FINANCIAL STATEMENTS AND REVIEW / 2013

# 1st quarter 2013

Statoil

# 2013 FIRST QUARTER RESULTS

## Statoil's first quarter 2013 operating and financial review

**Statoil's first quarter 2013 net operating income was NOK 38.0 billion. Adjusted earnings were NOK 42.4 billion.**

"We deliver financial results impacted by lower production and reduced prices. We continue to deliver good industrial progress according to plan. As previously announced, production in 2013 will be lower than in 2012. We are on track to deliver 2 to 3% average annual production growth from 2012 to 2016 and production above 2.5 million barrels of oil equivalent per day in 2020," says Helge Lund, Statoil's president and CEO.

In addition to the expected lower production in the quarter, production was impacted by operational disruptions at Snøhvit, Troll and Peregrino. Statoil's net operating income was also impacted by a provision related to the Cove Point terminal in the US. Adjusted earnings [5] were down 28% compared to the first quarter 2012. The underlying cost development in the period is stable.

Statoil's cash flows provided by operating activities decreased by 19% compared to the first quarter of 2012, explained by the lower production and reduced prices.

"Statoil delivered record international production, with an increase of 6% mainly due to start-up and ramp-up of fields. We started production from new NCS fields, including four fast-track projects, and continued our exploration success by making a new high impact discovery in Tanzania," says Lund.

Statoil completed 12 exploration wells in the first quarter, six on the NCS and six internationally, with seven discoveries: four on the NCS, two in Tanzania and one in the Gulf of Mexico. This gives a 58% success rate in the period.

On 19 April, Statoil also announced considerable additional resources in the Gullfaks licence in the North Sea, providing new volumes that can give high-value production in the short term as well as new and promising perspectives for the field and the installations.

"We continue to efficiently execute on our highly competitive project portfolio, while maintaining a firm financial framework, a predictable dividend to our shareholders and a solid balance sheet," says Lund.

## First quarter results 2013

Statoil's net operating income was NOK 38.0 billion compared to NOK 57.9 billion in the first quarter of 2012.

Adjusted earnings [5] were NOK 42.4 billion, compared to NOK 59.2 billion in the first quarter of 2012.

Adjusted earnings after tax [5] were NOK 12.0 billion, compared to NOK 16.8 billion in the first quarter of 2012.

Net income was NOK 6.4 billion compared to NOK 15.4 billion in the first quarter of 2012.

| | First quarter | | | Full year |
|---|---|---|---|---|
| | 2013 | 2012 | change | 2012 |
| Net operating income (NOK billion) | **38.0** | 57.9 | (34%) | 206.6 |
| Adjusted earnings (NOK billion) [5] | **42.4** | 59.2 | (28%) | 193.2 |
| Adjusted earnings after tax (NOK billion) [5] | **12.0** | 16.8 | (29%) | 55.1 |
| Net income (NOK billion) | **6.4** | 15.4 | (58%) | 69.5 |
| Basic earnings per share (NOK) | **2.02** | 4.75 | (57%) | 21.66 |
| Average liquids price (NOK/bbl) [1] | **582** | 646 | (10%) | 602 |
| Average invoiced gas prices (NOK/scm) | **2.01** | 2.26 | (11%) | 2.19 |
| Equity production (mboe per day) | **1,998** | 2,193 | (9%) | 2,004 |
| Serious incident frequency (SIF) | **0.7** | 1.2 | | 1.0 |

## Key events since fourth quarter 2012:

- Statoil has initiated an investigation to determine the relevant chain of events before, during and after the In Amenas terrorist attack in order to enable the company to further improve within the areas of security, risk-assessment and emergency preparedness.
- Production start-up from two of the three production trains at In Amenas.
- Delivering continued good industrial progress, by selecting development concept for the Johan Castberg (Skrugard) field in the Barents Sea and Bressay in the UK; putting four new fast-track projects on stream: Hyme, Vigdis, Skuld, Stjerne; and securing approval for the field development plans for Aasta Hansteen in Norway and the Mariner heavy oil field in the UK.
- Revitalising Statoil's legacy position on the NCS, through a significant high-value discovery at Gullfaks in the North Sea; and ramping up production from Skarv.
- Continuing to develop into a leading exploration company, with a new high-impact discovery in Block 2 offshore Tanzania, bringing further robustness into a future decision on a potential LNG project; and continuing the appraisal program on the Johan Sverdrup field in Norway.
- Building material positions in offshore clusters, securing 15 leases in the Gulf of Mexico lease sale; and signing a Memorandum of understanding (MoU) with SOCAR to explore new Caspian acreage.

# OPERATIONAL REVIEW

**Equity production was down 9% in the first quarter, influenced by NCS divestments, expected natural decline and production disruptions at Troll, Snøhvit and Peregrino. Also the terrorist attack on In Amenas impacted the production. Ramp-up and start-up on several fields partly offset the decrease.**

| Operational data | First quarter 2013 | First quarter 2012 | change | Full year 2012 |
|---|---|---|---|---|
| Average liquids price (USD/bbl) | **103.5** | 111.5 | (7%) | 103.5 |
| USD/NOK average daily exchange rate | **5.62** | 5.79 | (3%) | 5.82 |
| Average liquids price (NOK/bbl) [1] | **582** | 646 | (10%) | 602 |
| Average invoiced gas prices (NOK/scm) | **2.01** | 2.26 | (11%) | 2.19 |
| Refining reference margin (USD/bbl) [2] | **4.9** | 2.9 | 69% | 5.7 |
| **Production (mboe per day)** | | | | |
| Entitlement liquids production | **938** | 1,021 | (8%) | 966 |
| Entitlement gas production | **867** | 949 | (9%) | 839 |
| Total entitlement liquids and gas production [3] | **1,805** | 1,970 | (8%) | 1,805 |
| Equity liquids production | **1,095** | 1,209 | (9%) | 1,137 |
| Equity gas production | **903** | 984 | (8%) | 867 |
| Total equity liquids and gas production [4] | **1,998** | 2,193 | (9%) | 2,004 |

The statements below are related to developments in the first quarter of 2013 compared to the first quarter of 2012.

## First quarter 2013

**Total equity liquids and gas production** [4] was down 9% to 1,998 mboe per day in the first quarter. A major proportion of the decrease was due to lower ownership share at Kvitebjørn and expected natural decline on mature fields. Also, compressor challenges at Troll and prolonged shutdown at Snøhvit, added to the decrease. Reduced production due to the terrorist attack at In Amenas amounted to 13.6 mboe per day. Ramp-up of production on various fields and production start-up on new fields, partly offset the decrease.

**Total entitlement liquids and gas production** was down 8% to 1,805 mboe per day, impacted by the decrease in equity production as described above. The average Production Sharing Agreement (PSA) effect was 193 mboe per day compared to 223 mboe per day in the first quarter of 2012.

**Exploration expenditure** (including capitalised exploration expenditure) was NOK 5.1 billion, compared to NOK 6.0 billion in the first quarter of 2012. The NOK 0.9 billion decrease was mainly due to less expensive wells being drilled in the first quarter of 2013 compared to the first quarter of 2012.

| Exploration expenses (in NOK billion) | First quarter 2013 | First quarter 2012 | change | Full year 2012 |
|---|---|---|---|---|
| Exploration expenditure (activity) | **5.1** | 6.0 | (16%) | 20.9 |
| Expensed, previously capitalised exploration expenditure | **0.0** | 0.3 | (92%) | 2.7 |
| Capitalised share of current period's exploration activity | **(2.0)** | (3.3) | (39%) | (5.9) |
| Impairment / Reversal of Impairment | **0.0** | 0.0 | 0% | 0.4 |
| Exploration expenses IFRS | **3.1** | 3.1 | (1%) | 18.1 |

In the first quarter of 2013, a total of 12 **exploration wells** were completed before 31 March 2013, six on the NCS and six internationally. Seven wells were announced as discoveries in the first quarter, four on the NCS and three internationally.

# FINANCIAL REVIEW

**The first quarter results were impacted by the reduction in production volumes, lower prices and lower results from marketing and trading operations. A higher proportion of the production internationally coming from gas volumes contributed to lower realised prices. Although production declined, expenses did not decrease correspondingly, as a large proportion of the operating costs is fixed in the short term. The underlying cost development is stable. Depreciation normally fluctuates with production, but the decrease was partly offset by ramp-up and start-up on various fields in the period.**

| Condensed income statement under IFRS (in NOK billion) | First quarter 2013 | 2012 | change | Full year 2012 |
|---|---|---|---|---|
| Total revenues and other income | 161.7 | 195.4 | (17%) | 723.4 |
| Purchases [net of inventory variation] | (80.5) | (98.6) | (18%) | (363.1) |
| Operating expenses and selling, general and administrative expenses | (25.3) | (21.2) | 20% | (75.1) |
| Depreciation, amortisation and net impairment losses | (14.8) | (14.6) | 1% | (60.5) |
| Exploration expenses | (3.1) | (3.1) | (1%) | (18.1) |
| Net operating income | 38.0 | 57.9 | (34%) | 206.6 |
| Net financial items | (5.8) | (0.5) | >100% | 0.1 |
| Income before tax | 32.2 | 57.4 | (44%) | 206.7 |
| Income tax | (25.8) | (42.1) | (39%) | (137.2) |
| Net income | 6.4 | 15.4 | (58%) | 69.5 |

The statements below are related to developments in the first quarter of 2013 compared to the first quarter of 2012.

## First quarter 2013

**Net operating income** was NOK 38.0 billion, a decrease of 34% compared to the first quarter of 2012. The decrease in production of both liquids and gas, together with lower liquids and gas prices, was the main explanation for the reduction when compared to the first quarter of 2012. Provisions for an onerous contract related to the Cove Point terminal of NOK 4.9 billion added to the decrease.

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

| Adjusted earnings [5] (in NOK billion) | First quarter 2013 | 2012 | change | Full year 2012 |
|---|---|---|---|---|
| Adjusted total revenues and other income | 160.9 | 197.4 | (18%) | 713.6 |
| Adjusted purchases | (80.7) | (99.1) | (19%) | (363.2) |
| Adjusted operating expenses and selling, general and administrative expenses | (19.9) | (21.4) | (7%) | (79.6) |
| Adjusted depreciation, amortisation and net impairment losses | (14.8) | (14.6) | 1% | (59.3) |
| Adjusted exploration expenses | (3.1) | (3.1) | (1%) | (18.3) |
| Adjusted earnings [5] | 42.4 | 59.2 | (28%) | 193.2 |

In the first quarter of 2013, onerous contract provision and other adjustments (NOK 5.7 billion) and lower fair values of derivatives (NOK 1.6 billion) had a negative impact on net operating income, while higher value of products in operational storage (NOK 0.2 billion) and overlift position (NOK 0.4 billion) had a positive impact on net operating income. Adjusted for these items and the effects of eliminations (NOK 2.3 billion), **Adjusted earnings** were NOK 42.4 billion in the first quarter of 2013, which is a decrease of 28% compared to the same period in 2012.

