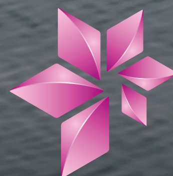
ANNUAL REPORT / 2012

Statutory Report

in accordance with Norwegian authority requirements



Statoil

ANNUAL REPORT /2012

Statutory Report

in accordance with Norwegian authority requirements

This publication is our annual reporting for 2012 in accordance with the requirements of the Norwegian Ministry of Finance, in English.

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STATOIL ASA
BOX 8500
NO-4035 STAVANGER
NORWAY
TELEPHONE: +47 51 99 00 00

www.statoil.com

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Board of directors report

Statoil's financial results and cash flows were solid in 2012. Production was up 8%, important strategic progress was made and the balance sheet was further strengthened.

Net operating income was NOK 206.6 billion in 2012, down 2% compared to NOK 211.8 billion in 2011.

The 2% decrease was mainly attributable to decreased gain from sale of assets and decreased unrealised gains on derivatives. Higher operating expenses reflecting the overall increased activity level added to the decrease. Higher liquids and gas prices measured in NOK and increased volumes sold due to increased production and liftings, partly offset the decrease.

Total equity liquids and gas production was 2,004 mboe per day in 2012 in line with the target we announced in 2011, compared to 1,850 mboe per day in 2011.

Cash flows were solid in 2012, mainly as a result of increased cash flows from operating activities and continued portfolio optimisation.

Statoil's safety results with respect to serious incidents have been improved over the recent years. The overall Serious incident frequency (SIF) improved from 1.1 in 2011 to 1.0 in 2012.

On 16 January 2013, Statoil, together with our partners BP and Sonatrach, was hit by a terror attack on the In Amenas gas production facility in Algeria. Five esteemed and dear Statoil-colleagues lost their lives in the attack. Twelve of our employees managed to escape to safety. Statoil has decided to conduct an investigation following the terrorist attack. The main objective of the investigation is to provide the company with a basis for making further improvements to its security, risk assessment and emergency preparedness. In order to clarify and evaluate the facts related to the terror attack, an investigation team has been appointed by the board of directors. The investigation team will be supported by an advisory expert group and a resource group.

Strategic portfolio optimisation in 2012, including the farm down agreement of NCS assets with Centrica and the divestment of Statoil Fuel and Retail, both transactions closed in the second quarter of 2012, and the agreement with Wintershall announced in November 2012 (pending governmental approval), further underpin our ability to redeploy capital and create value.

The successful exploration results achieved in 2011 continued into 2012, adding more than 1.5 billion barrels to the resource base. The reserve replacement ratio (RRR) was 1.0 in 2012, of which the organic RRR was 1.1. The reserves added in 2012 is primarily due to positive revisions on several of our producing fields due to good production performance and continued IOR efforts, sanctioning new field developments in Norway, Canada and the UK and continued drilling in our US onshore assets Bakken, Eagle Ford and Marcellus.

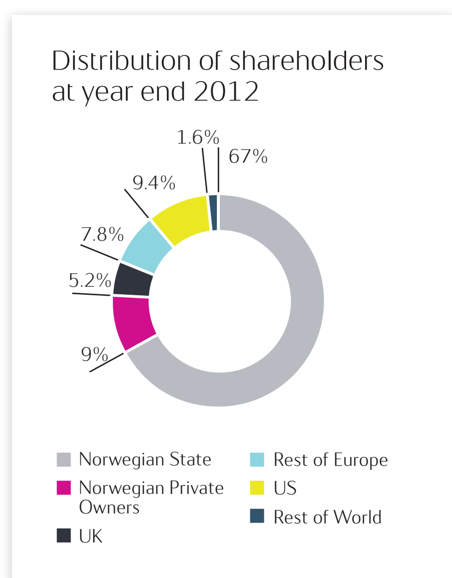
Statoil has an ambition to reach an equity production above 2.5 million barrels of oil equivalents per day in 2020. The growth is expected to come from new projects in the period from 2014 to 2016. A second wave of projects is expected to come on stream from 2016 to 2020. The growth towards 2020 will not be linear and the equity production for 2013 is estimated to be lower than the 2012 level.

Organic capital expenditures for 2013 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.

The Statoil share

The board of directors proposes for approval at the annual general meeting an ordinary dividend of NOK 6.75 per share for 2012, an aggregate total of NOK 21.5 billion.



Statoil's ambition is to grow the annual cash dividend measured in NOK per share, in line with long-term underlying earnings. When deciding the annual dividend level, the board of directors takes into consideration expected cash flows, capital expenditure plans, financing requirements and needs for appropriate financial flexibility. In addition to the cash dividend, Statoil may buy back shares as part of its total distribution of capital to shareholders. There have been no amendments to the dividend policy since it was changed in February 2010.

In 2011, the ordinary dividend was NOK 6.50 per share, an aggregate total of NOK 20.7 billion.

The Statoil share, listed on the Oslo Stock Exchange under the ticker code STL, declined during 2012, starting out 2 January 2012 at NOK 153.50, ending up at NOK 139.00 at the end of 2012. Statoil is also listed on the New York Stock Exchange under the ticker code STO.

Our business

Statoil is an upstream, technology-driven energy company primarily engaged in oil and gas exploration and production activities.

Statoil has business operations in 35 countries and territories and has approximately 23,000 employees worldwide. The headquarters are in located in Norway, and the largest offices are in Stavanger, Bergen and Oslo. Statoil is the leading operator on the Norwegian continental shelf (NCS).

Since 2000, our business has grown as a result of substantial investments both on the NCS and internationally. Statoil is present in several of the most important oil and gas provinces in the world. In 2012, 33% of Statoil's equity production came from international activities and Statoil also holds operatorships internationally.

Statoil ASA is a public limited liability company organised under the laws of Norway and subject to the provisions of the Norwegian act relating to public limited liability companies (the Norwegian Public Limited Liability Companies Act). The Norwegian State is the largest shareholder in Statoil ASA, with a direct ownership interest of 67%.

Statoil is among the world's largest net sellers of crude oil and condensate, and is the second largest supplier of natural gas to the European market. Statoil also has substantial processing and refining operations. We are contributing to the development of new energy resources, have ongoing activities in offshore wind, and are at the forefront of the implementation of technology for carbon capture and storage (CCS).

Statoil aims to grow and enhance value through its technology-focused upstream strategy, supplemented by selective positions in the midstream and in low-carbon technologies. Statoil's immediate priorities remain to conduct safe, reliable operations with zero harm to people and the environment, and to deliver profitable production growth. To succeed going forward we continue to focus strategically on the following:

- Revitalising Statoil's legacy position on the Norwegian continental shelf (NCS)
- Building offshore clusters
- Developing into a leading exploration company
- Increasing our activity in unconventional resources
- Creating value from a superior gas position
- Continuing portfolio management to enhance value creation
- Utilising oil and gas expertise and technology to open new renewable energy opportunities

Statoil's operations are managed through the following business areas:

Development and Production Norway (DPN)
DPN comprises our upstream activities on the Norwegian continental shelf (NCS). DPN operates both developed fields and does also operate a significant number of exploration licences. Acting as an operator, Statoil is responsible for approximately 71% of all oil and gas production on the NCS.

Development and Production International (DPI)

DPI comprises our worldwide upstream activities that are not included in the DPN and Development and Production North America (DPNA) business areas. DPI's ambition is to build a large and profitable international production portfolio comprising activities ranging from accessing new opportunities to delivering on existing projects and managing a production portfolio.

Development and Production North America (DPNA)
DPNA comprises our upstream activities in North America. DPNA's ambition is to develop a material and profitable position in North America, including the deepwater regions of the Gulf of Mexico and unconventional oil and gas and oil sands in the US and Canada. In this connection, we aim to further strengthen our capabilities in deep water, unconventional gas operations and carbon-efficient oil sands extraction.

Marketing, Processing and Renewable Energy (MPR)
MPR comprises our marketing and trading of oil products and natural gas and is responsible for marketing and trading of crude oil, natural gas, liquids and refined products, for transportation and processing, and for developing business opportunities in renewables. MPR markets Statoil's own volumes and SDFI's equity production of crude oil and, in addition to third party volumes, MPR is also responsible for marketing gas supplies related to the Norwegian state's direct financial interest (SDFI).

Exploration (EXP)
EXP is responsible for creating a global centre for exploration and deploying resources to priority activities across the portfolio. Main focus areas are accessing high potential new acreage in priority basins, globally prioritising and drilling more high impact wells in growth and frontier basins, delivering near field exploration on the Norwegian continental shelf and other select areas, and achieving step change improvements in performance.

Technology, Projects and Drilling (TPD)
TPD's main focus areas is to provide safe, efficient and cost-competitive global well, project delivery, technological excellence and R&D. Cost-competitive procurement is an important contributory factor, although group-wide procurement services are also expected to help to drive down costs in the group.

Global Strategy and Business Development (GSB)
GSB sets Statoil's corporate strategy, business development, and merger and acquisition activities (M&A). The ambition of the GSB business area is to closely link corporate strategy, business development and M&A activities to actively drive Statoil's corporate development.

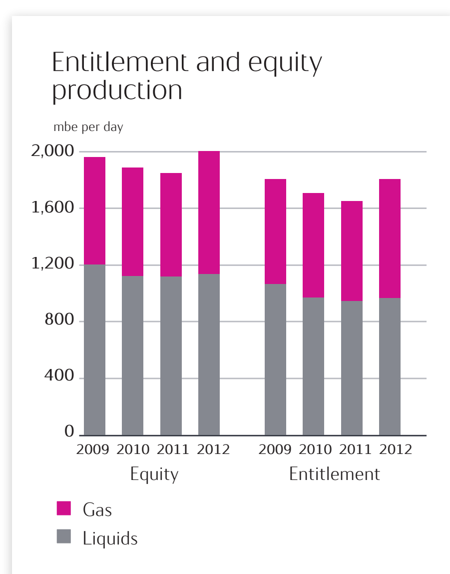
In June 2012, Statoil ASA sold its 54% shareholding in **Statoil Fuel & Retail ASA** (SFR) to Alimentation Couche-Tard for a cash consideration of NOK 8.3 billion. Up until this transaction SFR was fully consolidated in the Statoil group with a 46% non-controlling interest.

Group profit and loss analysis

Net operating income was NOK 206.6 billion in 2012, down 2% compared to 2011. Higher prices and increased volumes were offset by lower gain from sale of assets and increased operational costs.

OPERATIONAL REVIEW

Operational data	For the year ended 31 December 2012	2011	12-11 change
Average liquids price (USD/bbl)	103.5	105.6	(2%)
USDNOK average daily exchange rate	5.82	5.61	4%
Average liquids price (NOK/bbl)	602	592	2%
Average invoiced gas prices (NOK/scm)	2.19	2.08	5%
Refining reference margin (USD/bbl)	5.5	2.3	>100%
Production (mboe per day)			
Entitlement liquids production	966	945	2%
Entitlement gas production	839	706	19%
Total entitlement liquids and gas production	1,805	1,650	9%
Equity liquids production	1,137	1,118	2%
Equity gas production	867	732	18%
Total equity liquids and gas production	2,004	1,850	8%
Liftings (mboe per day)			
Liquids liftings	959	910	5%
Gas liftings	839	706	19%
Total liquids and gas liftings	1,797	1,616	11%
Production cost (NOK/boe, last 12 months)			
Production cost entitlement volumes	47	47	(1%)
Production cost equity volumes	42	42	(0%)



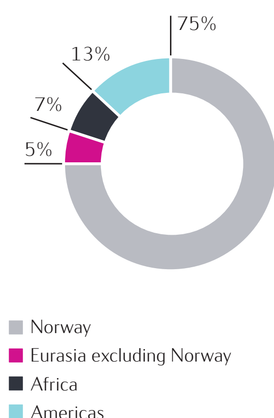
Total equity liquids and gas production was up 8% to 2,004 mboe per day in 2012, primarily due to increased gas deliveries from the NCS as a result of favourable prices in the European gas market, start-up of production from new fields and ramp-up of production on various fields. Higher maintenance activities in 2011 partly accounts for the lower production in 2011. Expected natural decline on mature fields and the Heidrun redetermination settlement with a relatively high production in 2011, partly offset the increase in equity production.

Total entitlement liquids and gas production increased 9% to 1,805 mboe per day in 2012, impacted by the reduction in equity production as described above, and volume reducing production sharing agreements (PSA) effects.

Production cost per boe of entitlement volumes was NOK 47 for the 12 months ended 31 December 2012 and 2011, respectively. Based on equity volumes, the production cost per boe was NOK 42 for the 12 months ended 31 December 2012 and 2011, respectively.

Exploration expenditure (including capitalised exploration expenditure) was up NOK 2.1 billion to NOK 20.9 billion in 2012, mainly due to higher drilling activity internationally and increased field evaluation costs, partly offset by lower activity on the NCS. In 2012, Statoil completed 46 exploration and appraisal wells, 19 on the NCS and 27 internationally. A total of 23 wells were announced as discoveries in the period, 14 on the NCS and nine internationally.

Distribution of proved reserves



The reserve replacement ratio (**RRR**) was 1.0 in 2012, of which the organic RRR was 1.1. **Proved reserves** at the end of 2012 were estimated to be 2,389 mmboe of oil and 3,033 mmboe of natural gas, corresponding to aggregate proved reserves of 5,422 mmboe.

FINANCIAL REVIEW

Income statement under IFRS (in NOK billion)	For the year ended 31 December 2012	2011	12-11 change
Revenues	**705.7**	645.6	9%
Net income from associated companies	**1.7**	1.3	32%
Other income	**16.0**	23.3	(31%)
Total revenues and other income	**723.4**	670.2	8%
Purchases [net of inventory variation]	**(363.1)**	(319.6)	14%
Operating expenses and selling, general and administrative expenses	**(75.1)**	(73.6)	2%
Depreciation, amortisation and net impairment losses	**(60.5)**	(51.4)	18%
Exploration expenses	**(18.1)**	(13.8)	31%
Net operating income	**206.6**	211.8	(2%)
Net financial items	**0.1**	2.0	(95%)
Income before tax	**206.7**	213.8	(3%)
Income tax	**(137.2)**	(135.4)	1%
Net income	**69.5**	78.4	(11%)

Revenues were up 9% to NOK 705.7 billion in 2012. Most of the revenues stem from the sale of lifted crude oil, natural gas and refined products produced and marketed by Statoil. In addition, we also market and sell the Norwegian State's share of liquids from the NCS. The 9% increase was mainly attributable to increased volumes of liquids and gas sold and higher prices measured in NOK for both liquids and gas. Lower unrealised gains on derivatives and the drop in revenues caused by the divestment of the Fuel and Retail segment in the second quarter of 2012, partly offset the increase in revenues.

Other income was down NOK 7.3 billion to NOK 16.0 billion in 2012. The decrease was mainly due to the relatively higher gain from sale of assets in 2011.

Purchases [net of inventory variation] were up 14% to NOK 363.1 billion in 2012, mainly caused by increased volumes and higher prices of liquids purchased, measured in NOK. Purchases [net of inventory variation] include the cost of the liquids production purchased from the Norwegian State and are pursuant to the Owners Instruction. All purchases and sales of the Norwegian State's production of liquids are recorded as purchases [net of inventory variations] and revenues, respectively, while sales of the Norwegian State's share of gas from the NCS are recorded net.

