed to escape to safety. This incident will be further commented in the 2013 HSE reports.

Fourth quarter 2012

The total recordable injury frequency was 3.5 in the fourth quarter of 2012 compared to 3.9 in the fourth quarter of 2011. The serious incident frequency improved from 1.1 in the fourth quarter of 2011 to 1.0 in the fourth quarter of 2012.

The volume of accidental oil spills decreased from 12 cubic meters in the fourth quarter of 2011 to 7 cubic meters in the fourth quarter of 2012. The number of accidental oil spills decreased from 98 in the fourth quarter of 2011 to 46 in the fourth quarter of 2012.

In 2012

The total recordable injury frequency was 3.8 in 2012 compared to 4.4 in 2011. The serious incident frequency improved from 1.1 in 2011 to 1.0 in 2012. There were no fatal accidents in 2012.

The volume of accidental oil spills increased from 44 cubic meters in 2011 to 52 cubic meters in 2012. The number of accidental oil spills decreased from 376 in 2011 to 306 in 2012.

	Fourth quarter		For the year ended	
HSE	2012	2011	2012	2011
Total recordable injury frequency	**3.5**	3.9	**3.8**	4.4
Serious incident frequency	**1.0**	1.1	**1.0**	1.1
Accidental oil spills (number)	**46**	98	**306**	376
Accidental oil spills (cubic metres)	**7**	12	**52**	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

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