In the first quarter of 2012, lower fair values of derivatives (NOK 1.8 billion) had a negative impact on net operating income, while higher value of products in operational storage (NOK 0.4 billion), overlift position (NOK 0.2 billion) and other adjustments (NOK 0.4 billion) had a positive impact on net operating income. Adjusted for these items and the effects of eliminations (NOK 0.5 billion), adjusted earnings were NOK 59.2 billion in the first quarter of 2012.

The 28% decrease in **Adjusted earnings** was mainly due to the reductions in production volumes and prices for both liquids and gas.

**Adjusted total revenues and other income** were down 18% mainly because of the decreased volumes and lower prices for both liquids and gas. Internationally, a higher proportion of the production was gas volumes, which resulted in lower net realised gas prices. The drop in revenues due to the divestment of the Fuel and Retail segment in the second quarter of 2012, added to the decrease.

**Adjusted purchases** [6] decreased by 19% 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 7% to NOK 19.9 billion, impacted by the NOK 1.7 billion drop in expenses as a result of the divestment of the Fuel and Retail segment in the second quarter of 2012. Increased operating plant costs and royalty payments due to start-up and ramp-up on various fields in the international business, partly offset the decrease. The underlying cost development is stable.

**Adjusted depreciation, amortisation and net impairment losses** increased by 1% to NOK 14.8 billion, mainly because of higher depreciation from ramp-up on various fields and because new fields with higher depreciation came on stream. The increase was partly offset by the reduction in depreciation due to the lower production volumes and increased reserves estimates.

**Adjusted exploration expenses** were unchanged at NOK 3.1 billion, mainly due to less expensive wells being drilled, offset by a lower portion of current exploration expenditures being capitalised because of non-commercial wells.

**Net financial items** amounted to a loss of NOK 5.8 billion in the first quarter of 2013, compared to a loss of NOK 0.5 billion. The increased loss was mainly due to negative currency effects from positions in NOK related to foreign exchange and liquidity management, as well as losses on derivative financial instruments related to long term debt.

| Exchange rates | 27 March 2013 | 31 December 2012 | 30 June 2012 | 31 March 2012 |
|---|---|---|---|---|
| USDNOK | 5.82 | 5.57 | 5.98 | 5.69 |
| EURNOK | 7.47 | 7.34 | 7.53 | 7.60 |

Adjusted for the items in the table below, **net adjusted financial items** before tax was zero in the first quarter of 2013.

| Net financial items in the first quarter of 2013 (in NOK billion) | Interest income and other financial items | Net foreign exchange gains (losses) | Gains (losses) derivative financial instruments | Interest and other finance expenses | Net before tax | Estimated tax effect | Net after tax |
|---|---|---|---|---|---|---|---|
| Financial items according to IFRS | 1.1 | (4.0) | (2.0) | (0.9) | (5.8) | 3.1 | (2.7) |
| Foreign exchange (FX) impacts (incl. derivatives) | (0.2) | 4.0 | | | 3.8 | | |
| Interest rate (IR) derivatives | | | 2.0 | | 2.0 | | |
| Subtotal | (0.2) | 4.0 | 2.0 | 0.0 | 5.8 | (2.3) | 3.5 |
| Financial items excluding FX and IR derivatives | 0.9 | 0.0 | 0.0 | (0.9) | 0.0 | 0.8 | 0.8 |

**Income taxes** were NOK 25.8 billion in the first quarter of 2013, equivalent to an **effective tax rate** of 80.0%, compared to 73.3% in the first quarter of 2012. The tax rate increased mainly due to the onerous contract provisions *(See note 2 in Condensed interim financial statements*), where no tax asset was recognised in relation to the MPR part of the provisions and increased accruals for tax exposures. This was partly offset by relatively lower income from the NCS in the first quarter of 2013. Income from the NCS is subject to a higher than average tax rate.

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

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

| Adjusted earnings after tax by segment [5] | First quarter | | | | | |
|---|---|---|---|---|---|---|
| | 2013 | | | 2012 | | |
| (in NOK billion) | Adjusted earnings | Tax on adjusted earnings | Adjusted earnings after tax | Adjusted earnings | Tax on adjusted earnings | Adjusted earnings after tax |
| Development and Production Norway | 34.9 | 25.4 | 9.6 | 47.1 | 35.7 | 11.4 |
| Development and Production International | 4.9 | 3.4 | 1.6 | 7.0 | 2.6 | 4.4 |
| Marketing, Processing & Renewable energy | 2.6 | 1.8 | 0.8 | 4.6 | 3.6 | 1.0 |
| Fuel & Retail | - | - | - | 0.3 | 0.1 | 0.2 |
| Other | (0.1) | (0.1) | 0.0 | 0.2 | 0.4 | (0.2) |
| Group | 42.4 | 30.4 | 12.0 | 59.2 | 42.3 | 16.8 |
| Effective tax rates on adjusted earnings | | | 71.8% | | | 71.6% |

**Adjusted earnings after tax** were NOK 12.0 billion, equivalent to an effective tax rate on adjusted earnings of 71.8%, compared to an effective tax rate on adjusted earnings of 71.6% in the first quarter of 2012.

**Net income** amounted to NOK 6.4 billion in the first quarter, a decrease of 58% compared to the first quarter of 2012. The decrease was mainly attributable to the decrease in net operating income as described above, increased loss on net financial items and a higher tax rate.

# 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.

Statoil has an ambition to reach an **equity production** above 2.5 million barrels of oil equivalent per day in 2020 [7]. 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%.

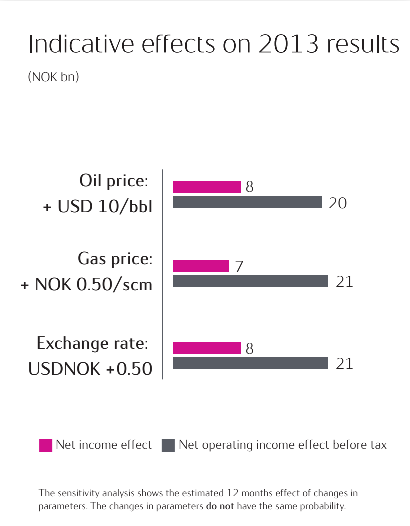
The growth towards 2020 will not be linear and the **equity production for 2013** is estimated to be lower than the 2012 level. Following the closing of the Wintershall transaction, the impact on production will be around 40 mboe per day. Growth in the US onshore gas production is expected to be around 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. The current reduced capacity at Troll and the shutdown at Snøhvit limits the flexibility in the gas off-take. Snøhvit re-started the production in the second quarter of 2013. Following the terrorist attack on In Amenas in Algeria the production is significantly reduced. The second train started production during second quarter, and further work needs to be carried out before the plant is back to safe and normal production.

**Planned maintenance** is expected to have a negative impact on quarterly production of approximately 40 mboe per day in the second quarter of 2013, of which most is 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. The highest maintenance activity is expected in the third quarter.

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

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

# FINANCIAL RISK UPDATE




## Financial risk factors

The financial results of operations largely depend on a number of factors, most significantly those that affect the price for volumes sold. Specifically, such factors include liquids and natural gas prices, exchange rates, liquids and natural gas production volumes, 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 operations. See the annual report for 2012 and the 2012 Annual Report on Form 20-F for a more detailed discussion of the risks to which Statoil is exposed.

## Financial risk management

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

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

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

# HEALTH, SAFETY AND THE ENVIRONMENT (HSE)

## First quarter 2013

Five esteemed and dear Statoil-colleagues lost their lives in the fatal terrorist attack on the In Amenas gas production facility in Algeria on 16 January 2013. The board of directors has appointed an investigation team to clarify and evaluate the facts related to the terrorist attack. The investigation team will deliver its final report by 15 September 2013.

The total recordable injury frequency was 4.3 in the first quarter of 2013, the same as in the first quarter of 2012. The serious incident frequency was 0.7 in the first quarter 2013, compared to 1.2 in the first quarter of 2012.

The volume of accidental oil spills increased from 6 cubic meters in the first quarter of 2012 to 25 cubic meters in the first quarter of 2013. The number of accidental oil spills decreased from 87 in the first quarter of 2012 to 48 in the first quarter of 2013.

| | First quarter | | Year |
|---|---|---|---|
| HSE | 2013 | 2012 | 2012 |
| Total recordable injury frequency | 4.3 | 4.3 | 3.8 |
| Serious incident frequency | 0.7 | 1.2 | 1.0 |
| Accidental oil spills (number) | 48 | 87 | 306 |
| Accidental oil spills (cubic metres) | 25 | 6 | 52 |

# DEVELOPMENT AND PRODUCTION NORWAY

## OPERATIONAL REVIEW

| Operational data | First quarter 2013 | 2012 | change | Full year 2012 |
|---|---|---|---|---|
| **Prices** | | | | |
| Liquids price (USD/bbl) | 104.2 | 112.0 | (7%) | 104.5 |
| Liquids price (NOK/bbl) | 585.9 | 648.3 | (10%) | 608.5 |
| Transfer price natural gas (NOK/scm) | 1.91 | 1.83 | 5% | 1.84 |
| **Production (mboe per day)** | | | | |
| Entitlement liquids | 590 | 703 | (16%) | 624 |
| Entitlement natural gas | 706 | 827 | (15%) | 710 |
| Total entitlement liquids and gas production [3] | 1,295 | 1,531 | (15%) | 1,335 |

The statements below are related to developments in the first quarter of 2013 compared to the first quarter of 2012.

### First quarter 2013

**Average daily production of liquids and gas** decreased by 15% to 1,295 mboe per day. The decrease was mainly due to reduced ownership share at Kvitebjørn, compressor challenges at Troll, prolonged shutdown at Snøhvit due to operational issues, and expected reductions due to natural decline on mature fields. The average daily production of liquids and gas was positively impacted by production ramp-up on the Skarv field.

## FINANCIAL REVIEW

| Income statement under IFRS (in NOK billion) | First quarter 2013 | 2012 | change | Full year 2012 |
|---|---|---|---|---|
| Total revenues and other income | 47.9 | 61.8 | (22%) | 220.8 |
| Operating expenses and selling, general and administrative expenses | (7.5) | (7.1) | 6% | (25.8) |
| Depreciation, amortisation and net impairment losses | (7.3) | (7.5) | (2%) | (29.8) |
| Exploration expenses | (0.9) | (0.5) | 85% | (3.5) |
| Net operating income | 32.1 | 46.7 | (31%) | 161.7 |

| Adjusted earnings [5] (in NOK billion) | First quarter 2013 | 2012 | change | Full year 2012 |
|---|---|---|---|---|
| Adjusted total revenues and other income | 49.8 | 61.9 | (20%) | 213.4 |
| Adjusted operating expenses and selling, general and administrative expenses | (6.6) | (6.8) | (3%) | (25.9) |
| Adjusted depreciation, amortisation and net impairment losses | (7.3) | (7.5) | (2%) | (29.2) |
| Adjusted exploration expenses | (0.9) | (0.5) | 85% | (3.5) |
| Adjusted earnings [5] | 34.9 | 47.1 | (26%) | 154.8 |

The statements below are related to developments in the first quarter of 2013 compared to the first quarter of 2012.