Operating expenses and selling, general and administrative expenses were up 2% to NOK 75.1 billion, mainly due to higher operating plant costs from start-up and ramp-up of production on various fields. Also, increased royalty payments and higher transportation activity, added to the increase. The reversal of a provision in the second quarter 2012 related to the discontinued part of the early retirement pension, and the drop in expenses caused by the divestment of the Fuel and Retail segment in the second quarter of 2012, partly offset the increase.

Depreciation, amortisation and net impairment losses were up 18% to NOK 60.5 billion in 2012. Included in these totals were net impairment losses of NOK 1.0 billion for 2012 and NOK 2.0 billion for 2011. The increase was due to higher depreciation because of start-up and acquisition of new fields. Ramp-up and higher entitlement production on various fields together with higher investments added to the increase. Higher reserve estimates and lower ownership share in Gassled partly offset the increase.

The **exploration expenses** increased by NOK 4.3 billion to NOK 18.1 billion. The 31% increase was mainly due to higher drilling activity in the international business and increased spending on seismic and field evaluation and because a lower portion of exploration expenditures was capitalised in 2012 due to non-commercial wells. A higher portion of exploration expenditures capitalised in previous periods being expensed in 2012, added to the increase.

Exploration expenses (in NOK billion)	For the year ended 31 December 2012	2011	12-11 change
Exploration expenditure (activity)	20.9	18.8	11%
Expensed, previously capitalised exploration expenditure	2.7	1.8	49%
Capitalised share of current periods exploration activity	(5.9)	(6.4)	(8%)
Impairment	0.5	1.6	(71%)
Reversal of impairment	(0.1)	(1.9)	(97%)
Exploration expenses	18.1	13.8	31%

Net operating income decreased by 2% to NOK 206.6 billion in 2012, mainly because of decreased gains from sales of assets and decreased unrealised gains on derivatives. Higher exploration costs, increased depreciation costs and other operating expenses reflecting the overall increased activity level added to the decrease. Higher liquids and gas prices measured in NOK and increased volumes sold due to increased production and liftings, partly offset the decrease.

Net financial items amounted to a gain of NOK 0.1 billion in 2012, compared to a gain of NOK 2.0 billion in 2011. The decrease was mainly due to an impairment loss related to a financial investment in 2012.

Income taxes were NOK 137.2 billion in 2012, equivalent to an effective tax rate of 66.4%, compared to NOK 135.4 billion in 2011, equivalent to an effective tax rate of 63.3%. The increase in the effective tax rate was mainly due to a one-off deferred tax expense related to a tax law change in Norway and relatively higher income from the NCS in 2012 compared to 2011. Income from the NCS is subject to a higher than average tax rate. The tax rate in both 2012 and 2011 was decreased due to recognition of previously unrecognised deferred tax assets.

The **effective tax** rate is calculated as income taxes divided by income before taxes. Fluctuations in the effective tax rates from year to year are principally the result of non-taxable items (permanent differences), and changes in the components of income between Norwegian oil and gas production, taxed at a marginal rate of 78% and income from other tax jurisdictions. Other Norwegian income, including the onshore portion of net financial items is taxed at 28%, and income in other countries is taxed at the applicable income tax rates in those countries.

In 2012, the **non-controlling interest** in net profit was positive NOK 0.6 billion, compared to negative NOK 0.4 billion in 2011. The non-controlling interest is primarily related to the 79% ownership of Mongstad crude oil refinery.

In 2012, **Net income** decreased by 11% to NOK 69.5 billion, mainly due to the decrease in net operating income and the increase in the effective tax rate as described above.

Return on average capital employed (ROACE) was 18.7% in 2012 compared to 22.1% in 2011. The decrease from last year is due to the decrease in net income combined with a 10% increase in capital employed.

Considering the **proposed ordinary dividend** for 2012 of NOK 6.75, an aggregate total of NOK 21.5 billion, the remaining net income in the parent company will be allocated to reserve for valuation variances and retained earnings with NOK 0.2 billion and NOK 48.3 billion, respectively. The company's distributable equity after allocations amounts to NOK 175.1 billion.

In accordance with Section 3-3 of the Norwegian Accounting Act, the board of directors confirms that the financial statements have been prepared on the basis of the **going concern** assumption.

In August 2012, Statoil accepted a fine of NOK 3 million by Økokrim (Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime) for breaches of certain formal requirements in the Securities Trading Act section 3-5. Following this incident, Statoil has implemented a number of measures, including a further strengthening of our procedures and the quality assurance of insider lists.

Cash flows

Statoil delivered strong cash flows in 2012, mainly as a result of increased cash flows from operating activities and continued portfolio optimisation.

Cash flows provided by operations, the major factors impacting changes between periods are our level of profitability, taxes paid and changes in working capital. The most significant drivers are the level of production and prices for liquids and natural gas that impact revenues, cost of purchases (net of inventory valuation), taxes paid and changes in working capital items. Cash flows provided by operations amounted to NOK 128.0 billion in 2012, an increase of NOK 9.0 billion compared to 2011. The increase was largely driven by increased profitability mainly caused by increased volumes of liquids and gas sold and higher liquids and gas prices in 2012 compared to 2011. The increase was partly offset by higher taxes paid of NOK 7.4 billion and a higher negative impact from other changes of NOK 6.7 billion.

Cash flows used in investing activities increased by NOK 11.8 billion from 2011 to 2012. The increase was mainly due to higher additions to property, plant and equipment (PP&E) and intangible assets of NOK 20.2 billion, which reflects a higher activity level in 2012 compared to 2011. Higher financial investments, which are part of our liquidity management, of NOK 15.9 billion also added to the increase. The increase was partly offset by the acquisition of Bakken assets in 2011, contributing NOK 25.7 billion. Proceeds from sales remained at the same level. For the year ended 2012, the proceeds from sales were mainly related to payments from the sale of interest in Gassled, the sale of NCS assets to Centrica and the sale of the 54% shareholding in SFR. Proceeds from sales for the year ended 2011 were mainly related to the sale of interests in the Kai Kos Dehseh oil sands in Canada and the Peregrino oil field in Brazil.

Cash flows provided by (used in) financing activities. Net cash flows used in financing activities amounted to NOK 18.2 billion in 2012, an increase of NOK 5.5 billion compared to 2011. The increase was mainly due to change in long-term borrowing of NOK 1.8 billion and change in current loans and other of NOK 2.9 billion, mainly due to increased repayment of loans.

Liquidity and capital resources

Statoil has a strong balance sheet and financial flexibility. The net debt ratio before adjustments was 10.9% in 2012 and net interest-bearing financial liabilities decreased by NOK 31.7 billion to NOK 39.3 billion at the end of 2012.

Financial condition and liquidity

Statoil's financial position is strong, and we have financial flexibility. Statoil has over the recent years reduced net debt ratio before adjustments from 23.5% in 2010 to 10.9% in 2012. At the same time, Statoil's total equity has increased from NOK 226.4 billion to NOK 319.9 billion. The reduction is due to, among others, solid operating cash flows and active portfolio management (proceeds from sale of assets and businesses). At the same time Statoil has continued the investment activities and provided attractive capital distribution to the shareholders.

Our general policy is to maintain a liquidity reserve in the form of cash and cash equivalents in our balance sheet, and committed, unused credit facilities and credit lines in order to ensure that we have sufficient financial resources to meet our short-term requirements. Long-term funding is raised when we identify a need for such financing based on our business activities and cash flows, and when market conditions are considered favourable.

The group's borrowing needs are mainly covered through the issuing of short-term and long-term securities, including utilisation of a US Commercial Paper Program and a Euro Medium Term Note (EMTN) Programme (program limits being USD 4 billion and USD 8 billion, respectively) as well as issues under a US Shelf Registration Statement, and through draw-downs under committed credit facilities and credit lines.

Financial indicators

Financial indicators (in NOK billion)	For the year ended 31 December 2012	2011 (restated)
Gross interest-bearing financial liabilities	119.4	131.5
Net interest-bearing liabilities before adjustments	39.3	71.0
Net debt to capital employed ratio	10.9%	19.9%
Net debt to capital employed ratio adjusted	12.4%	21.1%
Cash and cash equivalents	65.2	55.3
Current financial investments	14.9	5.1

Gross interest-bearing financial liabilities were NOK 119.4 billion and NOK 131.5 at 31 December 2012 and 2011, respectively. The NOK 12.1 billion decrease was due to a decrease in current Bonds, bank loans, commercial papers and collateral liabilities of NOK 1.4 billion and non-current Bonds, bank loans and finance lease liabilities of NOK 10.7 billion.

Net interest-bearing financial liabilities before adjustments were NOK 39.3 billion and NOK 71 billion at 31 December 2012 and 2011, respectively. The decrease of NOK 31.7 billion was mainly related to a decrease in gross interest-bearing financial liabilities of NOK 12.1 billion in addition to an increase in cash and cash equivalents and current financial investments of NOK 19.6 billion, reflecting increased operating cash flow and active portfolio management (proceeds from sale of assets and businesses).

The net debt to capital employed ratio before adjustments (net debt divided by capital employed) was 10.9% and 19.9% in 2012 and 2011, respectively. The net debt to capital employed ratio adjusted (certain adjustments are done to better reflect the underlying exposure in the group) was 12.4% and 21.1% in 2012 and 2011, respectively. The 8.7 percentage points decrease in net debt to capital employed ratio adjusted was mainly related to a decrease in net interest-bearing financial liabilities in combination with an increase in capital employed.

Cash and cash equivalents were NOK 65.2 billion and NOK 55.3 billion at 31 December 2012 and 2011, respectively. The increase reflects the increased cash flow from operations in the period, in combination with proceeds from sales of assets and businesses.

Current financial investments, which are part of our liquidity management, amounted to NOK 14.9 billion and NOK 5.2 billion at 31 December 2012 and 2011, respectively.

Group outlook

Statoil's defined ambition is to grow equity production above 2.5 million barrels of oil equivalents per day in 2020. Organic capital expenditures for 2013 are estimated at around USD 19 billion.

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

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

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

Planned maintenance is expected to have a negative impact on equity production of around 45 mboe per day on equity production for the full year 2013, most of which consists of liquids.

Statoil has an ambition to reach an **equity production** above 2.5 million barrels of oil equivalents per day in 2020. 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 than perviously assumed. In Europe, as part of the value-over-volume strategy, the company produced somewhat higher gas volumes in 2012 than previously assumed, which reduces the estimated 2013 gas production by approximately 15 mboe per day.

The deferral of gas production to create value, gas off-take, timing of new capacity coming on stream and operational regularity represent the most significant risks related to the production guidance. In addition, the recent terror attack gives rise to uncertainty about production from In Amenas in Algeria.

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

Financial risks

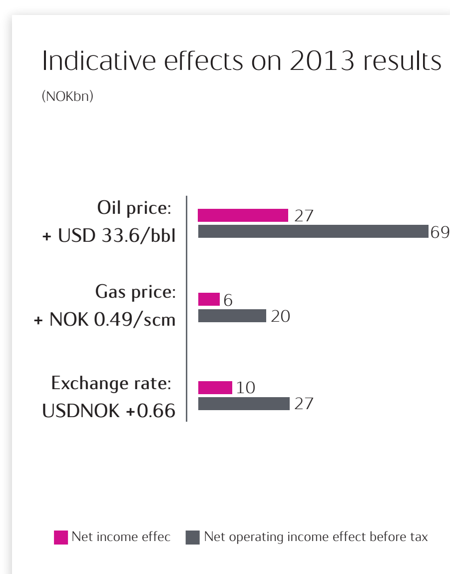
The results of our operations depend on a number of factors, most significantly those that affect the price we receive in NOK for our products.

The factors that influence the results of our operations include: the level of crude oil and natural gas prices, trends in the exchange rate between the USD, in which the trading price of crude oil is generally stated and to which natural gas prices are frequently related, and NOK, in which our accounts are reported and a substantial proportion of our costs are incurred; our oil and natural gas production volumes, which in turn depend on entitlement volumes under PSAs and available petroleum reserves, and our own, as well as our partners' expertise and cooperation in recovering oil and natural gas from those reserves; and changes in our portfolio of assets due to acquisitions and disposals.

Our results will also be affected by trends in the international oil industry, including possible actions by governments and other regulatory authorities in the jurisdictions in which we operate, or possible or continued actions by members of the Organisation of Petroleum Exporting Countries (Opec) that affect price levels and volumes, refining margins, the cost of oilfield services, supplies and equipment, competition for exploration opportunities and operatorships, and deregulation of the natural gas markets - all of which may cause substantial changes to the existing market structures and to the overall level and volatility of prices.

The following table shows the yearly averages for quoted Brent Blend crude oil prices, average invoiced gas prices, reference refining margins and the USD/NOK average daily exchange rates for 2012, 2011 and 2010.

Yearly average	2012	2011	2010
Crude oil (USD/bbl Brent blend)	111.5	111.4	76.5
Average invoiced gas price (NOK/scm)	2.2	2.1	1.7
Refining reference margin (USD/bbl)	5.5	2.3	3.9
USDNOK average daily exchange rate	5.8	5.6	6.1



The illustration shows the indicative full-year effect on the financial result 2013 given certain changes in the crude oil price, natural gas contract prices and the USD/NOK exchange rate. The estimated sensitivity of our financial results to each of the factors has been estimated based on the assumption that all other factors remain unchanged .The estimated effects would differ from those that would actually appear in our consolidated financial statements because our consolidated financial statements would also reflect the effects of depreciation, trading margins, exploration expenses, inflation, potential tax system changes and any hedging programmes in place.

Our oil and gas price hedging policy is designed to support our long-term strategic development and our attainment of targets by protecting financial flexibility and cash flows.

Fluctuating foreign exchange rates can have a significant impact on our operating results. Our revenues and cash flows are mainly denominated in or driven by USD, while our operating expenses and income taxes payable largely accrue in NOK. We seek to manage this currency mismatch by issuing or swapping non-current financial debt in USD. This long-term funding policy is an integrated part of our total risk management programme. We also engage in foreign currency management in order to cover our non-USD needs, which are primarily in NOK. In general, an increase in the value of USD in relation to NOK can be expected to increase our reported earnings.

Health, safety and the environment

Statoil is committed to integrating health, safety and environment (HSE) in the way we do business and improving HSE performance in all our activities.

We strive to ensure safe operations that protect people, the environment, communities and material assets, to use natural resources efficiently and to provide energy that supports sustainable development.

Our ambition is to be an industry leader in health, safety and the environment and in carbon efficiency. This ambition informs the strategic direction for our work on HSE. We want to be recognized for our sound HSE performance and results and a driving force for improving HSE standards and solutions.

We are mindful of the fact that our ambition to be an industry leader in HSE and carbon efficiency requires recognition from beyond the Statoil organisation - including our contractors, clients, peers, regulators, investors and neighbours. We further recognise that the oil and gas industry is facing increased scrutiny and heightened public concern about the integrity and HSE performance of its activities. This highlights how sound HSE performance is a prerequisite for our long-term value creation.