## First quarter 2013

**Net operating income** for Development and Production Norway was NOK 32.1 billion compared to NOK 46.7 billion in the first quarter of 2012. The decrease was mainly attributable to decreased production of liquids and gas, and a decrease in the price of liquids, partly offset by an increase in the transfer price of natural gas (measured in NOK).

In the first quarter of 2013, unrealised loss on derivatives (NOK 0.8 billion), underlift position (NOK 0.4 billion), an onerous contract provision (NOK 0.8 billion) and other adjustments (NOK 0.8 billion) had a negative impact on net operating income. In the first quarter of 2012, underlift position (NOK 0.3 billion) and other adjustments (NOK 0.1 billion) had a negative impact on net operating income.

Adjusted for these items, **adjusted earnings** decreased by 26%, primarily driven by lower revenues.

**Adjusted total revenues and other income** decreased by 20%, primarily driven by decreased production, which reduced revenues by NOK 10.5 billion. In addition, lower price of liquids (measured in USD) and a negative exchange rate further reduced revenues, partly offset by higher transfer price of natural gas (measured in NOK).

**Adjusted operating expenses and selling, general and administrative expenses** were slightly down by NOK 0.2 billion. Although production declined, expenses did not decrease correspondingly, as a large proportion of the operating costs is fixed in the short term. However, the underlying cost development is showing a positive trend.

**Adjusted depreciation, amortisation and net impairment losses** decreased by 2%, mainly because of reduced depreciation due to the lower production volumes and increased reserves estimates. The decrease was partly offset by higher depreciation from start-up and ramp-up on various fields (Skarv), and increased investments on major producing fields (Gullfaks and Oseberg).

**Adjusted exploration expenses** increased by NOK 0.4 billion, mainly due to a lower portion of current exploration expenditure capitalised in the first quarter of 2013.

**Key portfolio developments since the announcement of fourth quarter:**

- Sanctioned one investment project (Smørbukk South Extension) and received approval from Norwegian Ministry of Petroleum and Energy (MPE) in April for development and operation (PDO) for Aasta Hansteen.
- Production start-up from Skuld, Hyme, Vigdis North-East and Stjerne and ramp-up production from Skarv.
- Successful Johan Sverdrup appraisal activity.
- Significant Gullfaks discovery.

# DEVELOPMENT AND PRODUCTION INTERNATIONAL

## OPERATIONAL REVIEW

| Operational data | First quarter 2013 | 2012 | change | Full year 2012 |
|---|---|---|---|---|
| **Prices** | | | | |
| Liquids price (USD/bbl) | 102.4 | 110.5 | (7%) | 101.4 |
| Liquids price (NOK/bbl) | 575.6 | 639.5 | (10%) | 590.3 |
| | | | | |
| **Production (mboe per day)** | | | | |
| Entitlement liquids production | 349 | 318 | 10% | 342 |
| Entitlement gas production | 161 | 121 | 33% | 128 |
| Total entitlement liquids and gas production [3] | 510 | 439 | 16% | 470 |
| | | | | |
| Equity liquids production | 505 | 506 | (0%) | 512 |
| Equity gas production | 198 | 157 | 26% | 156 |
| Total equity liquids and gas production | 703 | 662 | 6% | 669 |

The statements below are related to developments in the first quarter of 2013 compared to the first quarter of 2012.

### First quarter 2013

**Average equity production of liquids and gas** increased by 6%, mainly due to start-up/ramp-up of fields, including Marcellus (US), Bakken (US), PSVM (Angola), Kizomba Satellites (Angola) and Eagle Ford (US). The increases were partly offset by natural decline at several fields and the impact of the In Amenas incident.

**Average daily entitlement production of liquids and gas** increased by 16%, due to increased equity production and a lower negative effect from production sharing agreements (PSA effect). The PSA effect was 193 mboe per day in the first quarter of 2013, compared to 223 mboe per day in the first quarter of 2012.

## FINANCIAL REVIEW

| Income statement under IFRS (in NOK billion) | First quarter 2013 | 2012 | change | Full year 2012 |
|---|---|---|---|---|
| Total revenues and other income | 20.6 | 21.1 | (2%) | 82.9 |
| | | | | |
| Purchases [net of inventory variation] | (0.0) | (0.3) | (96%) | (1.3) |
| Operating expenses and selling, general and administrative expenses | (6.2) | (4.7) | 31% | (19.3) |
| Depreciation, amortisation and net impairment losses | (6.5) | (5.9) | 9% | (26.2) |
| Exploration expenses | (2.2) | (2.6) | (18%) | (14.6) |
| | | | | |
| Net operating income | 5.8 | 7.5 | (23%) | 21.5 |

| Adjusted earnings [5] (in NOK billion) | First quarter 2013 | 2012 | change | Full year 2012 |
|---|---|---|---|---|
| Adjusted total revenues and other income | 19.4 | 20.7 | (6%) | 82.5 |
| Adjusted purchases | (0.0) | (0.3) | (96%) | (1.3) |
| Adjusted operating expenses and selling, general and administrative expenses | (5.8) | (4.8) | 20% | (19.9) |
| Adjusted depreciation, amortisation and net impairment losses | (6.5) | (5.9) | 9% | (26.2) |
| Adjusted exploration expenses | (2.2) | (2.6) | (18%) | (14.7) |
| Adjusted earnings [5] | 4.9 | 7.0 | (29%) | 20.4 |

The statements below are related to developments in the first quarter of 2013 compared to the first quarter of 2012.

## First quarter 2013

In the first quarter of 2013, **net operating income** for Development and Production International was NOK 5.8 billion compared to NOK 7.5 billion in the same period in 2012.

**Net operating income** in the first quarter of 2013 was positively impacted by an overlift of NOK 0.9 billion. In 2012, net operating income was positively impacted by an overlift of NOK 0.5 billion.

Adjusted for these items, **adjusted earnings** were down 29% to NOK 4.9 billion, mainly because of decreased revenues and other income and increased operating expenses.

**Adjusted total revenues and other income** were NOK 19.4 billion, down by 6%. Higher entitlement production increased revenues by NOK 2.1 billion, whereas lower realised liquids and gas prices (measured in NOK) reduced revenues by NOK 2.0 billion. In addition, other income decreased, mainly related to decreased operating profit from an associated company in Venezuela which is accounted for using the equity method, where a devaluation of the local currency significantly increased the tax expense.

**Adjusted operating expenses and selling, general and administrative expenses** increased by NOK 1.0 billion, where royalties increased by NOK 0.2 billion, from NOK 1.4 billion to NOK 1.6 billion. In addition, expenses increased due to ramp-up on various fields. Further, operating expenses increased by NOK 0.3 billion as diluent expenses are presented as operating expenses and not as purchases from the first quarter of 2013.

**Adjusted depreciation, amortisation and net impairment losses** increased by NOK 0.6 billion, where start-up of new fields (PSVM and Kizomba Satellites) increased depreciation by NOK 0.7 billion. In addition ramp-up from other fields increased depreciation, partly offset by reduced depreciation from divestment of some assets.

**Adjusted exploration expenses** amounted to NOK 2.2 billion in the first quarter of 2013, down NOK 0.4 billion. The decrease was mainly due to a lower portion of exploration expenditures capitalised in previous periods being expensed in this quarter.

**Key portfolio developments since the announcement of fourth quarter:**

- The UK government's Department of Energy and Climate Change (DECC) announced their approval of the field development plan for the Mariner heavy oil field.
- The high-impact Tangawizi-1 discovery in Block 2 offshore Tanzania was announced.
- Production start-up at In Amenas (Algeria) from two of the three production trains following the terrorist attack in January. Statoil is currently in a close dialogue with Algerian authorities, Sonatrach and BP about the necessary conditions for full production and a redeployment of staff.
- Statoil had 15 high bids at the March Gulf of Mexico lease sale. The US Bureau of Ocean Energy Management (BOEM) will review the high bids and determine if the leases should be awarded over the next several months.

# MARKETING, PROCESSING AND RENEWABLE ENERGY

## OPERATIONAL REVIEW

| Operational data | First quarter 2013 | 2012 | change | Full year 2012 |
|---|---|---|---|---|
| Refining reference margin (USD/bbl) [2] | **4.9** | 2.9 | 69% | 5.5 |
| Natural gas sales Statoil entitlement (bcm) | **11.8** | 13.2 | (10%) | 47.3 |
| Natural gas sales (third-party volumes) (bcm) | **3.1** | 1.8 | 69% | 8.6 |
| Natural gas sales (bcm) | **14.9** | 15.0 | (1%) | 55.9 |
| Average invoiced gas prices (NOK/scm) | **2.01** | 2.26 | (11%) | 2.19 |
| Transfer price natural gas (NOK/scm) | **1.91** | 1.83 | 5% | 1.84 |

The statements below are related to developments in the first quarter of 2013 compared to the first quarter of 2012.

### First quarter 2013

**Natural gas sales volumes** amounted to 14.9 billion standard cubic meters (bcm), approximately the same level as in the first quarter of 2012. Lower entitlement production on the NCS was offset by higher entitlement production in the US and higher third party volumes sold mainly in the US. Of the total gas sales, 0.1 bcm was the SDFI share of US gas sales, compared to 0.9 bcm in the first quarter of 2012.

**Average invoiced natural gas sales price** decreased by 11%, mainly due to a higher proportion of US volumes, which receive lower prices than European volumes.

**Refinery throughput** increased both at the Mongstad and Kalundborg refineries.

## FINANCIAL REVIEW

| Income statement under IFRS (in NOK billion) | First quarter 2013 | 2012 | change | Full year 2012 |
|---|---|---|---|---|
| Total revenues and other income | **157.6** | 181.4 | (13%) | 669.5 |
| Purchases [net of inventory variation] | **(147.3)** | (168.9) | (13%) | (620.3) |
| Operating expenses and selling, general and administrative expenses | **(11.8)** | (8.6) | 36% | (30.6) |
| Depreciation, amortisation and net impairment losses | **(0.7)** | (0.6) | 13% | (3.0) |
| Net operating income | **(2.1)** | 3.2 | >(100%) | 15.5 |

| Adjusted earnings [5] (in NOK billion) | First quarter 2013 | 2012 | change | Full year 2012 |
|---|---|---|---|---|
| Adjusted total revenues and other income | **158.4** | 183.1 | (13%) | 671.6 |
| Adjusted purchases | **(147.5)** | (169.3) | (13%) | (620.4) |
| Adjusted operating expenses and selling, general and administrative expenses | **(7.6)** | (8.6) | (12%) | (31.1) |
| Adjusted depreciation, amortisation and net impairment losses | **(0.7)** | (0.6) | 13% | (2.4) |
| Adjusted earnings [5] | **2.6** | 4.6 | (42%) | 17.7 |

The statements below are related to developments in the first quarter of 2013 compared to the first quarter of 2012.

## First quarter 2013

**Net operating income** for Marketing, Processing and Renewable Energy amounted to a loss of NOK 2.1 billion compared to income of NOK 3.2 billion in the first quarter of 2012.

Net operating income in the first quarter of 2013 included a gain due to periodisation of inventory hedging effects (NOK 0.2 billion), an onerous contract provision (NOK 4.1 billion), a negative change in fair value of derivatives (NOK 0.6 billion) and a loss on operational storage (NOK 0.2 billion). Net operating income in the first quarter of 2012 included a gain on the operational storage (NOK 0.4 billion), a negative change in fair value of derivatives (NOK 1.5 billion) and a loss due to periodisation of inventory hedging effects (NOK 0.3 billion).

Adjusted for these items, **adjusted earnings** were NOK 2.6 billion, compared to NOK 4.6 billion in the first quarter of 2012. The decrease was mainly due to lower margins on gas sold, partly offset by higher margins on refining.

**Adjusted total revenues and other income** decreased by 13%, due to lower prices of gas, crude and other oil products, in addition to decreased volumes of crude and other products.

**Adjusted purchases** were down 13% due to the same factors.

**Adjusted operating expenses and selling, general and administration expenses** decreased by 12% to NOK 7.6 billion, impacted by decreased transportation activity due to lower volumes of liquids. In addition, cost improvement initiatives related to refining activities added to the cost decrease.

**Adjusted depreciation, amortisation and net impairment losses** increased by 13%, mainly due to the opening and start-up of depreciation of the Sheringham Shoal offshore wind farm in autumn 2012.

Adjusted earnings in **Natural Gas processing, marketing and trading** were NOK 1.7 billion in the first quarter of 2013, compared to NOK 4.1 billion in the first quarter of 2012. The decrease was mainly due to lower margins on gas sales, lower entitlement production and lower contribution from short term sales and trading activities.

Adjusted earnings in **Crude Oil processing, marketing and trading** were NOK 1.0 billion in the first quarter of 2013, compared to NOK 0.6 billion in the first quarter of 2012. The increase was mainly due to higher refinery margins.

**Key events since the announcement of fourth quarter:**

- In January, the partners submitted the plan for installation and operation (PIO) for the Polar Development Project.

# FUEL & RETAIL

On 19 June 2012 Statoil ASA sold its 54% shareholding in Statoil Fuel & Retail ASA (SFR) to Alimentation Couche-Tard for a cash consideration of NOK 8.3 billion. Until this transaction, SFR had been fully consolidated in the Statoil Group with a 46% non-controlling interest.

Adjusted earnings from the underlying business activity in Fuel & Retail in the first quarter of 2012 was NOK 0.3 billion.

# LIQUIDITY AND CAPITAL RESOURCES

## SOURCES AND USES OF CASH

| Condensed statement of cash flows (in NOK billion) | First quarter 2013 | 2012 | change | Full year 2012 |
|---|---|---|---|---|
| Cash flows from underlying operations [5] | 57.8 | 71.2 | (13.4) | 250.8 |
| Cash flows from (to) changes in working capital | (2.9) | (2.8) | (0.1) | 4.6 |
| Taxes paid | (17.7) | (19.4) | 1.7 | (119.9) |
| Other changes | 1.1 | (1.7) | 2.8 | (7.4) |
| Cash flows provided by operating activities | 38.3 | 47.3 | (9.0) | 128.0 |
| Additions to PP&E and intangible assets | (27.5) | (29.9) | 2.4 | (112.4) |
| Proceeds from sales | 0.1 | 13.9 | (13.8) | 29.8 |
| Financial investments | (5.0) | (21.3) | 16.3 | (12.1) |
| Other changes | (0.1) | (0.4) | 0.3 | (1.9) |
| Cash flows used in investing activities | (32.5) | (37.7) | 5.2 | (96.6) |
| Net change in finance debt | (2.9) | (1.4) | (1.5) | 0.9 |
| Net current finance debt and other | (3.4) | (0.9) | (2.5) | 1.6 |
| Dividend paid | 0.0 | 0.0 | 0.0 | (20.7) |
| Cash flows provided by (used in) financing activities | (6.3) | (2.3) | (4.0) | (18.2) |
| Net increase (decrease) in cash and cash equivalents | (0.5) | 7.3 | (7.8) | 13.2 |

The statements below are related to developments in 2013 compared to 2012.

### In 2013

**Cash flows provided by operating activities** decreased by NOK 9.0 billion. The decrease was mainly due to lower cash flows from underlying operations [5] of NOK 13.4 billion, affected by decreased volumes of liquids and gas sold and lower prices measured in NOK for both liquids and gas. The decrease was partly offset by lower taxes paid of NOK 1.7 billion and a positive change in other items related to operating activities of NOK 2.8 billion.

**Cash flows used in investing activities** decreased by NOK 5.2 billion. The decrease was mainly due to lower additions to financial investments of NOK 16.3 billion and lower additions to PP&E and intangible assets of NOK 2.4 billion. Lower proceeds from sales, impacted by the payment from the sale of interest in Gassled received in the first quarter of 2012, partly offset the decrease.

**Cash flows used in financing activities** increased by NOK 4.0 billion. The increase was due to less long-term borrowing of NOK 1.5 billion compared to the first quarter of 2012 and decreased current loans and other of NOK 2.5 billion, mainly due to collateral liabilities as well as current portion of non-current finance debt.

## CAPITAL SPENDING

| Gross investments (in NOK billion) | First quarter 2013 | 2012 | change | Full year 2012 |
|---|---|---|---|---|
| Development and Production Norway | 13.0 | 12.3 | 6% | 48.6 |
| Development and Production International | 12.1 | 13.7 | (11%) | 54.6 |
| Marketing, Processing and Renewable Energy | 1.1 | 1.1 | (0%) | 6.2 |
| Fuel & Retail | 0.0 | 0.4 | (100%) | 0.9 |
| Other | 0.4 | 0.5 | (18%) | 3.0 |
| Gross investments [1] | 26.6 | 27.9 | (5%) | 113.3 |

**Gross investments**[1] amounted to NOK 26.6 billion in the first quarter of 2013, down 5%. The decrease reflects reduced activities related to US onshore in the Development and Production International reporting segment.

## FINANCIAL INDICATORS

| Financial indicators (in NOK billion) | First quarter 2013 | 2012 | change | Full year 2012 |
|---|---|---|---|---|
| Gross interest-bearing debt [2] | 117.4 | 123.1 | (5.7) | 119.4 |
| Net interest-bearing debt adjusted [3] | 37.8 | 41.6 | (3.8) | 45.1 |
| Net debt to capital employed ratio [3] | 8.6% | 10.9% | | 10.9% |
| Net debt to capital employed ratio adjusted [3] | 13.3% | 14.6% | | 12.4% |
| Current financial investments | 21.0 | 26.2 | (5.2) | 14.9 |
| Cash and cash equivalents | 64.6 | 61.0 | 3.6 | 65.2 |

**Gross interest-bearing debt**[2] decreased by NOK 5.7 billion mainly due to decreased non-current finance debt of NOK 2.5 billion, and decreased new current finance debt of NOK 3.2 billion.

**Adjusted net interest-bearing debt**[3] decreased by NOK 3.8 billion, mainly due to a decrease in cash and cash equivalents and current financial investments of NOK 1.6 billion, a decrease in gross interest-bearing debt of NOK 5.7 billion and an increased change in non-GAAP adjustments to net interest-bearing debt of NOK 0.2 billion.

**The net debt to capital employed ratio**[3] decreased from 10.9% to 8.6%, mainly due to a decrease in net interest-bearing debt of NOK 4.1 billion and an increase in capital employed of NOK 40.1 billion. Adjusted net debt to capital employed decreased from 14.6% to 13.3% mainly due to the same factors as described above.

**Current financial investments** decreased by NOK 5.2 billion. Current financial investments are a part of our liquidity management and reflect mainly deposits, treasury bills and commercial papers with a maturity of more than three months.

**Cash and cash equivalents** increased by NOK 3.6 billion. The increase mainly reflects increase in deposits, treasury bills and commercial papers with a maturity of three months or less.

*1) Defined as additions to property, plant and equipment (including capitalised finance leases), capitalised exploration expenditure, intangible assets, long-term share investments and non-current finance debt granted.*
*2) Defined as non-current and current finance debt.*
*3) In the calculation of adjusted net interest-bearing debt, we make certain adjustments which make net interest-bearing debt and the net debt to capital employed ratio non-GAAP financial measures. For an explanation and calculation of the ratio, see Use and reconciliation of non-GAAP financial measures.*

# USE AND RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

Non-GAAP financial measures are defined as numerical measures that either exclude or include amounts that are not excluded or included in the comparable measures calculated and presented in accordance with GAAP (i.e. IFRS).

For more information on our use of non-GAAP financial measures, see report section - Financial analysis and review - Non-GAAP measures in Statoil's 2012 Annual Report on Form 20-F.

The following financial measures may be considered non-GAAP financial measures:

- Adjusted earnings (including Adjusted revenues and other income, Adjusted purchases, Adjusted operating expenses and selling, general and administrative expenses, Adjusted depreciation, amortisation and net impairment losses and Adjusted exploration expenses)
- Adjusted earnings after tax
- Net interest-bearing debt adjusted
- Net debt to capital employed ratio
- Cash flows from underlying operations

**Adjusted earnings** begins with net operating income and adjusts for certain items affecting the income for the period in order to separate out effects that management considers may not to be specifically related to Statoil's underlying operational performance in the individual reporting period. Management considers adjusted earnings to be a supplemental measure to Statoil's IFRS measures that provides an indication of Statoil's underlying operational performance in the period and facilitates a better understanding of operational trends between the periods. Adjusted earnings exclude the following items:

- Adjustments are made for changes in the unrealised **fair value of derivatives** not accounted for as hedges. Statoil uses derivatives to manage certain exposures to fluctuations in foreign currency, interest rates or commodity prices. However, when hedge accounting is not applied the unrealised fair value adjustment for derivatives is not matched by a similar adjustment for the exposure being managed. As a result, only the realised gains and losses on derivatives are reflected in adjusted earnings. The gains and losses on derivatives are then reflected in the period in which they impact our cash flows and generally match the associated cash flow of the exposure being managed.
- **Periodisation of inventory hedging effect:** Commercial storage is hedged in the paper market. Commercial storage is accounted for by using the lowest of cost and market price. If market prices increase over cost price, there will be a loss in the IFRS profit & loss statement since the derivatives always reflects changes in the market price. An adjustment is made to reflect the unrealised market value on the commercial storage. As a result, loss on derivatives is matched by a similar adjustment for the exposure being managed. If market prices decrease under cost price, the write-down and the derivative effect in the IFRS profit & loss statement will offset each and no adjustment is done.
- **Over/underlift** is accounted for using the sales method and therefore revenues are reflected in the period the product is sold rather than in the period it is produced. The over/underlift position depends on a number of factors related to our lifting programme and the way it corresponds to our entitlement share of production. The effect on income for the period is therefore adjusted, to show estimated revenues and associated costs based upon the production for the period which management believes better reflects operational performance.
- **Operational storage** includes inventories held in the refining and retail operations which are accounted for at the lower of cost and net realisable value. An adjustment is made in the cost of goods sold for changes in the value of inventories during the period held (holding gains or losses) to align to the product pricing.
- **Impairment** and **reversal of impairment** are excluded from adjusted earnings since they affect the economics of an asset for the lifetime of that asset; not only the period in which it is impaired or the impairment is reversed. Impairment and reversal of impairment can impact both the Exploration expenses and the Depreciation, amortisation and impairment line items.
- **Gain or loss from sales** is eliminated from the measure since the gain or loss does not give an indication of future performance or periodic performance; such a gain or loss is related to the cumulative value creation from the time the asset is acquired until it is sold.
- **Internal unrealised profit on inventories:** Volumes derived from equity oil on inventory will vary depending on several factors and inventory strategies, i.e. level of crude oil in inventory, equity oil used in the refining process and level of in-transit cargoes. Internal profit related to volumes sold between entities in the group, and still in inventory at period end, is eliminated according to IFRS (write down to production cost). The proportion of realised versus unrealised gain will fluctuate from one period to another due to inventory strategies and accordingly impact Net operating income. This impact is not assessed to be a part of the underlying operational performance, and elimination of internal profit related to equity volumes is excluded in adjusted earnings.
- **Other items of income and expense** are adjusted when the impacts on income in the period are not reflective of Statoil's underlying operational performance in the reporting period. Such items may be unusual or infrequent transactions but they may also include transactions that are significant which would not necessarily qualify as either unusual or infrequent. Other items can include transactions such as provisions related to reorganisation, early retirement, etc.

The measure **adjusted earnings after tax** excludes net financial items (the principal line items impacted by the change in functional currency) and the associated tax effects on net financial items. It is based on adjusted earnings less the tax effects on all elements included in adjusted earnings (or calculated tax on operating income and on each of the adjusting items using an estimated marginal tax rate). Management considers adjusted earnings after tax, which reflects a normalised tax charge associated with its operational performance excluding the impact of financing, to be a supplemental measure to Statoil's net income. Certain net USD denominated financial positions are held by group companies that have a USD functional currency that is different from the currency in which the taxable income is measured. As currency exchange rates change between periods, the basis for measuring net financial items for IFRS will change disproportionally with taxable income which includes exchange gains and losses from translating the net USD denominated financial positions into the currency of the applicable tax return. Therefore, the effective tax rate may be significantly higher or lower than the statutory tax rate for any given period.

Management considers that adjusted earnings after tax provides a better indication of the taxes associated with underlying operational performance in the period (excluding financing), and therefore better facilitates a comparison between periods. However, the adjusted taxes included in adjusted earnings after tax should not be considered indicative of the amount of current or total tax expense (or taxes payable) for the period.

Adjusted earnings and adjusted earnings after tax should be considered additional measures rather than substitutes for net operating income and net income, which are the most directly comparable IFRS measures. There are material limitations associated with the use of adjusted earnings and adjusted earnings after tax compared with the IFRS measures since they do not include all the items of revenues/gains or expenses/losses of Statoil which are needed to evaluate its profitability on an overall basis. Adjusted earnings and adjusted earnings after tax are only intended to be indicative of the underlying developments in trends of our on-going operations for the production, manufacturing and marketing of our products and exclude pre and post-tax impacts of net financial items. We reflect such underlying development in our operations by eliminating the effects of certain items that may not be directly associated with the period's operations or financing. However, for that reason, adjusted earnings and adjusted earnings after tax are not complete measures of profitability. The measures should therefore not be used in isolation.

Adjusted earnings equal the sum of net operating income less all applicable adjustments. Adjusted earnings after tax equals the sum of net operating income less income tax in business areas and adjustments to operating income taking the applicable marginal tax into consideration. See the tables in the following section for details.

The calculated **net debt to capital employed ratio** is viewed by Statoil as providing a more complete picture of the Group's current debt situation than gross interest-bearing debt. The calculation uses balance sheet items related to gross interest-bearing debt and adjusts for cash, cash equivalents and current financial investments. Further adjustments are made for different reasons:

- Since different legal entities in the group lend to projects and others borrow from banks, project financing through external bank or similar institutions will not be netted in the balance sheet and will over-report the debt stated in the balance sheet compared to the underlying exposure in the Group. Similarly, certain net interest-bearing debt incurred from activities pursuant to the Marketing Instruction of the Norwegian government are off-set against receivables on the SDFI.

- Some interest-bearing elements are classified together with non-interest bearing elements, and are therefore included when calculating the net interest-bearing debt.

The table below reconciles net interest-bearing debt, capital employed and the net debt to capital employed ratio to the most directly comparable financial measure or measures calculated in accordance with IFRS.

| Calculation of capital employed and net debt to capital employed ratio (in NOK billion, except percentages) | At 31 March 2013 | At 31 March 2012 | Full year 2012 |
|---|---|---|---|
| Shareholders' equity | 336.4 | 286.6 | 319.2 |
| Non-controlling interests | 0.7 | 6.4 | 0.7 |
| Total equity (A) | 337.1 | 293.0 | 319.9 |
| Current finance debt | 12.6 | 15.8 | 18.4 |
| Non-current finance debt | 104.8 | 107.3 | 101.0 |
| Gross interest-bearing debt (B) | 117.4 | 123.1 | 119.4 |
| Cash and cash equivalents | 64.6 | 61.0 | 65.2 |
| Current financial investments | 21.0 | 26.2 | 14.9 |
| Cash and cash equivalents and current financial investments (C) | 85.6 | 87.2 | 80.1 |
| Net interest-bearing debt before adjustments (B1) (B-C) | 31.8 | 35.9 | 39.3 |
| Other interest-bearing elements [1) ] | 7.6 | 7.6 | 7.3 |
| Marketing instruction adjustment [2) ] | (1.3) | (1.4) | (1.2) |
| Adjustment for project loan [3) ] | (0.3) | (0.4) | (0.3) |
| Net interest-bearing debt adjusted (B2) | 37.8 | 41.6 | 45.1 |
| Normalisation for cash-build up before tax payment (50% of tax payment) [4) ] | 14.1 | 8.3 | 0.0 |
| Net interest-bearing debt adjusted (B3) | 51.9 | 49.9 | 45.1 |
| Calculation of capital employed: | | | |
| Capital employed before adjustments to net interest-bearing debt (A+B1) | 369.0 | 328.9 | 359.2 |
| Capital employed before normalisation for cash build up for tax payment (A+B2) | 374.9 | 334.6 | 365.0 |
| Capital employed (A+B3) | 389.0 | 342.9 | 365.0 |
| Calculated net debt to capital employed: | | | |
| Net debt to capital employed before adjustments (B1/(A+B1) | 8.6% | 10.9% | 10.9% |
| Net debt to capital employed before normalisation for tax payment (B2/(A+B2) | 10.1% | 12.4% | 12.4% |
| Net debt to capital employed (B3/(A+B3) | 13.3% | 14.6% | 12.4% |

1) Adjustments to other interest-bearing elements are cash and cash equivalents adjustments regarding collateral deposits classified as cash and cash equivalents in the balance sheet but considered as non-cash in the non-GAAP calculations as well as financial investments in Statoil Forsikring a.s. classified as current financial investments.

2) Marketing instruction adjustment is adjustment to gross interest-bearing debt due to the SDFI part of the financial lease in the Snøhvit vessels are included in Statoil's balance sheet.

3) Adjustment for project loan is adjustment to gross interest-bearing debt due to the BTC project loan structure.

4) Normalisation for cash-build-up before tax payment adjusts to exclude 50% of the cash-build-up related to tax payments due in the beginning of February, April, August, October and December, which were NOK 28.1 billion and NOK 16.6 billion as of March 2013 and 2012, respectively.

**Cash flows from underlying operations** begins with income before tax and adjust for items with no cash effect, according to definition. The measure provides an indication of cash flows from underlying operations, and is an additional measurement to cash flows provided by operations which also includes changes in working capital, taxes paid and other changes.

| Cash flows from underlying operations (in NOK billion) | First quarter 2013 | First quarter 2012 | Full year 2012 |
|---|---|---|---|
| Income before tax | 32.2 | 57.4 | 206.7 |
| Adjustments | | | |
| Depreciation, amortisation, impairment losses | 14.8 | 14.6 | 60.5 |
| Exploration expenditures written off | 0.0 | 0.4 | 3.1 |
| (Gains) losses on foreign currency transactions and balances | 4.5 | (0.4) | 3.3 |
| (Gains) losses on sales of asset and other items | (0.9) | (2.2) | (21.7) |
| (Increase) decrease in net derivative financial instruments | 7.2 | 1.4 | (1.1) |
| Cash flows from underlying operations | 57.8 | 71.2 | 250.8 |

## Reconciliation of net operating income to adjusted earnings

The table specifies the adjustments made to each of the profit and loss line items included in the net operating income subtotal.