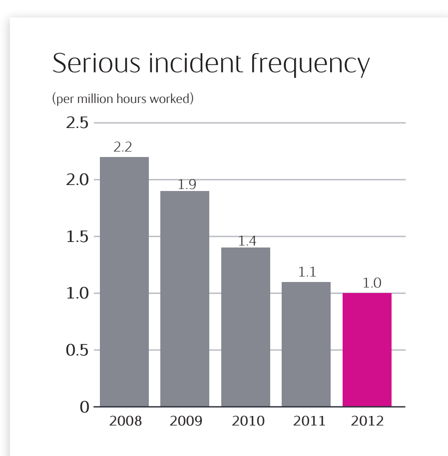
The board of directors emphasises the importance of understanding factors that create risks in order to avoid major accidents, and Statoil's business security culture takes a preventative and proactive approach to managing risk. We are committed to understanding the increasingly complex security threat picture facing our business activities, and to protect personnel working on our behalf, assets, interests and customers from the consequences of malicious activity with reasonable and realistic measures.

We have developed and use tools and methods for handling and controlling process safety. We use security risk analyses in our business processes to balance protective security with the values we want to protect, and ensure that appropriate response mechanisms are in place to minimise the impact of any security incident.

These tools and methods are used to minimise the risk of accidents and incidents with a high potential for escalating into major events. We work systematically to mitigate risks that are critical to operating safely and reliably, and continuous improvement for better safety results has high attention in all our business areas.

We are determined to learn from incidents and accidents to prevent similar occurrences in the future, and we believe that accidents can be prevented. Hence, we have a strong focus on prevention. However, we recognise the risks associated with our business and are prepared to handle situations that require immediate action to save lives and protect the environment, facilities, equipment and any third parties who may be affected. As such, Statoil holds regular emergency response courses and exercises. During 2012 Statoil also continued the programme of major accident workshops held across the company.

In order to meet our goal of improving safety results in all our businesses, Statoil holds numerous training sessions in compliance, leadership and risk management. The compliance programme focuses on the integration of our values in all activities, and on compliance with internal and external requirements.



Statoil uses SIF (serious incident frequency) as a key indicator to monitor HSE performance. This indicator (number of serious incidents, including near misses, per million hours worked) combines both actual consequences of incidents and the potential for incidents to develop into serious or major accidents. The results with respect to serious incidents have been improved over the recent years. The overall serious incident frequency (SIF) improved from 1.1 in 2011 to 1.0 in 2012.

Statoil strives to ensure a working environment that promotes job satisfaction and good health. We emphasise the psychosocial aspects of the working environment and promote the good health and well-being of all our employees. We make systematic efforts to design and improve the working environment in order to prevent occupational accidents, work-related diseases and sickness absence.

Improving the process of risk based health surveillance in Statoil has been a cornerstone for improving management of risk for exposed groups during 2012. This involved the establishment of a risk based matrix for group health surveillance, to identify risk exposed individuals, that includes precise criteria for inclusion. Securing a well-functioning practice for risk based health surveillance is a prerequisite for both targeting risk mitigating actions at group level and towards specific exposures at our facilities.

Five strategic areas for risk assessment have been identified: chemical exposure, workload, noise, ergonomics and health promotion.

This work involves monitoring of physical, chemical and organisational factors in the working environment, and a system for following up on groups or individuals that are exposed to risks in their working environment. Special attention is devoted to chemical health hazard, and during 2012 there was a strengthened focus within the company on noise issues in design in construction and production. This focus will remain strong in the company in 2013, during which attention will be given to collaboration with contractors to reduce the noise burden.

The sickness absence rate in Statoil decreased from 3.8% in 2011 to 3.7% in 2012. The sickness absence is followed closely by managers at all levels.

People and the organisation

The corporate values and principles define a clear performance framework.

Statoil's **ambition** is to be a globally competitive company. It is a key priority to create a stimulating working environment and provide employees with good opportunities for professional and personal development.

The group seeks to achieve this through developing a strong, value-based performance culture, clear principles for leadership and an effective management and control system. In Statoil, the way in which results are achieved is as important as the results themselves. Corporate governance, our values, leadership model, operating model and corporate policies are described in *The Statoil Book*, which has been made available for all employees in Statoil ASA.

Statoil has **global people policies** to ensure consistent standards with due consideration of national laws and special demands. We reward our people on the basis of their performance, giving equal emphasis to delivery and behaviour. Our reward approach is adapted to local market conditions at the locations in which we operate and is transparent, non-discriminatory and supports equal opportunities. Through our global people development and deployment process, we seek to ensure a good match between professional interests and goals, while at the same time offering challenging and meaningful job opportunities.

Statoil remains committed to providing **financial and non-financial rewards** that attract and motivate the right people, and we continue to focus on equal opportunities for all talents. We promote diversity among our employees. The importance of diversity is stated explicitly in Statoil's values and ethical codes of conduct. We try to create the same opportunities for everyone and do not tolerate discrimination or harassment of any kind in our workplace.

Statoil works systematically with **recruitment and development** programmes in order to build a diverse workforce by attracting, recruiting and retaining people of both genders and different nationalities and age groups across all types of positions. In 2012, Statoil recruited 2,220 new employees worldwide. While 75% were recruited to jobs in Norway, 15% were recruited to our business in North America, reflecting our growth ambitions in that region. In 2012, 30% of our new hires were women and 41% nationalities other than Norwegian.

Numbers of permanent employees and percentage of women in the Statoil group from 2010 to 2012

	Number of employees*			Women*		
Geographical Region	2012	2011	2010	2012	2011	2010
Norway	**20,186**	20,021	18,838	30%	31%	31%
Rest of Europe	**925**	10,187	10,335	30%	50%	49%
Africa	**116**	121	140	25%	28%	30%
Asia	**157**	146	145	56%	59%	58%
North America	**1,378**	1,030	713	34%	34%	33%
South America	**266**	210	173	38%	40%	46%
TOTAL	**23,028**	31,715	30,344	31%	37%	37%
Non - OECD	**653**	2,773	2,732	39%	64%	63%

* Statoil Fuel and Retail employees are included in 2010 and 2011.

We believe Statoil's low **turnover rates** reflect a high level of satisfaction and engagement among its employees, which is also supported by the results of the annual organisational and working environment survey. In Statoil, the total turnover rate for 2012 was 2.2%. On 31 December 2012, the Statoil group employed 23,028 permanent employees and 3% of the workforce worked part-time.

In Statoil, we **reward** our people on the basis of their performance, giving equal emphasis to delivery and behaviour. Terms of wages may also be based on requirements in local wage agreements.

Our reward approach is adapted to local market conditions at the locations in which we operate and is transparent, non-discriminatory and supports equal opportunities. Given the same position, experience and performance, our employees will be at the same remuneration level relative to the local market. This is demonstrated in the salary ratio between women and men at different levels in Statoil ASA in 2012 which remained very high with an average of 98%.

At 31 December 2012, the overall **percentage of women** in Statoil was 31% and 36% of the members of the board of directors were women, as were 20% of the corporate executive committee. The focus on diversity issues is also reflected in the company's people strategy. We aim to increase the number of female managers, and we endeavour to give equal representation to men and women in leadership development programmes. At 31 December 2012, the total proportion of female managers in Statoil was 27%.

We also devote close attention to male-dominated positions and discipline areas. In 2012, 26% of staff engineers were women, and among staff engineers with up to 20 years' experience, the proportion of women was 30 %.

We believe that being a global and sustainable company requires people with a global mindset. One way to build a global company is to ensure that recruitment processes both within and outside Norway contribute to a **culturally diverse workforce**. Outside Norway, we need to continue to focus on increasing the number of people and managers that are locally recruited, and to reduce long-term, extensive use of expats in our business operations. At 31 December 2012, 20% of the managerial staff in the Statoil group held nationalities other than Norwegian.

Environment and climate

Statoil is committed to contribute to sustainable development and works actively to manage environmental impacts relating to our operations.

Our activities, from exploration through the construction and operation of facilities and to the end use of our products, have potential to affect the environment. The impact may be due to emissions, discharges or resource use. Meeting growing energy needs, while at the same time reducing emissions and environmental impact, is a key challenge for our industry. External benchmarks, such as the OGP benchmark, document that Statoil is currently one of the most efficient upstream producers in the conventional oil and gas industry. This is due in part to twenty years of regulation on the Norwegian continental shelf, geological conditions in the Norwegian sector and close proximity to markets. However, as we move into heavier oils, on-shore activities and more complex projects internationally, the environmental footprint of our activities is expected to grow.

We recognise that there is an accepted link between the use of fossil fuels and man-made climate change. Our climate policy sets out the principles for addressing the challenge of global warming and our ambition of being an industry leader in health, safety and environment (HSE) and carbon efficiency.

In that context, our greatest contribution will be to continue reducing the environmental footprint of our oil and gas production and developing low-carbon and renewable technologies where we can utilise our core capabilities. We also believe that unconventional resources will be needed to meet the world's future energy needs. The challenges are to make production sustainable and cost effective. Statoil is now investing in developing and implementing the most environmentally advanced technology currently known to recover oil from oil sands.

Statoil has established a set of environmental principles to minimize our footprint on the environment:
- Act in accordance with the precautionary principle
- Comply with applicable legislation and regulations
- Set specific targets and improvement measures
- Consult and cooperate with relevant stakeholders
- Make our policy available to the public
- Reduce greenhouse gas emissions
- Seek optimal utilisation of natural resources
- Contribute to protecting biodiversity
- Continuously improve energy efficiency, environmental performance and products
- Reduce fresh water use through sustainable water resource management
- Minimise waste generation

Statoil's environmental management system is an integrated part of the overall management system and has been implemented in all our business planning and strategy development.

Continuous efforts are being made to reduce routine emissions to the air and discharges to the sea through research and technological improvement, effective emergency response and risk and impact based management. The aim is to ensure continuous improvement through the adoption of focused measures for both existing and future installations. We have also set targets for carbon intensity performance in 2020, based on the different segments we operate in.

The most important group-wide indicators to measure environmental performance are emissions of oil spills, carbon dioxide and nitrogen oxides, energy consumption and the recovery rate for non-hazardous waste.

The volume of **accidental oil spills** increased from 44 cubic metres in 2011 to 52 cubic metres in 2012. The main contributors to the overall volume for 2012 were two incidents in our Bakken operations, with a combined total recorded volume of 21 cubic metres.

The volume of **other unintentional spills** was 501 cubic metres in 2012, compared to 142 cubic metres in 2011. Several spills of aqueous firefighting foam (AFFF) influenced the performance in 2012. We have initiated a focus campaign to address such spills in 2013.

Carbon dioxide emissions have increased from 13.7 million tonnes in 2011 to 14.7 million tonnes in 2012. The Bakken shale activities make the most significant single contribution towards this increase (approximately 400 thousand tonnes). The remaining 600 thousand tonnes can be explained by the increase in production volumes in 2012.

Nitrogen oxides emissions were 45.2 thousand tonnes in 2012, an increase since 2011 when nitrogen oxides emissions were 41.4 thousand tonnes. This increase is due largely to diesel usage within our newly acquired Bakken shale facilities.

Energy consumption has increased from 66.5 TWh in 2011 to 70.0 TWh in 2012. Statoil has seen an increase in energy consumption across all our business areas; the most significant contributions are from the addition of Bakken to the North American portfolio, and increases related to production on the NCS.

The recovery rate for **non-hazardous waste** has decreased from 44.8% in 2011 to 41.9% in 2012.

The **hazardous waste recovery rate** has decreased from 17.2% in 2011 to 15.2% in 2012.

Society

Statoil has continuous focus on compliance with policies and standards for social responsibility, human rights, ethics and anti-corruption throughout 2012.

Growing and sustaining our business depends on our ability to establish enduring and mutually beneficial relationships with the societies in which we operate. Wherever we operate, we make decisions based on how they affect our interests and those of the societies around us. Stakeholders include governments, communities, partners, contractors and suppliers, employees, customers and investors.

We aim to make investments that create and maximise shared value for the benefit of both our shareholders and the countries and communities in which we operate. How we deliver is as important as what we deliver. Our commitment to ethics and transparency is integral to how we conduct our business and vital to ensuring that the wealth derived from the energy we produce is put to effective and equitable use. Our value statement, together with the Ethics Code of Conduct, constitutes the basis and framework for our performance culture.

Statoil is against all forms of **corruption**, including facilitation payments. We have implemented a company-wide anti corruption compliance programme to prevent corruption in our activities. Our main focus in 2012 was to ensure that our anti-corruption compliance program continues to be aligned with external legislation and reflect international best practice, as well as ensuring training and raising awareness among our employees.

The **Ethics Code of Conduct** describes our commitment and requirements connected to ethical issues related to business practice and personal conduct. It requires us to comply with all applicable laws and regulations and to act in an ethical, sustainable and socially responsible manner. Respect for human rights is an integral part of Statoil's value base. The Ethics Code of Conduct applies to the whole organisation and all employees. Statoil's Ethics Code of Conduct was reviewed in 2012, resulting in minor changes. A complete review of the Anti-corruption Programme was performed to ensure alignment with recent legislative developments and that it properly addresses relevant risks. As a result of the review, the requirements were adjusted to include the UK Bribery Act, and new procedures for risk assessment and monitoring were established.

We make efforts to operate our business in a way that respects **human rights** and **labour standards**. We promote respect for fundamental labour rights and standards, such as decent wages, the regulation of working hours, the prohibition on child or forced labour, and freedom of association and collective bargaining. Furthermore, we actively support the Voluntary principles on security and human rights (VPSHR) and the United Nations Global Compact principles. Our commitment to the VPSHR is enshrined in our policy on corporate social responsibility, and the principles are further integrated into our security procedures and management system. These procedures outline how security resources are managed and deployed, and underscore how important it is that all security personnel working on Statoil's behalf display universal respect for human rights, act within the law and comply with the company's rules.

A key priority in 2012 has been to further improve the integration and embedding of human rights concerns into existing procedures for integrity due diligence and risk and impact assessments, from new country entry and early business development decisions, and throughout the project lifecycle. A new work process on integrated risk assessment for new country entry, including human rights risk assessment, was developed and rolled out in 2012.

Through our core activities and the benefits that result from these, we aim to contribute to **sustainable development** in the countries and communities in which we operate. We wish to be known for our high ethical standards and our commitment to transparency and openness, and we have zero tolerance for ethics violations in our operations.

To achieve our aim of increasing local procurement, we invest in local enterprises and also support capacity building initiatives and skills development for local employees and communities to provide them with the right skills and expertise, standards and certifications required to compete successfully and work in the oil and gas industry.

Our business also generates significant tax revenues for governments. In 2012, we made total payments and contributions to governments estimated at NOK 175 billion, of which an estimate of 69% was paid to the Norwegian government. Direct and indirect taxes paid in Norway amounted to NOK 121 billion, and direct and indirect taxes paid outside Norway totalled NOK 54 billion in 2012. Based on production sharing agreements, depending on the value of petroleum and the requirements stipulated in the agreements, we also made in-kind contributions (profit oil) estimated at NOK 43.5 billion.