**Statoil group**

| Items impacting net operating income (in NOK billion) | First quarter 2013 | First quarter 2012 |
|---|---|---|
| **Net operating income** | 38.0 | 57.9 |
| **Total revenues and other income** | (0.8) | 2.0 |
| Change in Fair Value of derivatives | 1.4 | 1.5 |
| Periodisation of inventory hedging effect | 0.2 | 0.3 |
| Over/Underlift | (0.1) | (0.3) |
| Eliminations | (2.3) | 0.5 |
| **Purchases [net of inventory variation]** | (0.2) | (0.4) |
| Operational Storage effects | (0.2) | (0.4) |
| **Operating expenses** | 5.9 | 0.2 |
| Over/Underlift | (0.3) | 0.1 |
| Other Adjustments | 0.8 | 0.1 |
| Provisions | 5.3 | 0.0 |
| **Selling, general and administrative expenses** | (0.5) | (0.5) |
| Other Adjustments | 0.0 | (0.5) |
| Provisions | (0.5) | 0.0 |
| **Sum of adjustments** | 4.4 | 1.2 |
| **Adjusted earnings** | 42.4 | 59.2 |

## Reconciliation of adjusted earnings after tax to net income

| Reconciliation of adjusted earnings after tax to net income (in NOK billion) | | First quarter 2013 | 2012 |
|---|---|---|---|
| Net operating income (NOI) | A | 38.0 | 57.9 |
| Tax on NOI | B | 28.8 | 41.1 |
| NOI after tax | C = A-B | 9.1 | 16.9 |
| Adjustments | D | 4.4 | 1.2 |
| Tax on adjustments | E | 1.6 | 1.3 |
| Adjusted earnings after tax | F = C+D-E | 12.0 | 16.8 |
| Net financial items | G | (5.8) | (0.5) |
| Tax on net financial items | H | (3.1) | 1.0 |
| Net income | I = C+G-H | 6.4 | 15.4 |

# END NOTES

1. The Group's average liquids price is a volume-weighted average of the segment prices of crude oil, condensate and natural gas liquids (NGL), including a margin for oil sales, trading and supply.
2. The refining reference margin is a typical average gross margin of our two refineries, Mongstad and Kalundborg. The reference margin will differ from the actual margin, due to variations in type of crude and other feedstock, throughput, product yields, freight cost, inventory etc.
3. Liquids volumes include oil, condensate and NGL, exclusive of royalty oil.
4. Equity volumes represent produced volumes under a Production Sharing Agreement (PSA) that correspond to Statoil's ownership percentage in a particular field. Entitlement volumes, on the other hand, represent Statoil's share of the volumes distributed to the partners in the field, which are subject to deductions for, among other things, royalty and the host government's share of profit oil. Under the terms of a PSA, the amount of profit oil deducted from equity volumes will normally increase with the cumulative return on investment to the partners and/or production from the license. As a consequence, the gap between entitlement and equity volumes will likely increase in times of high liquids prices. The distinction between equity and entitlement is relevant to most PSA regimes, whereas it is not applicable in most concessionary regimes such as those in Norway, the UK, the US, Canada and Brazil.
5. These are non-GAAP figures. See report section "Use and reconciliation of non-GAAP financial measures" for details.
6. Transactions with the Norwegian State. The Norwegian State, represented by the Ministry of Petroleum and Energy (MPE), is the majority shareholder of Statoil and also holds major investments in other entities. This ownership structure means that Statoil participates in transactions with many parties that are under a common ownership structure and therefore meet the definition of a related party.

   Statoil purchases liquids and natural gas from the Norwegian State, represented by SDFI (the State's Direct Financial Interest). In addition, Statoil is selling the State's natural gas production in its own name, but for the Norwegian State's account and risk as well as related expenditures refunded by the State.

   All transactions are considered to be on a normal arms-length basis and are presented in the financial statements.

7. The production guidance for 2013 reflects our estimates of proved reserves calculated in accordance with US Securities and Exchange Commission (SEC) guidelines and additional production from other reserves not included in proved reserves estimates. The production guidance for 2020 is not calculated on proved reserves in accordance with SEC guidelines.

# FORWARD-LOOKING STATEMENTS

FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements that involve risks and uncertainties. In some cases, we use words such as "ambition", "continue", "could", "estimate", "expect", "focus", "likely", "may", "outlook", "plan", "strategy", "will", "guidance", "predictable" and similar expressions to identify forward-looking statements. All statements other than statements of historical fact, including, among others, statements regarding future financial position, results of operations and cash flows; changes in the fair value of derivatives; future financial ratios and information; future financial or operational portfolio or performance; future market position and conditions; business strategy; growth strategy; future impact of accounting policy judgments; sales, trading and market strategies; research and development initiatives and strategy; market outlook and future economic projections and assumptions; competitive position; projected regularity and performance levels; expectations related to our recent transactions, projects and discoveries, such as developments at Johan Sverdrup, the Wintershall agreement and the discovery of additional resources at Gullfaks; completion and results of acquisitions, disposals and other contractual arrangements; reserve information; future margins; projected returns; future levels, timing or development of capacity, reserves or resources; future decline of mature fields; planned maintenance (and the effects thereof); oil and gas production forecasts and reporting; domestic and international growth, expectations and development of production, projects, pipelines or resources; estimates related to production and development levels and dates; operational expectations, estimates, schedules and costs; exploration and development activities, plans and expectations; projections and expectations for upstream and downstream activities; oil, gas, alternative fuel and energy prices; oil, gas, alternative fuel and energy supply and demand; natural gas contract prices; timing of gas off-take; technological innovation, implementation, position and expectations; projected operational costs or savings; projected unit of production cost; our ability to create or improve value; future sources of financing; exploration and project development expenditure; effectiveness of our internal policies and plans; our ability to manage our risk exposure; our liquidity levels and management; estimated or future liabilities, obligations or expenses and how such liabilities, obligations and expenses are structured; expected impact of currency and interest rate fluctuations; expectations related to contractual or financial counterparties; capital expenditure estimates and expectations; projected outcome, objectives of management for future operations; impact of PSA effects; projected impact or timing of administrative or governmental rules, standards, decisions, standards or laws (including taxation laws); estimated costs of removal and abandonment; estimated lease payments, gas transport commitments and future impact of legal proceedings are forward-looking statements. You should not place undue reliance on these forward-looking statements. Our actual results could differ materially from those anticipated in the forward-looking statements for many reasons, including the risks described above in "Financial Risk update".

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. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including levels of industry product supply, demand and pricing; price and availability of alternative fuels; currency exchange rate and interest rate fluctuations; the political and economic policies of Norway and other oil-producing countries; EU directives; general economic conditions; political and social stability and economic growth in relevant areas of the world; Euro-zone uncertainty; global political events and actions, including war, terrorism and sanctions; security breaches, including breaches of our digital infrastructure (cybersecurity); changes or uncertainty in or non-compliance with laws and governmental regulations; the timing of bringing new fields on stream; an inability to exploit growth or investment opportunities; material differences from reserves estimates; unsuccessful drilling; an inability to find and develop reserves; ineffectiveness of crisis management systems; adverse changes in tax regimes; the development and use of new technology; geological or technical difficulties; operational problems; operator error; inadequate insurance coverage; the lack of necessary transportation infrastructure when a field is in a remote location and other transportation problems; the actions of competitors; the actions of field partners; the actions of governments (including the Norwegian state as majority shareholder); counterparty defaults; natural disasters and adverse weather conditions, climate change, and other changes to business conditions; failure to meet our ethical and social standards; an inability to attract and retain personnel; relevant governmental approvals (including in relation to the agreement with Wintershall); industrial actions by workers and other factors discussed elsewhere in this report. Additional information, including information on factors that may affect Statoil's business, is contained in Statoil's Annual Report on Form 20-F for the year ended December 31, 2012, filed with the U.S. Securities and Exchange Commission, which can be found on Statoil's website at www.statoil.com.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot assure you that our future results, level of activity, performance or achievements will meet these expectations. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. Unless we are required by law to update these statements, we will not necessarily update any of these statements after the date of this report, either to make them conform to actual results or changes in our expectations.

# Condensed interim financial statements

## First quarter 2013

### CONSOLIDATED STATEMENT OF INCOME

| (unaudited, in NOK billion) | For the three months ended 31 March 2013 | 2012 | For the year ended 31 December 2012 |
|---|---|---|---|
| Revenues | 162.2 | 194.8 | 705.7 |
| Net income from associated companies | (0.5) | 0.5 | 1.7 |
| Other income | 0.0 | 0.1 | 16.0 |
| Total revenues and other income | 161.7 | 195.4 | 723.4 |
| Purchases [net of inventory variation] | (80.5) | (98.6) | (363.1) |
| Operating expenses | (23.7) | (17.8) | (64.0) |
| Selling, general and administrative expenses | (1.6) | (3.4) | (11.1) |
| Depreciation, amortisation and net impairment losses | (14.8) | (14.6) | (60.5) |
| Exploration expenses | (3.1) | (3.1) | (18.1) |
| Net operating income | 38.0 | 57.9 | 206.6 |
| Net financial items | (5.8) | (0.5) | 0.1 |
| Income before tax | 32.2 | 57.4 | 206.7 |
| Income tax | (25.8) | (42.0) | (137.2) |
| Net income | 6.4 | 15.4 | 69.5 |
| Attributable to equity holders of the company | 6.4 | 15.1 | 68.9 |
| Attributable to non-controlling interests | 0.0 | 0.3 | 0.6 |
| Basic earnings per share (in NOK) | 2.02 | 4.75 | 21.66 |
| Diluted earnings per share (in NOK) | 2.02 | 4.74 | 21.60 |
| Dividend declared and paid per ordinary share | - | - | 6.50 |
| Weighted average number of ordinary shares outstanding (millions) | 3,181.8 | 3,182.5 | 3,181.5 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| (unaudited, in NOK billion) | For the three months ended 31 March 2013 | 2012 | For the year ended 31 December 2012 |
|---|---|---|---|
| Net income | 6.4 | 15.4 | 69.5 |
| Actuarial gains (losses) on defined benefit pension plans | (0.2) | 0.0 | 5.5 |
| Income tax effect on income and expense recognised in OCI | 0.1 | 0.0 | (1.5) |
| Items that will not be reclassifed to statement of income | (0.1) | 0.0 | 4.0 |
| Foreign currency translation differences | 10.8 | (7.4) | (11.9) |
| Items that may be subsequently reclassified to statement of income | 10.8 | (7.4) | (11.9) |
| Other comprehensive income | 10.7 | (7.4) | (7.9) |
| Total comprehensive income | 17.1 | 8.0 | 61.6 |
| Attributable to equity holders of the company | 17.1 | 7.7 | 61.0 |
| Attributable to non-controlling interests | 0.0 | 0.3 | 0.6 |