Research and development

Statoil is a technology-intensive company and research and development is an integral part of our strategy. Innovation and technological development are essential to our growth and sustainability.

Statoil's corporate technology strategy sets the strategic direction for how technology development and implementation can address the challenges and contribute to achieving the corporate ambitions for 2020 and beyond.

A world-class research and development organisation is crucial in order to support Statoil's growth ambition and to solve complex technology challenges on the Norwegian continental shelf and internationally. Statoil's research and development portfolio was reorganised in August 2012. The new structure of Statoil's Research, Development and Innovatio (RDI) reasearch unit is driven by our ambition to become a world-leading research organisation. RDI is organised in four programmes: Unconventionals, Frontier developments, Mature area developments & IOR and Exploration. They cover the main upstream building blocks where Statoil is growing. The RDI organisation operates and further develops laboratories and large-scale test facilities and has an academia programme that addresses cooperation with universities and research institutes.

Cooperation with external partners such as academic institutions, research and development institutes and suppliers is crucial in relation to technology. Statoil has four research centres in Norway, a heavy oil technology centre in Canada and representatives in offices in Beijing (China), Rio de Janeiro (Brazil), Houston (US) and St. John's (Canada), close to many of our international operations.

The business potential of technologies that address increased recovery is significant. Statoil is focusing specifically on the challenge of resource and reserve replacement. Moving the barrels faster from resources to production and maintaining current production levels requires a combination of innovative technologies and simple, but smart solutions.

Research and development expenditures were NOK 2.8 billion and NOK 2.2 billion in 2012 and 2011, respectively.

Board developments

Statoil's board of directors consists of 11 members.

The composition of the board has been changed during 2012. Up until June 2012 the board had 10 members, but from September 2012 the board consists of 11 directors. Maria Johanna Oudeman and Børge Brende are new members of the board of Statoil ASA since September 2012. Oudeman is also member of the board's audit committee and Brende is also member of the board's HSE & ethics committee. Grace Reksten Skaugen has been elected new deputy chairman, replacing Marit Arnstad.

The board held eight ordinary board meetings and four extraordinary board meetings in 2012. The average attendance at these board meetings was 94%.

The board's audit committee held six meetings in 2012. The attendance at the committee's meetings was 92%.

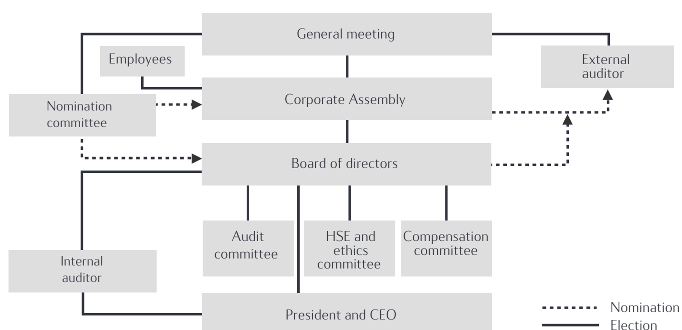
The board's compensation committee held eight meetings in 2012. The attendance at the committee's meetings was 100%.

The board's HSE and ethics committee held five meetings in 2012. The attendance at the committee's meetings was 83%.

The whole or parts of the board have visited several Statoil locations in 2012, including the onshore petroleum activities in the Bakken field in North Dakota, USA, the offshore Wind Farm Sheringham Shoal off the coast of the UK and the West Epsilon rig in the Gudrun project in the Norwegian North Sea. The board emphasises improving its insight into and knowledge about Statoil's commercial activities as well as local organisations by visiting Statoil locations globally.

Board statement on corporate governance

To ensure sound corporate practice, Statoil's organisation is structured and managed in accordance with the Norwegian Code of Practice for Corporate Governance.



Statoil's board of directors actively adheres to good corporate governance standards and will at all times ensure that Statoil either complies with the Norwegian Code of Practice for Corporate Governance (the "Code") or explains possible deviations from the Code in the board statement on corporate governance. The topic of corporate governance is subject to annual assessment and discussion by the board, which has also considered the text of the board statement at a board meeting. The Code may be found at www.nues.no.

The Code covers 15 topics, and the board statement covers each of these topics and describes Statoil's adherence to the Code. The board statement describes the fundament and principles for Statoil's corporate governance structure, while more detailed factual information may be found at our website, in our annual form 20-F to the US Securities and Exchange Commission, in the annual report and in our sustainability reporting. Links to relevant information at our website are included in the statement.

The statement from the board of directors is provided as a separate report in the 2012 Annual Report download centre (www.statoil.com/downloads).

Stavanger, 11 March 2013

THE BOARD OF DIRECTORS OF STATOIL ASA

SVEIN RENNEMO
CHAIR

GRACE REKSTEN SKAUGEN
DEPUTY CHAIR

LILL-HEIDI BAKKERUD

BJØRN TORE GODAL

ROY FRANKLIN

LADY BARBARA JUDGE

EINAR ARNE IVERSEN

MARIA JOHANNA OUDEMAN

MORTEN SVAAN

JAKOB STAUSHOLM

BØRGE BRENDE

HELGE LUND
PRESIDENT AND CEO

Statement on compliance

Today, the board of directors, the chief executive officer and the chief financial officer reviewed and approved the board of directors' report and the Statoil ASA consolidated and separate annual financial statements as of 31 December 2012.

To the best of our knowledge, we confirm that:

- the Statoil ASA consolidated annual financial statements for 2012 have been prepared in accordance with IFRSs and IFRICs as adopted by the European Union (EU), IFRSs as issued by the International Accounting Standards Board (IASB) and additional Norwegian disclosure requirements in the Norwegian Accounting Act, and that
- the separate financial statements for Statoil ASA for 2012 have been prepared in accordance with the Norwegian Accounting Act and Norwegian Accounting Standards, and that
- the board of directors' report for the group and the parent company is in accordance with the requirements in the Norwegian Accounting Act and Norwegian Accounting Standard no 16, and that
- the information presented in the financial statements gives a true and fair view of the company's and the group's assets, liabilities, financial position and results for the period viewed in their entirety, and that
- the board of directors' report gives a true and fair view of the development, performance, financial position, principle risks and uncertainties of the company and the group.

Stavanger, 11 March 2013

THE BOARD OF DIRECTORS OF STATOIL ASA

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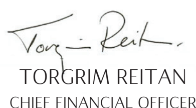


TORGRIM REITAN
CHIEF FINANCIAL OFFICER

HELGE LUND
PRESIDENT AND CEO

Consolidated financial statements Statoil

CONSOLIDATED STATEMENT OF INCOME

(in NOK billion)	Note	For the year ended 31 December 2012	2011	2010
Revenues		705.7	645.6	527.0
Net income from associated companies		1.7	1.3	1.1
Other income	5	16.0	23.3	1.8
Total revenues and other income	4	723.4	670.2	529.9
Purchases [net of inventory variation]		(363.1)	(319.6)	(257.4)
Operating expenses		(64.0)	(60.4)	(57.6)
Selling, general and administrative expenses		(11.1)	(13.2)	(11.1)
Depreciation, amortisation and net impairment losses	12, 13	(60.5)	(51.4)	(50.7)
Exploration expenses	13	(18.1)	(13.8)	(15.8)
Net operating income	4	206.6	211.8	137.3
Net financial items	9	0.1	2.0	(0.5)
Income before tax		206.7	213.8	136.8
Income tax	10	(137.2)	(135.4)	(99.2)
Net income		69.5	78.4	37.6
Attributable to equity holders of the company		68.9	78.8	38.1
Attributable to non-controlling interests		0.6	(0.4)	(0.5)
Basic earnings per share (in NOK)	11	21.66	24.76	11.97
Diluted earnings per share (in NOK)	11	21.60	24.70	11.94

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in NOK billion)	Note	For the year ended 31 December 2012	2011	2010
Net income		69.5	78.4	37.6
Actuarial gains (losses) on defined benefit pension plans	21	5.5	(7.4)	0.0
Income tax effect on income and expense recognised in OCI		(1.5)	2.0	0.0
Items that will not be reclassifed to statement of income		4.0	(5.4)	0.0
Foreign currency translation differences		(11.9)	6.1	2.0
Change in fair value of available for sale financial assets	14	0.0	(0.2)	0.2
Items that may be subsequently reclassified to statement of income		(11.9)	5.9	2.2
Other comprehensive income		(7.9)	0.5	2.2
Total comprehensive income		61.6	78.9	39.8
Attributable to equity holders of the company		61.0	79.3	40.3
Attributable to non-controlling interests		0.6	(0.4)	(0.5)

CONSOLIDATED BALANCE SHEET

(in NOK billion)	Note	2012	At 31 December 2011 (restated)	2010 (restated)
ASSETS				
Property, plant and equipment	12	439.1	407.6	351.6
Intangible assets	13	87.6	92.7	43.2
Investments in associated companies		8.3	9.2	9.0
Deferred tax assets	10	3.9	5.7	1.9
Pension assets	21	9.4	3.9	5.3
Derivative financial instruments	28	33.2	32.7	20.6
Financial investments	14	15.0	15.4	15.3
Prepayments and financial receivables	14	4.9	3.3	3.9
Total non-current assets		601.4	570.5	450.8
Inventories	15	25.3	27.8	23.6
Trade and other receivables	16	74.0	103.8	75.9
Derivative financial instruments	28	3.6	6.0	6.1
Financial investments	17	14.9	5.2	8.2
Cash and cash equivalents	18	65.2	55.3	33.8
Total current assets		183.0	198.1	147.6
Assets classified as held for sale	5	0.0	0.0	44.9
Total assets		784.4	768.6	643.3
EQUITY AND LIABILITIES				
Shareholders' equity		319.2	278.9	219.5
Non-controlling interests		0.7	6.3	6.9
Total equity	19	319.9	285.2	226.4
Bonds, bank loans and finance lease liabilities	20	101.0	111.6	99.8
Deferred tax liabilities	10	81.2	82.5	78.1
Pension liabilities	21	20.6	27.0	22.1
Provisions	22	95.5	87.3	68.0
Derivative financial instruments	28	2.7	3.9	3.4
Total non-current liabilities		301.0	312.3	271.4
Trade and other payables	23	81.8	94.0	73.7
Current tax payable	10	62.2	54.3	46.7
Bonds, bank loans, commercial papers and collateral liabilities	24	18.4	19.8	11.7
Derivative financial instruments	28	1.1	3.0	4.2
Total current liabilities		163.5	171.1	136.3
Liabilities directly associated with the assets classified as held for sale	5	0.0	0.0	9.2
Total liabilities		464.5	483.4	416.9
Total equity and liabilities		784.4	768.6	643.3

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in NOK billion)	Share capital	Additional paid-in capital	Retained earnings	Available for sale financial assets	Currency translation adjustments	Statoil shareholders' equity	Non-controlling interests	Total equity
At 31 December 2011	8.0	40.7	218.5	0.0	11.7	278.9	6.3	285.2
Net income for the period			68.9			68.9	0.6	69.5
Other comprehensive income			4.0		(11.9)	(7.9)		(7.9)
Dividends paid			(20.7)			(20.7)		(20.7)
Other equity transactions		(0.1)	0.1			0.0	(6.2)	(6.2)
At 31 December 2012	8.0	40.6	270.8	0.0	(0.2)	319.2	0.7	319.9
At 31 December 2010	8.0	40.8	164.9	0.2	5.6	219.5	6.9	226.4
Net income for the period			78.8			78.8	(0.4)	78.4
Other comprehensive income			(5.4)	(0.2)	6.1	0.5		0.5
Dividends paid			(19.9)			(19.9)		(19.9)
Other equity transactions		(0.1)	0.1			0.0	(0.2)	(0.2)
At 31 December 2011	8.0	40.7	218.5	0.0	11.7	278.9	6.3	285.2
At 31 December 2009	8.0	40.8	145.9	0.0	3.6	198.3	1.8	200.1
Net income for the period			38.1			38.1	(0.5)	37.6
Other comprehensive income			0.0	0.2	2.0	2.2		2.2
Dividends paid			(19.1)			(19.1)		(19.1)
Other equity transactions		0.0	0.0			0.0	5.6	5.6
At 31 December 2010	8.0	40.8	164.9	0.2	5.6	219.5	6.9	226.4

Refer to note 19 *Shareholders' equity*.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in NOK billion)	Note	2012	2011 (restated)	2010 (restated)
		For the year ended 31 December		
Income before tax		206.7	213.8	136.8
Adjustments for:				
Depreciation, amortisation and net impairment losses	12,13	60.5	51.4	50.7
Exploration expenditures written off		3.1	1.5	2.9
(Gains) losses on foreign currency transactions and balances		3.3	4.2	1.6
(Gains) losses on sales of assets and other items	5	(21.7)	(27.7)	(1.2)
(Increase) decrease in inventories		0.8	(4.1)	(3.4)
(Increase) decrease in trade and other receivables		10.8	(14.4)	(16.7)
Increase (decrease) in trade and other payables		(7.0)	20.4	9.5
(Increase) decrease in net derivative financial instruments	28	(1.1)	(12.8)	(0.6)
Taxes paid		(119.9)	(112.6)	(92.3)
(Increase) decrease in non-current items related to operating activities		(7.5)	(0.7)	(2.1)
Cash flows provided by operating activities		128.0	119.0	85.2
Additions through business combinations	5	0.0	(25.7)	0.0
Additions to property, plant and equipment		(96.0)	(85.1)	(68.4)
Exploration expenditures capitalised and additions to other intangibles		(16.4)	(7.2)	(15.0)
(Increase) decrease in financial investments		(12.1)	3.8	(2.8)
(Increase) decrease in non-current loans granted and other non-current items		(1.9)	(0.5)	0.9
Proceeds from sales of assets and businesses	5	29.8	29.8	1.9
Prepayment received related to the held for sale transactions		0.0	0.0	4.1
Cash flows used in investing activities		(96.6)	(84.9)	(79.3)
New non-current loans and issuance of bonds		13.1	10.1	15.6
Repayment of non-current bonds, bank loans and finance lease liabilities		(12.2)	(7.4)	(3.3)
Dividend paid	19	(20.7)	(19.9)	(19.1)
Net current loans and other		1.6	4.5	6.0
Cash flows provided by (used in) financing activities		(18.2)	(12.7)	(0.8)
Net increase (decrease) in cash and cash equivalents		13.2	21.4	5.1
Effect of exchange rate changes on cash and cash equivalents		(1.9)	(0.2)	0.3
Cash and cash equivalents at the beginning of the period (net of overdraft)	18	53.6	32.4	27.0
Cash and cash equivalents at the end of the period (net of overdraft)	18	64.9	53.6	32.4
Interest paid		3.6	3.9	2.6
Interest received		2.6	2.7	2.1

Proceeds from sales of assets and businesses for the year ended 31 December 2012 include NOK 13.9 billion from the sale of a 24.1% ownership interest in the Gassled joint venture in 2011.

Cash and cash equivalents include a net bank overdraft of NOK 0.3 billion at 31 December 2012, NOK 1.7 billion at 31 December 2011 and NOK 1.4 billion at 31 December 2010.

Notes to the Consolidated financial statements

1 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 business consists principally of the exploration, production, transportation, refining and marketing of petroleum and petroleum-derived products and other forms of energy.

Statoil ASA is listed on the Oslo Stock Exchange (Norway) and the New York Stock Exchange (USA).

All the Statoil group'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.

The Consolidated financial statements of Statoil for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the board of directors on 11 March 2013.

2 Significant accounting policies

Statement of compliance
The Consolidated financial statements of Statoil ASA and its subsidiaries (Statoil) have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and also comply with IFRSs as issued by the International Accounting Standards Board (IASB).

Basis of preparation
The financial statements are prepared on the historical cost basis with some exceptions, as detailed in the accounting policies set out below. These policies have been applied consistently to all periods presented in these Consolidated financial statements.

Operating related expenses in the Consolidated statement of income are presented as a combination of function and nature in conformity with industry practice. *Purchases [net of inventory variation]* and *Depreciation, amortisation and net impairment losses* are presented in separate lines by their nature, while *Operating expenses* and *Selling, general and administrative expenses* as well as *Exploration expenses* are presented on a functional basis. Significant expenses such as salaries, pensions, etc. are presented by their nature in the notes to the Consolidated financial statements.

Standards and interpretations issued but not yet adopted
At the date of these Consolidated financial statements the following standards, standard amendments and interpretations applicable to Statoil have been issued but were not yet effective and will be adopted by Statoil on 1 January 2013. Except where otherwise stated, standards and amendments require retrospective implementation, but have been assessed to be immaterial in regard to their impact on Statoil's accounts for previous reporting periods.

- IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*, issued in May 2011 and with transition guidance amendments issued in June 2012, and the amendments to IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*, issued in May 2011, will be implemented by Statoil simultaneously in the 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 control model that applies to all entities and requires judgement to determine whether an entity is controlled and should be consolidated when there is less than a majority of voting rights, or whether there is a loss of control. The standard will not lead to significant changes in entities deemed to be controlled by Statoil. IFRS 11 introduces a substance over form approach that requires judgement 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 a company will account for joint operations, where the company has rights to the assets and the liabilities of the joint operation, similar to the proportionate consolidation method. Joint ventures, where the company has rights to the net assets, will be accounted for using the equity method. Statoil has not identified significant entities or activities within the scope of IFRS 11 that will be accounted for differently under the new standard. Those of Statoil's exploration and production licence activities that are within the scope of the standard will be accounted for in a manner similar to proportionate consolidation. The adoption on 1 January 2013 of IFRS 10, IFRS 11 and IFRS 12 and their respective amendments, as well as of the amendments to IAS 28, will not impact Statoil's financial statements materially.
- IFRS 13 *Fair Value Measurement*, issued in May 2011, is to be implemented prospectively upon adoption. Statoil has not identified material changes to the values of assets and liabilities measured at fair value in its financial statements as a consequence of IFRS 13.
- The amendments to IAS 19 *Employee Benefits*, issued in June 2011, introduce changes to pension related accounting and disclosure, but will not materially impact Statoil's financial statements upon adoption.

- The amendments *to* IAS 1 *Presentation of Financial Statements*, issued in June 2011, will not materially impact Statoil's presentation of Other comprehensive income (OCI).
- The amendments to IFRS 7 *Financial Instruments: Disclosures*, issued in December 2011, introduce new requirements for disclosure related to offsetting of financial assets and financial liabilities. Statoil will provide the relevant disclosure as applicable.
- The Improvements to IFRSs (2009 - 2011) issued in May 2012 will not materially impact Statoil's Consolidated financial statements upon adoption.

At the date of these Consolidated financial statements the following further standard and amendments applicable to Statoil have been issued but were not yet effective nor adopted by Statoil. Statoil has not yet determined its adoption date for the standard and amendments and is still evaluating their potential impact:

- IFRS 9 *Financial Instruments*, issued for the first part in November 2009 and for the second part in October 2010, covers the classification and measurement of financial assets and financial liabilities, respectively. IFRS 9 will be effective from 1 January 2015, and also entails amendments to various other IFRSs effective from the same date.
- The amendments to IAS 32 *Financial Instruments: Presentation*, issued in December 2011, and effective from 1 January 2014, clarifies the requirements for offsetting financial assets and financial liabilities in the financial statements.

Other standards, amendments and interpretations currently in issue but not yet effective are not expected to be relevant to Statoil Consolidated financial statements upon adoption.

Significant changes in accounting policies in the current period

With effect from 2012 Statoil changed its policy for classification in the balance sheet of short-term financial investments with less than three months to maturity from *Financial investments* to *Cash and cash equivalents*. At the same time, Statoil changed its policy for presentation of changes in current financial investments in the statement of cash flows from *Cash flows provided by operating activities* to *Cash flows used in investing activities*. The changes have been applied retrospectively in these Consolidated financial statements including the notes, and consequently an opening balance sheet as of 31 December 2010 (1 January 2011) has been included.

As part of its liquidity management, Statoil has gradually increased its use of short-term highly liquid investments, such as short-term debt securities and money market funds. This development, combined with relatively high levels of liquidity being maintained over time, has led Statoil to conclude that presenting money market funds and highly liquid investments with less than three months to maturity as part of *Cash and cash equivalents,* rather than *Financial investments*, better reflects Statoil's liquidity management policies and therefore provides more relevant information. In conjunction with the above change, Statoil also considers it more relevant to present changes in the remaining financial investments, i.e. excluding those that are now included under *Cash and cash equivalents*, as *Investing activities* in the statement of cash flows.

For further information see note 3 *Change in accounting policy* to these financial statements.

Basis of consolidation

Subsidiaries

The Consolidated financial statements include the accounts of Statoil ASA and its subsidiaries.

All intercompany balances and transactions, including unrealised profits and losses arising from Statoil's internal transactions, have been eliminated in full. Non-controlling interests (minority interests) are presented separately within equity in the balance sheet.

Jointly controlled assets, jointly controlled entities and associates

Interests in jointly controlled assets are recognised by including Statoil's share of assets, liabilities, income and expenses on a line-by-line basis. Interests in jointly controlled entities are accounted for using proportionate consolidation. Investments in companies in which Statoil does not have control or joint control, but has the ability to exercise significant influence over operating and financial policies, are classified as associates and are accounted for using the equity method.

Statoil as operator of jointly controlled assets

Indirect operating expenses such as personnel expenses are accumulated in cost pools. These costs are allocated to business areas and Statoil operated jointly controlled assets (licences) on an hours incurred basis. Costs allocated to the other partners' share of operated jointly controlled assets reduce the costs in the Consolidated statement of income. Only Statoil's share of the statement of income and balance sheet items related to Statoil operated jointly controlled assets are reflected in the Consolidated statement of income and the Consolidated balance sheet.

Reportable segments

Statoil identifies its operating segments on the basis of those components of Statoil that are regularly reviewed by the chief operating decision maker, Statoil's corporate executive committee (CEC). Statoil combines operating segments when these satisfy relevant aggregation criteria. Quantitative thresholds related to reported revenue, net operating income and assets are also applied.

Statoil's accounting policies as described in this note also apply to the specific financial information included in reportable segments related disclosure in these Consolidated financial statements.

Foreign currency translation

In preparing the financial statements of the individual entities, transactions in foreign currencies (those other than functional currency) are translated at the foreign exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the foreign exchange rate at the balance sheet date. Foreign exchange differences arising on translation are recognised in the Consolidated statement of income as foreign exchange gains or losses within *Net financial items*. Foreign exchange differences arising from the translation of estimate-based provisions, however, generally are accounted for as part of the change in the underlying estimate and as such may be included within the relevant operating expense or income tax sections of the Consolidated statement of income depending on the nature of the provision. Non-monetary assets that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transactions.

Presentation currency

For the purpose of the Consolidated financial statements, the statement of income and the balance sheet of each entity are translated from the functional currency into the presentation currency, Norwegian kroner (NOK). The assets and liabilities of entities whose functional currencies are other than NOK, including Statoil's parent company Statoil ASA whose functional currency is USD, are translated into NOK at the foreign exchange rate at the balance sheet date. The revenues and expenses of such entities are translated using the foreign exchange rates on the dates of the transactions. Foreign exchange differences arising on translation from functional currency to presentation currency are recognised separately in OCI.

Business combinations

Determining whether an acquisition meets the definition of a business combination requires judgement to be applied on a case by case basis. Acquisitions are assessed under the relevant IFRS criteria to establish whether the transaction represents a business combination or an asset purchase. Depending on the specific facts, acquisitions of exploration and evaluation licences for which a development decision has not yet been made, have largely been concluded to represent asset purchases.

Business combinations, except for transactions between entities under common control, are accounted for using the acquisition method of accounting. The acquired identifiable tangible and intangible assets, liabilities and contingent liabilities are measured at their fair values at the date of the acquisition. Acquisition costs incurred are expensed under *Selling, general and administrative expenses*.

Revenue recognition

Revenues associated with sale and transportation of crude oil, natural gas, petroleum and chemical products and other merchandise are recognised when risk passes to the customer, which is normally when title passes at the point of delivery of the goods, based on the contractual terms of the agreements.

Revenues from the production of oil and gas properties in which Statoil shares an interest with other companies are recognised on the basis of volumes lifted and sold to customers during the period (the sales method). Where Statoil has lifted and sold more than the ownership interest, an accrual is recognised for the cost of the overlift. Where Statoil has lifted and sold less than the ownership interest, costs are deferred for the underlift.

Revenue is presented net of customs, excise taxes and royalties paid in-kind on petroleum products. Revenue is presented gross of in-kind payments of amounts representing income tax.

Sales and purchases of physical commodities, which are not settled net, are presented on a gross basis as revenue and cost of goods sold in the statement of income. Activities related to trading and commodity-based derivative instruments are reported on a net basis, with the margin included in revenue.

Transactions with the Norwegian State

Statoil markets and sells the Norwegian State's share of oil and gas production from the Norwegian continental shelf (NCS). The Norwegian State's participation in petroleum activities is organised through the State's direct financial interest (SDFI). All purchases and sales of the SDFI's oil production are classified as *Purchases [net of inventory variation]* and *Revenues*, respectively. Statoil ASA sells, in its own name, but for the Norwegian State's account and risk, the State's production of natural gas. This sale, and related expenditures refunded by the Norwegian State, are presented net in the Consolidated financial statements. Sales made by Statoil subsidiaries in their own name, and related expenditure, are however presented gross in the Consolidated financial statements where the applicable subsidiary is considered the principal when selling natural gas on behalf of the Norwegian State. In accounting for these sales activities, the Norwegian State's share of profit or loss is reflected in Statoil's *Selling, general and administrative expenses* as expenses or reduction of expenses, respectively.

Employee benefits

Wages, salaries, bonuses, social security contributions, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by employees of Statoil.

Research and development

Statoil undertakes research and development both on a funded basis for licence holders and on an unfunded basis for projects at its own risk. Statoil's own share of the licence holders' funding and the total costs of the unfunded projects are considered for capitalisation under the applicable IFRS requirements. Subsequent to initial recognition, any capitalised development costs are reported at cost less accumulated amortisation and accumulated impairment losses.

Income tax

Income tax in the Consolidated statement of income comprises current and deferred tax expense. Income tax is recognised in the Consolidated statement of income except when it relates to items recognised in OCI.

Current tax consists of the expected tax payable on the taxable income for the year and any adjustment to tax payable for previous years. Uncertain tax positions and potential tax exposures are analysed individually, and the best estimate of the probable amount for liabilities to be paid (unpaid potential tax exposure amounts, including penalties) and virtually certain amount for assets to be received (disputed tax positions for which payment has already been made) in each case is recognised within current tax or deferred tax as appropriate. Interest income and interest expenses relating to tax issues are estimated and recognised in the period in which they are earned or incurred, and are presented within *Net financial items* in the Consolidated statement of income.

Deferred tax assets and liabilities are recognised for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities and their respective tax bases, subject to the initial recognition exemption. The amount of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable income will be available against which the asset can be utilised. In order for a deferred tax asset to be recognised based on future taxable income, convincing evidence is required, taking into account the existence of contracts, production of oil or gas in the near future based on volumes of proved reserves, observable prices in active markets, expected volatility of trading profits and similar facts and circumstances.

A petroleum tax, currently levied at a rate of 50%, is levied on profits derived from petroleum production and pipeline transportation on the NCS. The petroleum tax is applied to relevant income in addition to the standard 28% income tax, resulting in a 78% marginal tax rate on income subject to Norwegian petroleum tax. The basis for computing the petroleum tax is the same as for income subject to ordinary corporate income tax, except that onshore losses are not deductible against the petroleum tax, and a tax-free allowance (uplift) is computed on the basis of the original capitalised cost of offshore production installations at a rate of 7.5% per year. The uplift may be deducted from taxable income for a period of four years, starting in the year in which the capital expenditures are incurred. The uplift benefit is recognised when the deduction is included in the current year tax return and impacts taxes payable. Unused uplift may be carried forward indefinitely.

Oil and gas exploration and development expenditures

Statoil uses the successful efforts method of accounting for oil and gas exploration costs. Expenditures to acquire mineral interests in oil and gas properties and to drill and equip exploratory wells are capitalised as exploration and evaluation expenditures within *Intangible assets* until the well is complete and the results have been evaluated. If, following the evaluation, the exploratory well has not found proved reserves, the previously capitalised costs are evaluated for derecognition or tested for impairment. Geological and geophysical costs and other exploration expenditures are expensed as incurred.

For exploration and evaluation asset acquisitions (farm-in arrangements) in which Statoil has made arrangements to fund a portion of the selling partner's (farmor's) exploration and/or future development expenditures (carried interests), these expenditures are reflected in the Consolidated financial statements as and when the exploration and development work progresses. Statoil reflects exploration and evaluation asset dispositions (farm-out arrangements), when the farmee correspondingly undertakes to fund carried interests as part of the consideration, on a historical cost basis with no gain or loss recognition.

A gain or loss related to a post-tax based disposition of assets on the NCS includes the release of tax liabilities previously computed and recognised related to the assets in question. The resulting gross gain or loss is recognised in full in the line item *Other income* in the Consolidated statement of income.

Exchanges (swaps) of exploration and evaluation assets are accounted for at the carrying amounts of the assets given up with no gain or loss recognition.

Capitalised exploration and evaluation expenditures, including expenditures to acquire mineral interests in oil and gas properties, related to wells that find proved reserves are transferred from Exploration expenditures and Acquisition costs - oil and gas prospects (*Intangible assets*) to Assets under development (*Property, plant and equipment*) at the time of sanctioning of the development project. For onshore wells where no sanction is required, the transfer of capitalised expenditures from *Intangible assets* to *Property, plant and equipment* occurs at the time when a well is ready for production.

Property, plant and equipment

Property, plant and equipment is reflected at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of an asset retirement obligation, if any, and, for qualifying assets, borrowing costs. Property, plant and equipment include assets acquired under the terms of profit sharing agreements (PSAs) in certain countries, and which qualify for recognition as assets of Statoil. State-owned entities in the respective countries, however, normally hold the legal title to such PSA-based property, plant and equipment.

Exchanges of assets are measured at the fair value of the asset given up, unless the fair value of neither the asset received nor the asset given up is reliably measurable.