## CONSOLIDATED BALANCE SHEET

| (unaudited, in NOK billion) | At 31 March 2013 | At 31 December 2012 | At 31 March 2012 |
|---|---|---|---|
| ASSETS | | | |
| Property, plant and equipment | 458.0 | 439.1 | 409.1 |
| Intangible assets | 92.6 | 87.6 | 89.5 |
| Investments in associated companies | 7.5 | 8.3 | 9.0 |
| Deferred tax assets | 2.2 | 3.9 | 3.7 |
| Pension assets | 11.1 | 9.4 | 7.2 |
| Derivative financial instruments | 29.7 | 33.2 | 30.4 |
| Financial investments | 15.0 | 15.0 | 15.5 |
| Prepayments and financial receivables | 5.0 | 4.9 | 3.3 |
| Total non-current assets | 621.1 | 601.4 | 567.7 |
| Inventories | 23.3 | 25.3 | 25.4 |
| Trade and other receivables | 77.7 | 74.0 | 93.4 |
| Derivative financial instruments | 3.0 | 3.6 | 5.6 |
| Financial investments | 21.0 | 14.9 | 26.2 |
| Cash and cash equivalents | 64.6 | 65.2 | 61.0 |
| Total current assets | 189.6 | 183.0 | 211.6 |
| Total assets | 810.7 | 784.4 | 779.3 |
| EQUITY AND LIABILITIES | | | |
| Shareholders' equity | 336.4 | 319.2 | 286.6 |
| Non-controlling interests | 0.7 | 0.7 | 6.4 |
| Total equity | 337.1 | 319.9 | 293.0 |
| Finance debt | 104.8 | 101.0 | 107.3 |
| Deferred tax liabilities | 75.2 | 81.2 | 78.7 |
| Pension liabilities | 20.7 | 20.6 | 26.7 |
| Provisions | 99.8 | 95.5 | 85.6 |
| Derivative financial instruments | 3.7 | 2.7 | 2.9 |
| Total non-current liabilities | 304.2 | 301.0 | 301.2 |
| Trade and other payables | 80.1 | 81.8 | 90.3 |
| Current tax payable | 73.3 | 62.2 | 76.3 |
| Finance debt | 12.6 | 18.4 | 15.8 |
| Derivative financial instruments | 3.4 | 1.1 | 2.7 |
| Total current liabilities | 169.4 | 163.5 | 185.1 |
| Total liabilities | 473.6 | 464.5 | 486.3 |
| Total equity and liabilities | 810.7 | 784.4 | 779.3 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| (unaudited, in NOK billion) | Share capital | Additional paid-in capital | Retained earnings | Currency translation adjustments | Statoil shareholders' equity | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| At 31 December 2012 | 8.0 | 40.6 | 270.8 | (0.2) | 319.2 | 0.7 | 319.9 |
| Net income for the period | | | 6.4 | | 6.4 | 0.0 | 6.4 |
| Other comprehensive income | | | (0.1) | 10.8 | 10.7 | | 10.7 |
| Other equity transactions | | 0.0 | 0.1 | | 0.1 | 0.0 | 0.1 |
| At 31 March 2013 | 8.0 | 40.6 | 277.2 | 10.6 | 336.4 | 0.7 | 337.1 |
| At 31 December 2011 | 8.0 | 40.7 | 218.5 | 11.7 | 278.9 | 6.3 | 285.2 |
| Net income for the period | | | 15.1 | | 15.1 | 0.3 | 15.4 |
| Other comprehensive income | | | 0.0 | (7.4) | (7.4) | | (7.4) |
| Other equity transactions | | (0.1) | 0.1 | | 0.0 | (0.2) | (0.2) |
| At 31 March 2012 | 8.0 | 40.6 | 233.7 | 4.3 | 286.6 | 6.4 | 293.0 |

## CONSOLIDATED STATEMENT OF CASH FLOWS

| (unaudited, in NOK billion) | For the three months ended 31 March 2013 | For the three months ended 31 March 2012 | For the year ended 31 December 2012 |
|---|---|---|---|
| Income before tax | 32.2 | 57.4 | 206.7 |
| Adjustments for: | | | |
| Depreciation, amortisation and net impairment losses | 14.8 | 14.6 | 60.5 |
| Exploration expenditures written off | 0.0 | 0.4 | 3.1 |
| (Gains) losses on foreign currency transactions and balances | 4.5 | (0.4) | 3.3 |
| (Gains) losses on sales of assets and other items | (0.9) | (2.2) | (21.7) |
| (Increase) decrease in inventories | 5.2 | 2.4 | 0.8 |
| (Increase) decrease in trade and other receivables | (6.1) | (3.8) | 10.8 |
| Increase (decrease) in trade and other payables | (2.0) | (1.4) | (7.0) |
| (Increase) decrease in net derivative financial instruments | 7.2 | 1.4 | (1.1) |
| Taxes paid | (17.7) | (19.4) | (119.9) |
| (Increase) decrease in non-current items related to operating activities | 1.1 | (1.7) | (7.5) |
| Cash flows provided by operating activities | 38.3 | 47.3 | 128.0 |
| Additions to property, plant and equipment | (23.9) | (22.7) | (96.0) |
| Exploration expenditures capitalised and additions to other intangibles | (3.6) | (7.2) | (16.4) |
| (Increase) decrease in financial investments | (5.0) | (21.3) | (12.1) |
| (Increase) decrease in non-current loans granted and other non-current items | (0.1) | (0.4) | (1.9) |
| Proceeds from sale of assets and businesses | 0.1 | 13.9 | 29.8 |
| Cash flows used in investing activities | (32.5) | (37.7) | (96.6) |
| New finance debt | 0.0 | 1.5 | 13.1 |
| Repayment of finance debt | (2.9) | (2.9) | (12.2) |
| Dividend paid | 0.0 | 0.0 | (20.7) |
| Net current finance debt and other | (3.4) | (0.9) | 1.6 |
| Cash flows provided by (used in) financing activities | (6.3) | (2.3) | (18.2) |
| Net increase (decrease) in cash and cash equivalents | (0.5) | 7.3 | 13.2 |
| Effect of exchange rate changes on cash and cash equivalents (net of overdraft) | 0.2 | (0.8) | (1.9) |
| Cash and cash equivalents at the beginning of the period (net of overdraft) | 64.9 | 53.6 | 53.6 |
| Cash and cash equivalents at the end of the period (net of overdraft) | 64.6 | 60.1 | 64.9 |

At 31 March 2012 and 31 December 2012 *Cash and cash equivalents* included a net bank overdraft of NOK 0.9 billion and NOK 0.3 billion, respectively. At 31 March 2013 the amount of net bank overdraft has been rounded to zero.

# Notes to the condensed interim financial statements

## 1 Organisation and basis of preparation

**General information and organisation**
Statoil ASA, originally Den Norske Stats Oljeselskap AS, was founded in 1972 and is incorporated and domiciled in Norway. The address of its registered office is Forusbeen 50, N-4035 Stavanger, Norway.

The Statoil group's (Statoil's) business consists principally of the exploration, production, transportation, refining and marketing of petroleum and petroleum-derived products. Statoil ASA is listed on the Oslo Stock Exchange (Norway) and the New York Stock Exchange (USA).

All Statoil's oil and gas activities and net assets on the Norwegian continental shelf (NCS) are owned by Statoil Petroleum AS, a 100% owned operating subsidiary. Statoil Petroleum AS is co-obligor or guarantor of certain debt obligations of Statoil ASA.

Statoil's condensed interim financial statements for the first quarter of 2013 were authorised for issue by the board of directors on 30 April 2013.

**Basis of preparation**
These condensed interim financial statements are prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU). The condensed interim financial statements do not include all of the information and disclosures required by International Financial Reporting Standards (IFRSs) for a complete set of financial statements, and these condensed interim financial statements should be read in conjunction with the annual financial statements. IFRSs as adopted by the EU differ in certain respects from IFRSs as issued by the IASB, but the differences do not impact Statoil's financial statements for the periods presented.

A description of the significant accounting policies is included in the Statoil annual financial statements for 2012, and applies to these condensed interim financial statements except for certain updated policies as outlined in the below description of standards and amendments implemented on 1 January 2013.

The condensed interim financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the financial position, results of operations and cash flows for the dates and interim periods presented. Interim period results are not necessarily indicative of results of operations or cash flows for an annual period. As a result of accounting policy changes made in the fourth quarter of 2012 certain amounts in the comparable period have been restated, see notes to Statoil's 2012 annual financial statements.

The condensed interim financial statements are unaudited.

**Standards and amendments implemented on 1 January 2013**
The accounting standards and standard amendments applicable to Statoil and listed in the following three paragraphs were implemented on 1 January 2013. None of these standards and amendments has materially impacted Statoil's financial statements upon implementation, although certain line items have been affected. Except for IFRS 13 *Fair Value Measurement*, the standards and amendments require retrospective implementation, but have been assessed to be immaterial as regards their impact on Statoil's financial statements for previous reporting periods. Consequently prior periods' information has not been restated to reflect the impact of the implemented standards and amendments.

IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*, their respective transition guidance amendments and the amendments to IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* have been implemented by Statoil simultaneously in the condensed interim financial statements. EU endorsement of these standards and amendments establishes an effective date of 1 January 2014, however, Statoil has in this instance elected early adoption of the standards as of 1 January 2013, which is the IASB's effective date of the standards. IFRS 10 introduces a new model in which entities are determined to be controlled by Statoil, and consolidated in Statoil's financial statements, when Statoil has power over the entity, ability to use that power to affect the entity's returns, and exposure to, or rights to, variable returns from its involvement with the entity. The standard's control model applies to all entities and requires judgment to determine whether an entity is controlled by Statoil and should be consolidated when there is less than a majority of voting rights, or whether there is a loss of control. Adoption of the standard has not led to significant changes in entities deemed to be controlled by Statoil. IFRS 11 introduces a substance over form approach that requires judgment in evaluating joint control and requires the unanimous consent of all the parties, or of a group of parties that collectively control an arrangement, for it to be defined as jointly controlled and for IFRS 11 to apply. The standard provides that Statoil accounts for joint operations, in which the group has rights to the assets and the liabilities of the joint operation, similar to the proportionate consolidation method. Joint ventures, in which Statoil has rights to the net assets, are accounted for using the equity method. Statoil has not identified significant entities or activities within the scope of IFRS 11 that are accounted for differently under the new standard. Those of Statoil's exploration and production licence activities that are within the scope of the standard are accounted for in a manner similar to proportionate consolidation.

The amendments to IAS 19 *Employee benefits* have upon adoption replaced interest cost and expected return on plan assets of defined benefit plans with a net interest amount which is calculated by applying the discount rate to the net defined benefit liability (asset). The difference between net interest income and actual return is recognised in *Other comprehensive income*. The net interest element continues to be presented in the statement of income as part of net pension cost within *Net operating income*.

*IFRS 13 Fair Value Measurement*, the amendments to IAS 1 *Presentation of Financial Statements*, the amendments to IFRS 7 *Financial Instruments: Disclosures*, and the *Improvements to IFRSs (2009 - 2011)* have also been implemented without material impact for the condensed interim financial statements.

There have been no other significant accounting policy changes in the first quarter of 2013 compared to the annual financial statements for 2012.

**Use of estimates**

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis, considering the current and expected future market conditions. A change in an accounting estimate is recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

## 2 Significant events

In the first quarter of 2013 Statoil recognised onerous contract provisions of NOK 4.9 billion within *Net operating income* in the Consolidated statement of income. The basis for the provisions was the fact that the unfavourable development in the US gas market and Statoil's expectation of no future utilisation of certain US-based terminal capacity contracts for the remaining contract term have been sustained over a period of time. Moreover, an agreement on early termination of certain of the capacity contracts was reached in the first quarter of 2013. NOK 4.1 billion of the provisions was recognised within the Marketing, Processing and Renewable Energy (MPR) segment and NOK 0.8 billion within the Development and Production Norway (DPN) segment. A limited part of the provisions is related to commitments made on behalf of and for the account and risk of the Norwegian state's direct financial interest. This has been accounted for in accordance with Statoil's policies for such expenses. NOK 4.0 billion has been reflected within *Provisions* in the Consolidated balance sheet, with the current portion of NOK 0.9 billion reflected in *Trade and other payables*. No tax asset was recognised in relation to the MPR related provisions and this led to a relatively high tax rate for the first quarter of 2013. As a result of the recognition of the onerous contract provisions in the first quarter of 2013, all the US terminal capacity related contract commitments previously included in Statoil's year-end disclosure of long-term commitments are now provided for in the Consolidated balance sheet.