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset is replaced and it is probable that future economic benefits associated with the item will flow to Statoil, the expenditure is capitalised. Inspection and overhaul costs, associated with regularly scheduled major maintenance programs planned and carried out at recurring intervals exceeding one year, are capitalised and amortised over the period to the next scheduled inspection and overhaul. All other maintenance costs are expensed as incurred.

Capitalised exploration and evaluation expenditures, development expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, and field-dedicated transport systems for oil and gas are capitalised as producing oil and gas properties within *Property, plant and equipment*. Such capitalised costs are depreciated using the unit of production method based on proved developed reserves expected to be recovered from the area during the concession or contract period. Capitalised acquisition costs of proved properties are depreciated

using the unit of production method based on total proved reserves. Depreciation of other assets and transport systems used by several fields is calculated on the basis of their estimated useful lives, normally using the straight-line method. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. For exploration and production assets Statoil has established separate depreciation categories which as a minimum distinguish between platforms, pipelines and wells.

The estimated useful lives of property, plant and equipment are reviewed on an annual basis, and changes in useful lives are accounted for prospectively. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in *Other income* or *Operating expenses*, respectively, in the period the item is derecognised.

Assets classified as held for sale

Non-current assets are classified separately as held for sale in the balance sheet when their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is met only when the sale is highly probable, the asset is available for immediate sale in its present condition, and management is committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Liabilities directly associated with the assets classified as held for sale, and expected to be included as part of the sale transaction, are correspondingly also classified separately. Once classified as held for sale, property, plant and equipment and intangible assets are not subject to depreciation or amortisation. The net assets and liabilities of a disposal group classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell.

Leases

Leases for which Statoil assumes substantially all the risks and rewards of ownership are reflected as finance leases. When an asset leased by a jointly controlled asset in which Statoil participates qualifies as a finance lease, Statoil reflects its proportionate share of the leased asset and related obligations. Finance leases are classified in the Consolidated balance sheet within *Property, plant and equipment* and *Bonds, bank loans and finance lease liabilities*, respectively. All other leases are classified as operating leases and the costs are charged to the relevant operating expense related caption on a straight line basis over the lease term, unless another basis is more representative of the benefits of the lease to Statoil.

Statoil distinguishes between lease and capacity contracts. Lease contracts provide the right to use a specific asset for a period of time, while capacity contracts confer on Statoil the right to and the obligation to pay for certain volume capacity availability related to transport, terminal use, storage, etc. Such capacity contracts that do not involve specified assets or that do not involve substantially all the capacity of an undivided interest in a specific asset are not considered by Statoil to qualify as leases for accounting purposes. Capacity payments are reflected as *Operating expenses* in the Consolidated statement of income in the period for which the capacity contractually is available to Statoil.

Intangible assets including goodwill

Intangible assets are stated at cost, less accumulated amortisation and accumulated impairment losses. Intangible assets include expenditures on the exploration for and evaluation of oil and natural gas resources, goodwill and other intangible assets.

Expenses related to the drilling of exploration wells are initially capitalised as intangible assets pending determination of whether potentially economic oil and gas reserves have been discovered by the drilling effort. This evaluation is normally finalised within one year after well completion. Exploration wells that discover potentially economic quantities of oil and natural gas remain capitalised as intangible assets during the evaluation phase of the find, see further information under the Oil and gas exploration and development expenditures section above.

Intangible assets relating to expenditures on the exploration for and evaluation of oil and natural gas resources are not amortised. When the decision to develop a particular area is made, its intangible exploration and evaluation assets are reclassified to *Property, plant and equipment*.

Goodwill is initially measured at the excess of the aggregate of the consideration transferred and the amount recognised for any non-controlling interest over the fair value of the identifiable assets acquired and liabilities assumed at the acquisition date. Goodwill acquired is allocated to each cash generating unit, or group of units, expected to benefit from the combination's synergies. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Financial assets

Financial assets are initially recognised at fair value when Statoil becomes a party to the contractual provisions of the asset. For additional information on fair value methods, refer to the Measurement of fair values section below. The subsequent measurement of the financial assets depends on which category they have been classified into at inception.

At initial recognition Statoil classifies its financial assets into the following three main categories: Financial investments at fair value through profit or loss, loans and receivables, and available-for-sale (AFS) financial assets. The first main category, financial investments at fair value through profit or loss, further consists of two sub-categories: Financial assets held for trading and financial assets that on initial recognition are designated as fair value through profit and loss. The latter approach may also be referred to as the fair value option.

Cash and cash equivalents include cash in hand, current balances with banks and similar institutions, and short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in fair value and have a maturity of three months or less from the acquisition date.

Trade receivables are carried at the original invoice amount less a provision for doubtful receivables which is made when there is objective evidence that Statoil will be unable to recover the balances in full.

A significant part of Statoil's investments in commercial papers, bonds and listed equity securities is managed together as an investment portfolio of Statoil's captive insurance company and is held in order to comply with specific regulations for capital retention. The investment portfolio is managed and evaluated on a fair value basis in accordance with an investment strategy and is accounted for using the fair value option with changes in fair value recognised through profit or loss.

Financial assets are presented as current if they contractually will expire or otherwise are expected to be recovered within 12 months after the balance sheet date, or if they are held for the purpose of being traded. Financial assets and financial liabilities are shown separately in the Consolidated balance sheet, unless Statoil has both a legal right and a demonstrable intention to net settle certain balances payable to and receivable from the same counterparty, in which case they are shown net in the balance sheet. Such offsetting of balances is reflected within *Trade and other receivables, Trade and other payables,* and *Derivative financial instruments* assets and liabilities, respectively.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the first-in first-out method and comprises direct purchase costs, cost of production, transportation and manufacturing expenses.

Impairment

Impairment of property, plant and equipment and intangible assets

Statoil assesses assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Individual assets are grouped based on levels with separately identifiable and largely independent cash inflows. Normally, separate cash-generating units are individual oil and gas fields or plants. For offshore capitalised exploration expenditures and acquisition costs - oil and gas prospects, the cash-generating units are individual wells, while onshore, each unconventional shale play is considered a cash-generating unit.

In assessing whether a write-down of the carrying amount of a potentially impaired asset is required, the asset's carrying amount is compared to the recoverable amount. Frequently the recoverable amount of an asset proves to be Statoil's estimated value in use, which is determined using a discounted cash flow model. The estimated future cash flows applied are based on reasonable and supportable assumptions and represent management's best estimates of the range of economic conditions that will exist over the remaining useful life of the cash generating assets, set down in Statoil's most recently approved long-term plans. Statoil's long-term plans are reviewed by corporate management and updated at least annually. The plans cover a 10-year period and reflect expected production volumes for oil and natural gas in that period. For assets and cash generating units with an expected useful life or timeline for production of expected reserves extending beyond 10 years, the related cash flows include project or asset specific estimates reflecting the relevant period. Such estimates are established on the basis of Statoil's principles and assumptions consistently applied.

In performing a value-in-use-based impairment test, the estimated future cash flows are adjusted for risks specific to the asset and discounted using a real post-tax discount rate which is based on Statoil's post-tax weighted average cost of capital (WACC). The use of post-tax discount rates in determining value in use does not result in a materially different determination of the need for, or the amount of, impairment that would be required if pre-tax discount rates had been used.

Unproved oil and gas properties are assessed for impairment when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount, and at least once a year. Exploratory wells that have found reserves, but where classification of those reserves as proved depends on whether major capital expenditure can be justified or where the economic viability of that major capital expenditure depends on the successful completion of further exploration work, will remain capitalised during the evaluation phase for the exploratory finds. Thereafter it will be considered a trigger for impairment evaluation of the well if no development decision is planned for the near future and there are no concrete plans for future drilling in the licence.

Impairments are reversed, as applicable, to the extent that conditions for impairment are no longer present. Impairment losses and reversals of impairment losses are presented in the Consolidated statement of income as *Exploration expenses* or *Depreciation, amortisation and net impairment losses*, on the basis of their nature as either exploration assets (intangible exploration assets) or development and producing assets (property, plant and equipment, and other intangible assets), respectively.

Impairment of goodwill

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit, or group of units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit, or group of units, is less than the carrying amount, an impairment loss is recognised. Once recognised, impairments of goodwill are not reversed in future periods.

Financial liabilities

Financial liabilities are initially recognised at fair value when Statoil becomes a party to the contractual provisions of the liability. The subsequent measurement of financial liabilities depends on which category they have been classified into. The categories applicable for Statoil are either financial liabilities at fair value through profit or loss or financial liabilities measured at amortised cost using the effective interest method. The latter applies to Statoil's non-current bank loans and bonds.

Financial liabilities are presented as current if the liability is due to be settled within 12 months after the balance sheet date, or if they are held for the purpose of being traded. Financial liabilities are derecognised when the contractual obligations expire, are discharged or cancelled. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognised either in Interest income and other financial items or in Interest and other finance expenses within *Net financial items*.

Derivative financial instruments
Statoil uses derivative financial instruments to manage certain exposures to fluctuations in foreign currency exchange rates, interest rates and commodity prices. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value through profit and loss. The impact of commodity-based derivative financial instruments is recognised in the Consolidated statement of income under *Revenues*, as such derivative instruments are related to sales contracts or revenue-related risk management for all significant purposes. The impact of other financial instruments is reflected under *Net financial items*.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Derivative assets or liabilities expected to be recovered, or with the legal right to be settled more than 12 months after the balance sheet date are classified as non-current, with the exception of derivative financial instruments held for the purpose of being traded.

Contracts to buy or sell a non-financial item that can be settled net in cash or another financial instrument, or by exchanging financial instruments, as if the contracts were financial instruments, are accounted for as financial instruments. However, contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with Statoil's expected purchase, sale or usage requirements, also referred to as own use, are not accounted for as financial instruments. This is applicable to a significant number of contracts for the purchase or sale of crude oil and natural gas, which are recognised upon delivery.

Derivatives embedded in other financial instruments or in non-financial host contracts are recognised as separate derivatives, and are reflected at fair value with subsequent changes through profit and loss, when their risks and economic characteristics are not closely related to those of the host contracts, and the host contracts are not carried at fair value. Where there is an active market for a commodity or other non-financial item referenced in a purchase or sale contract, a pricing formula will, for instance, be considered to be closely related to the host purchase or sales contract if the price formula is based on the active market in question. A price formula with indexation to other markets or products will however result in the recognition of a separate derivative. Where there is no active market for the commodity or other non-financial item in question, Statoil assesses the characteristics of such a price related embedded derivative to be closely related to the host contract if the price formula is based on relevant indexations commonly used by other market participants. This applies to a number of Statoil's long-term natural gas sales agreements.

Pension liabilities
Statoil has pension plans for employees that either provide a defined pension benefit upon retirement, or a pension dependent on defined contributions. For defined benefit schemes, the benefit to be received by employees generally depends on many factors including length of service, retirement date and future salary levels.

Statoil's proportionate shares of multi-employer defined benefits plans are recognised as liabilities in the balance sheet to the extent that sufficient information is available and a reliable estimate of the obligation can be made.

Statoil's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their services in the current and prior periods. That benefit is discounted to determine its present value and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date, reflecting the maturity dates approximating the terms of Statoil's obligations. The discount rate for the main part of the pension obligations has been established on the basis of Norwegian mortgage covered bonds, which are considered high quality corporate bonds. The cost of pension benefit plans is expensed over the period that the employees render services and become eligible to receive benefits. The calculation is performed by an external actuary.

The interest element of the defined benefit cost is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest cost is recognised in the statement of income as a part of the net periodic pension cost.

Periodic pension cost is accumulated in cost pools and allocated to business areas and Statoil operated jointly controlled assets (licences) on an hours incurred basis and recognised in the statement of income based on the function of the cost.

Past service cost is recognised immediately when the benefits become vested or on a straight-line basis until the benefits become vested. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are re-measured using current actuarial assumptions and the gain or loss is recognised in the statement of income during the period in which the settlement or curtailment occurs.

Actuarial gains and losses are recognised in full in the Statement of comprehensive income in the period in which they occur, while actuarial gains and losses related to provision for termination benefits are recognised in the Statement of income in the period in which they occur. Due to the parent company Statoil ASA's functional currency being USD, the significant part of Statoil's pension obligations will be payable in a foreign currency (i.e. NOK). As a consequence, actuarial gains and losses related to the parent company's pension obligation include the impact of exchange rate fluctuations.

Contributions to defined contribution schemes are recognised in the statement of income in the period in which the contribution amounts are earned by the employees.

Onerous contracts

Statoil recognises as provisions the net obligation under contracts defined as onerous. Contracts are deemed to be onerous if the unavoidable cost of meeting the obligations under the contract exceeds the economic benefits expected to be received in relation to the contract. A contract which forms an integral part of the operations of a cash generating unit whose assets are dedicated to that contract, and for which the economic benefits cannot be reliably separated from those of the cash generating unit, is included in impairment considerations for the applicable cash generating unit.

Asset retirement obligations (ARO)

Provisions for ARO costs are recognised when Statoil has an obligation (legal or constructive) to dismantle and remove a facility or an item of property, plant and equipment and to restore the site on which it is located, and when a reliable estimate of that liability can be made. The amount recognised is the present value of the estimated future expenditures determined in accordance with local conditions and requirements. Cost is estimated based on current regulations and technology, considering relevant risks and uncertainties. The discount rate used in the calculation of the ARO is a risk-free rate based on the applicable currency and time horizon of the underlying cash flows, adjusted for a credit premium which reflects Statoil's credit premium. Normally an obligation arises for a new facility, such as an oil and natural gas production or transportation facility, upon construction or installation. An obligation may also crystallise during the period of operation of a facility through a change in legislation or through a decision to terminate operations, or be based on commitments associated with Statoil's ongoing use of pipeline transport systems where removal obligations rest with the volume shippers. The provisions are classified under *Provisions* in the Consolidated balance sheet. Refining and processing plants that are not limited by licence periods are deemed to have indefinite lives and, in consequence, no ARO has been recognised.

When a provision for ARO cost is recognised, a corresponding amount is recognised to increase the related property, plant and equipment and is subsequently depreciated as part of the costs of the facility or item of property, plant and equipment. Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the corresponding property, plant and equipment. Removal provisions associated with Statoil's role as shipper of volumes through third party transport systems are expensed as incurred.

Measurement of fair values

Quoted prices in active markets represent the best evidence of fair value and are used by Statoil in determining the fair values of assets and liabilities to the extent possible. Financial instruments quoted in active markets will typically include commercial papers, bonds and equity instruments with quoted market prices obtained from the relevant exchanges or clearing houses. The fair values of quoted financial assets, financial liabilities and derivative instruments are determined by reference to bid and ask prices, at the close of business on the balance sheet date.

Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's-length market transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and pricing models and related internal assumptions. In the valuation techniques Statoil also takes into consideration the counterparty and its own credit risk. This is either reflected in the discount rate used or through direct adjustments to the calculated cash flows. Consequently, where Statoil reflects elements of long-term physical delivery commodity contracts at fair value, such fair value estimates to the extent possible are based on quoted forward prices in the market and underlying indexes in the contracts, as well as assumptions of forward prices and margins where observable market prices are not available. Similarly, the fair values of interest and currency swaps are estimated based on relevant quotes from active markets, quotes of comparable instruments, and other appropriate valuation techniques.

Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that Statoil has made in the process of applying the accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Revenue recognition - gross versus net presentation of traded SDFI volumes of oil and gas production

As described under Transactions with the Norwegian State above, Statoil markets and sells the Norwegian State's share of oil and gas production from the NCS. Statoil includes the costs of purchase and proceeds from the sale of the SDFI oil production in *Purchases [net of inventory variation]* and *Revenues*, respectively. In making the judgement Statoil considered the detailed criteria for the recognition of revenue from the sale of goods and, in particular, concluded that the risk and reward of the ownership of the oil had been transferred from the SDFI to Statoil.

Statoil sells, in its own name, but for the Norwegian State's account and risk, the State's production of natural gas. These gas sales, and related expenditures refunded by the State, are shown net in Statoil's Consolidated financial statements. In making the judgment Statoil considered the same criteria as for the oil production and concluded that the risk and reward of the ownership of the gas had not been transferred from the SDFI to Statoil.

Proportionate gain recognition when forming joint ventures by reducing shares in subsidiaries

There is a conflict in the accounting standards between the requirements of IAS 27 *Consolidated and Separate Financial Statements* and IAS 31 *Interests in Joint Ventures* / SIC-13 *Jointly Controlled Entities - Non-Monetary Contributions by Venturers* for gain recognition when forming joint ventures by reducing ownership shares in subsidiaries. Under the requirements of IAS 27, the sale of ownership interests in the wholly-owned entity would result in the loss of control of a subsidiary with gain recognition of 100% and the establishment of a new cost base at fair value for the retained partnership units. Under the requirements of IAS 31/SIC-13, the gain recognition would be the portion of the gain attributable to the equity interests of the buyers. In view of the inconsistency, Statoil has chosen as its accounting policy for sales transactions, when the substance of such a transaction is the establishment of a

joint venture, to account for such transactions under the provisions of IAS 31/SIC-13. Consequently, Statoil recognises a gain on such a sale for the portion attributable to the equity interests of the respective buyer.

Key sources of estimation uncertainty

The preparation of the Consolidated financial statements requires that management make estimates and assumptions that affect reported amounts of assets and 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 result of which form the basis of making the judgements 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.

Statoil is exposed to a number of underlying economic factors, such as liquids prices, natural gas prices, refining margins, foreign exchange rates and interest rates as well as financial instruments with fair values derived from changes in these factors, which affect the overall results. In addition, Statoil's results are influenced by the level of production, which in the short-term may be influenced by, for instance, maintenance programmes. In the long term, the results are impacted by the success of exploration and field development activities.

The matters described below are considered to be the most important in understanding the key sources of estimation uncertainty that are involved in preparing these financial statements and the uncertainties that could most significantly impact the amounts reported on the results of operations, financial position and cash flows.

Proved oil and gas reserves. Proved oil and gas reserves may materially impact the Consolidated financial statements, as changes in the proved reserves, for instance as a result of changes in prices, will impact the unit of production rates used for depreciation and amortisation. Proved oil and gas reserves have been estimated by internal qualified professionals on the basis of industry standards and governed by criteria established by regulations of the SEC, which require the use of a price based on a 12-month average for reserve estimation, and which are to be based on existing economic conditions and operating methods and with a high degree of confidence (at least 90% probability) that the quantities will be recovered. The Financial Accounting Standards Board (FASB) requirements for supplemental oil and gas disclosures align with the SEC regulations. Reserves estimates are based on subjective judgements involving geological and engineering assessments of in-place hydrocarbon volumes, the production, historical recovery and processing yield factors and installed plant operating capacity. For future development projects, proved reserves estimates are included only where there is a significant commitment to project funding and execution and when relevant governmental and regulatory approvals have been secured or are reasonably certain to be secured. The reliability of these estimates at any point in time depends on both the quality and quantity of the technical and economic data and the efficiency of extracting and processing the hydrocarbons. An independent third party has evaluated Statoil's proved reserves estimates, and the results of this evaluation do not differ materially from Statoil's estimates. Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods and government regulations. Unless evidence indicates that renewal is reasonably certain, estimates of economically producible reserves only reflect the period before the contracts providing the right to operate expire. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence within a reasonable time.

Expected oil and gas reserves. Expected oil and gas reserves may materially impact the Consolidated financial statements, as changes in the expected reserves, for instance as a result of changes in prices, will impact asset retirement obligations and impairment testing of upstream assets, which in turn may lead to changes in impairment charges affecting operating income. Expected oil and gas reserves are the estimated remaining, commercially recoverable quantities, based on Statoil's judgement of future economic conditions, from projects in operation or justified for development. Recoverable oil and gas quantities are always uncertain and the expected value is the weighted average, or statistical mean, of the possible outcomes. Expected reserves are therefore typically larger than what is referred to as proved reserves as defined by the SEC rules. Expected oil and gas reserves have been estimated by internal qualified professionals on the basis of industry standards and are used for impairment testing purposes and for calculation of asset retirement obligations. Reserves estimates are based on subjective judgements involving geological and engineering assessments of in-place hydrocarbon volumes, the production, historical recovery and processing yield factors, installed plant operating capacity and operating approval limits. The reliability of these estimates at any point in time depends on both the quality and quantity of the technical and economic data and the efficiency of extracting and processing the hydrocarbons.

Exploration and leasehold acquisition costs. Statoil capitalises the costs of drilling exploratory wells pending determination of whether the wells have found proved oil and gas reserves. Statoil also capitalises leasehold acquisition costs and signature bonuses paid to obtain access to undeveloped oil and gas acreage. Judgements as to whether these expenditures should remain capitalised or written down due to impairment losses in the period may materially affect the operating income for the period.

Impairment/reversal of impairment. Statoil has significant investments in property, plant and equipment and intangible assets. Changes in the circumstances or expectations of future performance of an individual asset may be an indicator that the asset is impaired requiring the book value to be written down to its recoverable amount. Impairments are reversed if conditions for impairment are no longer present. Evaluating whether an asset is impaired or if an impairment should be reversed requires a high degree of judgement and may to a large extent depend upon the selection of key assumptions about the future.

Unproved oil and gas properties are assessed for impairment when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount, and at least annually. If, following evaluation, an exploratory well has not found proved reserves, the previously capitalised costs are tested for impairment. Subsequent to the initial evaluation phase for a well it will be considered a trigger for impairment testing of a well if no development decision is planned for the near future and there moreover is no concrete plan for future drilling in the licence. Impairment of unsuccessful wells is reversed, as applicable, to the extent that conditions for impairment are no longer present.

Estimating recoverable amounts involves complexity in estimating relevant future cash flows, based on assumptions about the future, discounted to their present value. Impairment testing requires long-term assumptions to be made concerning a number of often volatile economic factors such as future market prices, refinery margins, currency exchange rates and future output, discount rates and political and country risk among others, in order to establish relevant future cash flows. Impairment testing frequently also requires judgement regarding probabilities and probability distributions as well as levels of sensitivity inherent in the establishment of recoverable amount estimates, and consequently in ensuring that the recoverable amount estimates' robustness where relevant is factored sufficiently into the impairment evaluations and reflected in the impairment or reversal of impairment recognised in the financial statements. Long-term assumptions for major economic factors are made at a group level and there is a high degree of reasoned judgement involved in establishing these assumptions, in determining other relevant factors such as forward price curves, in estimating production outputs and in determining the ultimate termination value of an asset.

Employee retirement plans. When estimating the present value of defined benefit pension obligations that represent a gross long-term liability in the balance sheet, and indirectly, the period's net pension expense in the statement of income, management make a number of critical assumptions affecting these estimates. Most notably, assumptions made about the discount rate to be applied to future benefit payments, the expected return on plan assets and the annual rate of compensation increase have a direct and potentially material impact on the amounts presented. Significant changes in these assumptions between periods can have a material effect on the financial statements.

Asset retirement obligations. Statoil has significant obligations to decommission and remove offshore installations at the end of the production period. It is difficult to estimate the costs of these decommissioning and removal activities, which are based on current regulations and technology, considering relevant risks and uncertainties. Most of the removal activities are many years into the future and the removal technology and costs are constantly changing. The estimates include assumptions of both the time required and the day rates for rigs, marine operations and heavy lift vessels that can vary considerably depending on the assumed removal complexity. As a result, the initial recognition of the liability and the capitalised cost associated with decommissioning and removal obligations, and the subsequent adjustment of these balance sheet items, involve the application of significant judgement.

Derivative financial instruments. When not directly observable in active markets, the fair value of derivative contracts must be computed internally based on internal assumptions as well as directly observable market information, including forward and yield curves for commodities, currencies and interest rates. Changes in internal assumptions and forward curves could materially impact the internally computed fair value of derivative contracts, particularly long-term contracts, resulting in corresponding impact on income or loss in the Consolidated statement of income.

Income tax. Every year Statoil incurs significant amounts of income taxes payable to various jurisdictions around the world and recognises significant changes to deferred tax assets and deferred tax liabilities, all of which are based on management's interpretations of applicable laws, regulations and relevant court decisions. The quality of these estimates is highly dependent upon management's ability to properly apply at times very complex sets of rules, to recognise changes in applicable rules and, in the case of deferred tax assets, management's ability to project future earnings from activities that may apply loss carry forward positions against future income taxes.

3 Change in accounting policy

As stated in note 2 *Significant accounting policies*, with effect from 2012 Statoil changed its policy for classification of short-term financial investments with less than three months to maturity from *Financial investments* to *Cash and cash equivalents* in the balance sheet. At the same time, Statoil changed its policy for presentation of changes in current financial investments from *Cash flows provided by operating activities* to *Cash flows used in investing activities* in the statement of cash flows.

The policy change has been retrospectively applied in these Consolidated financial statements and the following tables show the effect of the changes in previous periods. All the restated comparable figures are also presented in the relevant notes.

CONSOLIDATED BALANCE SHEET

	As restated At 31 December		As earlier reported At 31 December	
(in NOK billion)	2011	2010	2011	2010
Financial investments	5.2	8.2	19.9	11.5
Cash and cash equivalents	55.3	33.8	40.6	30.5
Total	60.5	42.0	60.5	42.0

CONSOLIDATED STATEMENT OF CASH FLOWS

(in NOK billion)	As restated For the year ended 31 December 2011	2010	As earlier reported For the year ended 31 December 2011	2010
Cash flows provided by operating activities	119.0	85.2	111.5	80.8
Cash flows used in investing activities	(84.9)	(79.3)	(88.7)	(76.5)
Cash flows provided by (used in) financing activities	(12.7)	(0.8)	(12.8)	(0.9)
Net increase (decrease) in cash and cash equivalents	21.4	5.1	10.0	3.4
Effect of exchange rate changes on cash and cash equivalents	(0.2)	0.3	(0.3)	0.4
Cash and cash equivalents at the beginning of the period (net of overdraft)	32.4	27.0	29.1	25.3
Cash and cash equivalents at the end of the period (net of overdraft)	53.6	32.4	38.8	29.1

4 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), Other and Fuel and Retail (FR; until 19 June 2012 when the segment was sold).

The development and production operating segments, which are organised based on a regional model with geographical clusters or units, are responsible for the commercial development of the oil and gas portfolios within their respective geographical areas: DPN on the Norwegian continental shelf, DPNA in North America including offshore and onshore activities in the USA and Canada and DPI worldwide outside of North America and Norway.

Exploration activities are managed by a separate business unit, which has the global responsibility across the Statoil group for discovery and appraisal of new resources. Exploration activities are allocated to and presented in the respective Development and Production segments.

The MPR segment is responsible for marketing and trading of oil and gas commodities (crude, condensate, gas liquids, products, natural gas and liquefied natural gas), electricity and emission rights, as well as transportation, processing and manufacturing of the above mentioned commodities, operations of refineries, terminals, processing and power plants, wind parks and other activities within renewable energy.

In the second quarter 2012 Statoil divested its FR segment through Statoil ASA's sale of its 54% shareholding in Statoil Fuel & Retail ASA (SFR). A gain of NOK 5.8 billion was recognised on the sale. In the segment reporting the gain has been presented in the FR segment as Revenues and other income - third party. The FR segment marketed fuel and related products principally to retail consumers.

The Other reporting segment includes activities within Global Strategy and Business Development, Technology, Projects and Drilling and the Corporate staffs and services.

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 has its basis in similar economic characteristics, the nature of products, services and production processes, 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 years ended 31 December 2012, 2011 and 2010 is presented below. The measurement basis of segment profit is *Net operating income*. In the tables below, deferred tax assets, pension assets and non-current financial assets are not allocated to the segments. Also, the line Additions to PP&E and intangible assets is excluding movements due to changes in asset retirement obligations.

(in NOK billion)	Development and Production Norway	Development and Production International	Marketing, Processing and Renewable Energy	Other	Fuel and Retail *	Eliminations	Total
Year ended 31 December 2012							
Revenues third party and Other income	7.7	25.7	646.8	1.3	40.2	0.0	721.7
Revenues inter-segment	213.0	55.9	22.2	0.0	1.5	(292.6)	0.0
Net income (loss) from associated companies	0.1	1.2	0.4	0.0	0.0	0.0	1.7
Total revenues and other income	220.8	82.8	669.4	1.3	41.7	(292.6)	723.4
Net operating income	161.7	21.5	15.5	2.6	6.9	(1.6)	206.6
Significant non-cash items recognised							
- Depreciation and amortisation	29.2	26.2	2.4	0.9	0.6	0.0	59.3
- Net impairment losses (reversals)	0.6	0.0	0.6	0.0	0.0	0.0	1.2
- Unrealised (gain) loss on commodity derivatives	1.4	0.0	1.8	0.0	0.0	0.0	3.2
- Exploration expenditure written off	0.8	2.3	0.0	0.0	0.0	0.0	3.1
Investments in associated companies	0.2	4.8	3.2	0.1	-	-	8.3
Non-current segment assets	235.4	248.3	38.5	4.5	-	-	526.7
Non-current assets, not allocated to segments							66.4
Total non-current assets							601.4
Additions to PP&E and intangible assets	48.6	54.6	6.0	1.6	0.9	-	111.7

*Amounts are for the period until 19 June 2012 and include the gain from the sale of the FR segment.