## 3 Segments

Statoil's operations are managed through the following operating segments: Development and Production Norway (DPN); Development and Production North America (DPNA); Development and Production International (DPI); Marketing, Processing and Renewable Energy (MPR); and Other. The Fuel and Retail segment (FR) was sold on 19 June 2012.

Statoil reports its business through reporting segments which correspond to the operating segments, except for the operating segments DPI and DPNA which have been combined into one reporting segment, Development and Production International. This combination into one reporting segment has its basis in similar economic characteristics, the nature of products, services and production processes, as well as the type and class of customers and the methods of distribution.

The Eliminations section includes elimination of inter-segment sales and related unrealised profits, mainly from the sale of crude oil and products. Inter-segment revenues are based upon estimated market prices.

Segment data for the three months ended 31 March 2013 and 2012 is presented below. The measurement basis of segment profit is *Net operating income*. In the table below, deferred tax assets, pension assets and non-current financial assets are not allocated to segments.

| (in NOK billion) | Development and Production Norway | Development and Production International | Marketing, Processing and Renewable Energy | Other | Eliminations | Total |
|---|---|---|---|---|---|---|
| Three months ended 31 March 2013 | | | | | | |
| Revenues third party and Other income | (0.5) | 5.0 | 157.4 | 0.3 | - | 162.2 |
| Revenues inter-segment | 48.4 | 16.1 | 0.3 | 0.0 | (64.8) | 0.0 |
| Net income (loss) from associated companies | 0.0 | (0.5) | 0.0 | 0.0 | 0.0 | (0.5) |
| Total revenues and other income | 47.9 | 20.6 | 157.7 | 0.3 | (64.8) | 161.7 |
| Net operating income | 32.1 | 5.8 | (2.1) | (0.1) | 2.3 | 38.0 |
| Significant non-cash items recognised | | | | | | |
| - Depreciation and amortisation | 7.4 | 6.5 | 0.7 | 0.2 | 0.0 | 14.8 |
| - Provisions for onerous contracts | 0.8 | 0.0 | 4.1 | 0.0 | 0.0 | 4.9 |
| - Net impairment losses (reversals) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| - Unrealised (gain) loss on commodity derivatives | 0.8 | 0.0 | 0.5 | 0.0 | 0.0 | 1.3 |
| - Exploration expenditures written off | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Investments in associated companies | 0.2 | 4.5 | 2.6 | 0.2 | - | 7.5 |
| Non-current segment assets | 240.3 | 264.5 | 40.1 | 5.7 | - | 550.6 |
| Non-current assets, not allocated to segments | | | | | | 63.0 |
| Total non-current assets | | | | | | 621.1 |
| Additions to PP&E and intangible assets | 13.0 | 12.1 | 1.0 | 0.2 | - | 26.3 |

| (in NOK billion) | Development and Production Norway | Development and Production International | Marketing, Processing and Renewable Energy | Other | Fuel and Retail | Eliminations | Total |
|---|---|---|---|---|---|---|---|
| Three months ended 31 March 2012 | | | | | | | |
| Revenues third party and Other income | 0.5 | 6.6 | 169.8 | 0.2 | 17.8 | - | 194.9 |
| Revenues inter-segment | 61.3 | 14.1 | 11.5 | 0.0 | 0.7 | (87.6) | 0.0 |
| Net income (loss) from associated companies | 0.0 | 0.4 | 0.1 | 0.0 | 0.0 | 0.0 | 0.5 |
| Total revenues and other income | 61.8 | 21.1 | 181.4 | 0.2 | 18.5 | (87.6) | 195.4 |
| Net operating income | 46.7 | 7.5 | 3.2 | 0.2 | 0.8 | (0.5) | 57.9 |
| Significant non-cash items recognised | | | | | | | |
| - Depreciation and amortisation | 7.5 | 6.0 | 0.6 | 0.2 | 0.3 | 0.0 | 14.6 |
| - Net impairment losses (reversals) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| - Unrealised (gain) loss on commodity derivatives | 0.0 | 0.0 | 1.9 | 0.0 | 0.0 | 0.0 | 1.9 |
| - Exploration expenditures written off | 0.0 | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.4 |
| Investments in associated companies | 0.2 | 5.5 | 2.5 | 0.8 | 0.0 | - | 9.0 |
| Non-current segment assets | 214.3 | 235.4 | 34.0 | 4.0 | 10.9 | - | 498.6 |
| Non-current assets, not allocated to segments | | | | | | | 60.1 |
| Total non-current assets | | | | | | | 567.7 |
| Additions to PP&E and intangible assets | 12.3 | 13.7 | 1.0 | 0.3 | 0.3 | - | 27.6 |

The segment data for MPR and DPN has been influenced by the transactions discussed in note 2 *Significant events*.

## 4 Financial items

| (in NOK billion) | For the three months ended 31 March 2013 | 2012 |
|---|---|---|
| Net foreign exchange gains (losses) | (4.0) | 0.6 |
| Interest income and other financial items | 1.1 | 1.1 |
| Gains (losses) derivative financial instruments | (2.0) | (0.7) |
| Interest and other finance expenses | (0.9) | (1.5) |
| Net financial items | (5.8) | (0.5) |

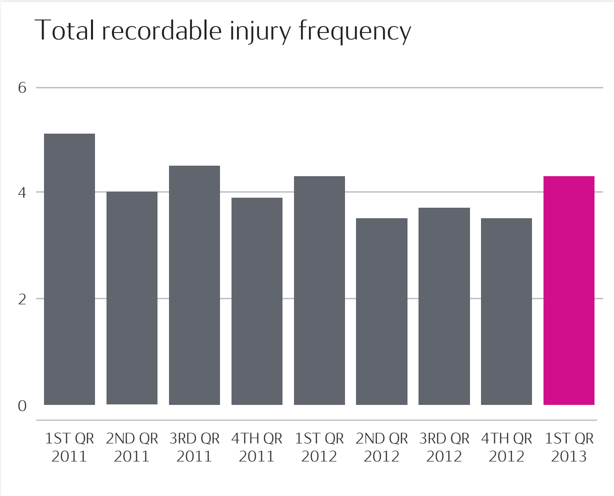
## 5 Property, plant and equipment and Intangible assets

| (in NOK billion) | Property, plant and equipment | Intangible assets |
|---|---|---|
| Balance at 31 December 2012 | 439.1 | 87.6 |
| Additions | 25.1 | 2.1 |
| Transfers | 0.6 | (0.6) |
| Disposals | 0.0 | 0.0 |
| Expensed exploration expenditures previously capitalised | - | 0.0 |
| Depreciation, amortisation and net impairment losses | (14.8) | 0.0 |
| Effect of foreign currency translation adjustments | 8.0 | 3.5 |
| Balance at 31 March 2013 | 458.0 | 92.6 |

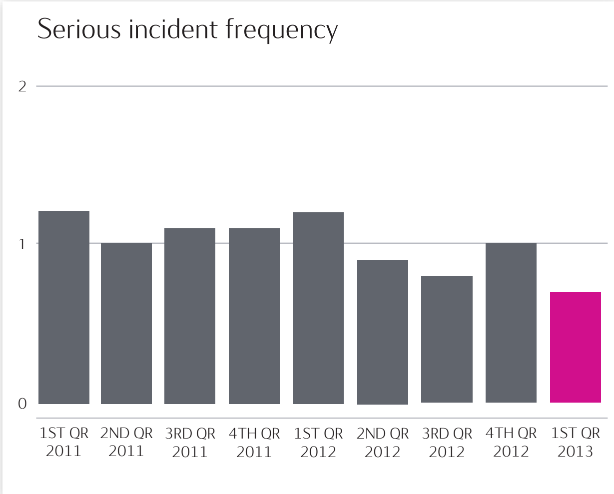
## 6 Provisions, commitments, contingent liabilities and contingent assets

During the normal course of its business Statoil is involved in legal proceedings, and several unresolved claims are currently outstanding. The ultimate liability or asset, respectively, in respect of such litigation and claims cannot be determined at this time. In its financial statements Statoil has provided for probable liabilities related to litigation and claims based on the company's best judgement. Statoil does not expect that its financial position, results of operations or cash flows will be materially affected by the resolution of these legal proceedings.

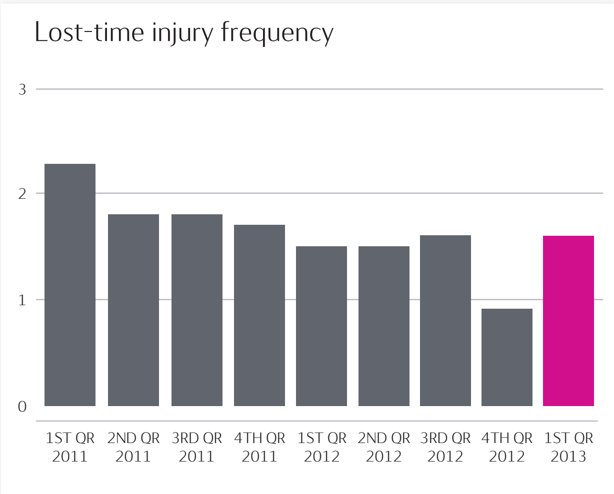
# HSE accounting



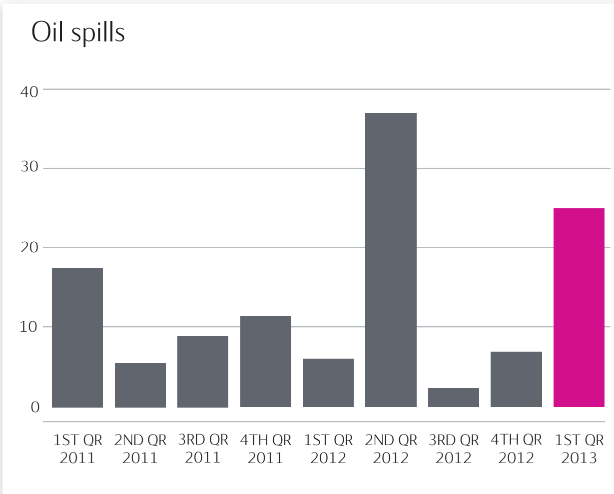

The total recordable injury frequency specifies the number of fatalities, lost-time injuries, cases of substitute work and other injuries requiring treatment by a medical professional per million hours worked. Statoil and contractor employees are included.




The serious incident frequency specifies the number of serious incidents (including near misses) per million hours worked. Statoil and contractor employees are included.




The lost-time injury frequency specifies the number of fatalities and lost-time injuries per million hours worked. Statoil and contractor employees are included.




Oil spills (cubic metres) cover unintentional oil spills to the natural environment from Statoil operations.