(in NOK billion)	Development and Production Norway	Development and Production International	Marketing, Processing and Renewable Energy	Other	Fuel and Retail	Eliminations	Total
Year ended 31 December 2011							
Revenues third party and Other income	7.9	25.1	564.1	1.0	70.8	0.0	668.9
Revenues inter-segment	204.2	44.8	45.7	0.0	2.9	(297.6)	0.0
Net income (loss) from associated companies	0.1	0.9	0.2	0.1	0.0	0.0	1.3
Total revenues and other income	212.2	70.8	610.0	1.1	73.7	(297.6)	670.2
Net operating income	152.7	32.8	24.8	(0.3)	1.9	(0.1)	211.8
Significant non-cash items recognised							
- Depreciation and amortisation	29.5	15.9	2.8	0.8	1.2	0.0	50.2
- Net impairment losses (reversals)	0.0	(2.1)	3.3	0.0	0.0	0.0	1.2
- Unrealised (gain) loss on commodity derivatives	(5.6)	0.0	(3.6)	0.0	0.0	0.0	(9.2)
- Exploration expenditure written off	1.0	0.5	0.0	0.0	0.0	0.0	1.5
Investments in associated companies	0.2	5.5	2.7	0.8	-	-	9.2
Non-current segment assets	211.6	239.4	34.5	4.0	10.8	-	500.3
Non-current assets, not allocated to segments							61.0
Total non-current assets							570.5
Additions to PP&E and intangible assets	41.5	84.3	4.7	1.6	1.5	-	133.6

(in NOK billion)	Development and Production Norway	Development and Production International	Marketing, Processing and Renewable Energy	Other	Fuel and Retail	Eliminations	Total
Year ended 31 December 2010							
Revenues third party and Other income	4.1	8.4	452.6	1.4	62.3	0.0	528.8
Revenues inter-segment	166.6	41.9	40.5	2.2	3.6	(254.8)	0.0
Net income (loss) from associated companies	0.0	0.7	0.5	(0.1)	0.0		1.1
Total revenues and other income	170.7	51.0	493.6	3.5	65.9	(254.8)	529.9
Net operating income	115.7	12.6	6.1	0.6	2.4	(0.1)	137.3
Significant non-cash items recognised							
- Depreciation and amortisation	26.0	15.2	3.0	0.7	1.2	0.0	46.1
- Net impairment losses (reversals)	0.0	1.5	3.0	0.0	0.1	0.0	4.6
- Unrealised (gain) loss on commodity derivatives	(1.8)	0.0	4.3	0.0	0.0	0.0	2.5
- Exploration expenditure written off	1.4	1.5	0.0	0.0	0.0	0.0	2.9
Investments in associated companies	0.1	5.1	3.6	0.2	-	-	9.0
Non-current segment assets	188.2	137.3	55.2	3.0	11.1	-	394.8
Non-current assets, not allocated to segments							47.0
Total non-current assets							450.8
Assets classified as held for sale	-	44.9	-	-	-	-	44.9
Additions to PP&E and intangible assets	31.9	44.2	7.7	1.0	0.8	-	85.6

See note 12 *Property, plant and equipment* and note 13 *Intangible assets* for information on impairments recognised.

See note 5 *Acquisitions and dispositions* for information on gains and losses on transactions that affect the different segments.

Geographical areas

Statoil has business operations in 35 countries. When attributing revenues from third parties to the country of the legal entity executing the sale, Norway constitutes 77% and the USA 15%.

Non-current assets by country

(in NOK billion)	2012	At 31 December 2011	2010
Norway	258.7	249.2	240.0
USA	134.6	112.6	53.7
Angola	42.5	43.6	29.1
Brazil	23.2	26.0	37.0
Canada	17.2	17.3	24.5
Azerbaijan	16.7	17.8	17.3
UK	11.1	8.9	7.5
Algeria	8.7	9.6	9.3
Other countries	22.3	24.5	30.3
Total non-current assets* and assets classified as held for sale	535.0	509.5	448.7

*Excluding deferred tax assets, pension assets and non-current financial assets.

Revenues by product type

(in NOK billion)	For the year ended 31 December 2012	2011	2010
Crude oil	368.4	315.1	254.0
Refined products	140.9	128.8	107.5
Gas	118.6	99.0	84.8
Natural gas liquids	65.8	62.3	49.6
Other	12.0	40.4	31.1
Total revenues	705.7	645.6	527.0

5 Acquisitions and dispositions

2012

Sale of interests in exploration and production licences on the Norwegian continental shelf

In April 2012 Statoil closed an agreement with Centrica, entered into in November 2011, to sell interests in certain licences on the Norwegian continental shelf (NCS) for a total consideration of NOK 8.6 billion. The consideration includes a cash payment of NOK 7.1 billion, a contingent element and the responsibility for tax payments for the period between 1 January 2012 and the transaction date. The contingent element relates to production in a four year period and is capped at NOK 0.6 billion. A gain of NOK 7.5 billion has been recognised in the Development and Production Norway (DPN) segment in the second quarter 2012 and presented as *Other income*. The net book value of the assets taken over by Centrica was NOK 2.0 billion. The transaction was tax exempt under the rules in the Norwegian Petroleum Tax system and the gain includes a release of deferred tax liabilities of NOK 0.9 billion related to the transaction.

Divestment of shares in Statoil Fuel & Retail ASA

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 the transaction date SFR was fully consolidated in the Statoil group with a 46% non-controlling interest. Statoil recognised a gain of NOK 5.8 billion on the transaction, presented as *Other income* in the Consolidated financial statements. The gain was tax exempt and has been presented in the Fuel and Retail segment. The net book value of the assets derecognised as part of the divestment was NOK 7.5 billion.

Agreement with Wintershall to sell interest in exploration and production licences on the NCS

On 21 October 2012 Statoil entered into an agreement with Wintershall to sell its ownership interests in certain licences on the NCS. Wintershall will pay a cash consideration of NOK 7.5 billion (USD 1.4 billion). In addition, Statoil will receive a 15% working interest in the Edvard Grieg licence and a contingent consideration of up to NOK 0.6 billion (USD 0.1 billion). Statoil will continue to consolidate the proportionate share (current ownership share) of the revenues and expenditures until the date of closing of the transaction. The consideration will be adjusted for the activity after 1 January 2013 and for working capital at the transaction date. The transaction is subject to approvals from the Norwegian Ministry of Petroleum and Energy and the Norwegian Ministry of Finance, which includes approval of the transfer of operatorship on the Brage licence to Wintershall. The transaction will be recognised in the DPN segment at the time of closing, which is expected in the second half of 2013. Statoil expects to recognise a gain from the transaction estimated to be between NOK 6 and 7 billion, to be adjusted for activity between 1 January 2013 and the transaction date. The transaction will be tax exempt under rules in the Norwegian Petroleum Tax system and the estimated gain includes a release of related deferred tax liabilities.

Acquisition of mineral right leases in the Marcellus shale formation in the United States

In December 2012 Statoil closed an agreement to acquire mineral right leases covering 70,000 net acres in the Marcellus shale area in the northeastern part of the United States (US). Statoil will be the operator of the licences and hold a 100% working interest in these mineral right leases. The transaction has been accounted for as an asset acquisition within the Development and Production International (DPI) segment, with a total consideration of NOK 3.3 billion (USD 0.6 billion).

2011

Acquisition of Brigham Exploration Company

On 17 October 2011, Statoil and Brigham Exploration Company (Brigham) entered into an agreement for Statoil to acquire all outstanding shares of Brigham through an all-cash tender offer. Brigham was an independent exploration, development and production company and was listed on the NASDAQ in the US before the acquisition. It explored for, developed and produced US domestic onshore crude oil and natural gas reserves. Brigham's exploration and development activities are focused in the areas of the Williston Basin, targeting primarily the Bakken and Three Forks formations in North Dakota and Montana.

Statoil obtained control over Brigham on 1 December 2011, which was the acquisition and valuation date for purchase price allocation (PPA) purposes. At year end 2011, Statoil had obtained ownership of all shares in Brigham. The total cost of the business combination was NOK 26.0 billion. The acquisition has been accounted for as a business combination using the acquisition method, where the acquired assets and liabilities have been measured at fair value at the date of acquisition and it was recognised in the DPI segment. The fair value of net identifiable assets of Brigham was NOK 19.1 billion, consisting of total assets of NOK 34.3 billion and total liabilities of NOK 15.2 billion. In addition, goodwill of NOK 6.9 billion was recognised from the transaction. The goodwill was attributed to Statoil's US onshore operations on the basis of expected synergies and other benefits to Statoil from Brigham's assets and activities and will not be deductible for tax purposes. The 2011 Consolidated financial statements include results of Brigham for the one-month period from the acquisition date.

Acquisition of exploration rights offshore Angola
On 20 December 2011 Statoil was awarded operatorship and a 55% share of blocks 38 and 39 and partner position with 20% interests in blocks 22, 25 and 40 in the Kwanza basin offshore Angola. The joint ventures have been set up as production sharing agreements (PSAs) in which the national oil company of Angola, Sonangol, participates with a carried interest of 30% in all five blocks during the exploration phase. By entering into the PSAs Statoil incurred total future commitments of NOK 8.4 billion (USD 1.4 billion), which includes signature bonuses and minimum work commitments for all the blocks. As at 31 December 2011 a total of NOK 5.2 billion was recognised in the DPI segment and presented as *Intangible assets*.

Sale of interests in Gassled, Norway
On 5 June 2011 Statoil entered into an agreement with Solveig Gas Norway AS to sell a 24.1% ownership interest in the Gassled joint venture (Gassled). Statoil continues to hold a 5% interest in the joint venture after the divestment date 30 December 2011. Solveig Gas Norway AS paid a consideration of NOK 13.9 billion in cash in January 2012 for the 24.1% ownership interest in the joint venture. The transaction was principally tax exempt under the rules in the Norwegian Petroleum Tax system, however, a portion is taxable under the ordinary Norwegian tax system. Statoil recognised a pre-tax gain of NOK 8.4 billion from the transaction in the fourth quarter 2011, which includes a release of deferred tax liabilities related to the tax exempted portion of the transaction. The transaction was recognised in the Marketing, Processing and Renewable Energy segment and presented as *Other income*.

2010

Acquisition of mineral right leases in Eagle Ford shale formation, Texas US
On 8 October 2010 Statoil signed a Purchase and Sale agreement with Talisman Energy Inc. and Enduring Resources LLC under which Statoil, through a 50/50 joint venture with Talisman Energy Inc., acquired mineral right leases covering 67,000 net acres in the Eagle Ford shale formation in Southwest Texas. The transaction was accounted for as an asset acquisition. Total consideration for Statoil's share was NOK 5.4 billion (USD 0.9 billion). The transaction was completed on 8 December 2010 and has been recognised in the DPI segment.

Sale of interests in Kai Kos Dehseh, Canada
On 21 November 2010 Statoil entered into an agreement with PTT Exploration and Production (PTTEP) to form a joint venture relating to the Kai Kos Dehseh oil sands project, which reduced Statoil's ownership interest from 100% to 60%. The Kai Kos Dehseh oil sands project in Alberta, Canada, is legally organised as a partnership and through the sale, PTTEP acquired 40% of the partnership interests. Following the transaction, which was closed on 21 January 2011, the Kai Kos Dehseh oil sands activity is accounted for as a jointly controlled entity using proportionate consolidation.

PTTEP paid a total consideration of NOK 13.2 billion. A gain of NOK 5.5 billion has been recognised in accordance with the provisions of IAS 31/SIC 13 (see note 2 *Significant accounting policies*) and presented as *Other income*. The transaction was recognised in the DPI segment in the first quarter 2011.

Sale of interests in Peregrino assets, Brazil
On 21 May 2010 Statoil entered into an agreement to form a joint venture with Sinochem Group by selling 40% of the Peregrino offshore heavy-oil field in Brazil. Following closure of the transaction Statoil holds a 60% ownership share and together with Sinochem jointly controls the Peregrino assets. Statoil remained operator of the field, which started production in April 2011. Governmental approvals were received in April 2011 and the transaction was closed on 14 April 2011.

Sinochem Group paid a total of NOK 19.5 billion in cash for the 40% share of the net assets through acquisition of shares in various Statoil entities. The gain from the transaction of NOK 8.8 billion was recognised in accordance with the provisions of IAS 31/SIC 13 and presented as *Other income*. The transaction was recognised in the DPI segment in the second quarter 2011.

Assets classified as held for sale
The carrying amounts of assets and liabilities classified as held for sale in the Consolidated balance sheet at year end 2010 are related to Statoil's agreements with PTTEP for the sale of a 40% ownership interest in the Kai Kos Dehseh oil sands project and the agreement with Sinochem Group for the sale of a 40% ownership in the Peregrino offshore heavy-oil field.

6 Financial risk management

General information relevant to financial risks
Statoil's business activities naturally expose Statoil to financial risk. Statoil's approach to risk management includes identifying, evaluating, and managing risk in all activities using a top-down approach. Statoil utilises correlations between all the most important market risks, such as oil and natural gas prices, refined oil product prices, currencies, and interest rates, to calculate the overall market risk and thereby take into account the hedges inherent in Statoil's portfolio. Simply adding the different market risks without considering these correlations would overestimate our total market risk. This approach allows us to reduce the number of hedging transactions and thereby reduce transaction costs and avoid sub-optimisation.

An important element in the risk management approach is the use of centralised trading mandates requiring all major strategic transactions to be co-ordinated through Statoil's corporate risk committee. Mandates delegated to the trading organisations within crude oil, refined products, natural gas, and electricity are relatively small compared to the total market risk of Statoil.

The corporate risk committee, which is headed by the chief financial officer and includes representatives from the principal business segments, is responsible for defining, developing and reviewing Statoil's risk policies. The chief financial officer, assisted by the committee, is also responsible for overseeing and developing Statoil's Enterprise-Wide Risk Management and proposing appropriate measures to adjust risk at the corporate level. The committee meets at least six times per year and regularly receives risk information relevant to Statoil.

Financial risks
Statoil's activities expose Statoil to the following financial risks:

- Market risk (including commodity price risk, currency risk and interest rate risk)
- Liquidity risk
- Credit risk

Market risk
Statoil operates in the worldwide crude oil, refined products, natural gas, and electricity markets and is exposed to market risks including fluctuations in hydrocarbon prices, foreign currency rates, interest rates, and electricity prices that can affect the revenues and costs of operating, investing and financing. These risks are managed primarily on a short-term basis with a focus on achieving the highest risk-adjusted returns for Statoil within the given mandate. Long-term exposures, defined as having a time horizon of six months or more, are managed at the corporate level while short-term exposures are managed at segment and lower levels according to trading strategies and mandates approved by Statoil's corporate risk committee.

For the marketing of Statoil's commodities Statoil has established guidelines for entering into derivative contracts in order to manage commodity price, foreign currency rate, and interest rate risks. Statoil uses both financial and commodity-based derivatives to manage the risks in revenues, financial items and the present value of future cash flows.

For more information on sensitivity analysis of market risk see note 28 *Financial instruments*: *fair value measurement and sensitivity analysis of market risk*.

Commodity price risk
Commodity price risk represents Statoil's most important short-term market risk and is monitored every day against established mandates as defined by the governing policies. To manage short-term commodity risk, Statoil enters into commodity-based derivative contracts, including futures, options, over-the-counter (OTC) forward contracts, market swaps and contracts for differences related to crude oil, petroleum products, natural gas and electricity.

Derivatives associated with crude oil and refined oil products are traded mainly on the Inter Continental Exchange (ICE) in London, the New York Mercantile Exchange (NYMEX), the OTC Brent market, and in crude and refined products swaps markets. Derivatives associated with natural gas and electricity are mainly OTC physical forwards and options, NASDAQ OMX Oslo (formerly named Nordpool) forwards and futures traded on the NYMEX and ICE.

The term of crude oil and refined oil products derivatives is usually less than one year and the term for natural gas and electricity derivatives is usually three years or less. For more detailed information about Statoil's commodity based derivative financial instruments see note 28 *Financial instruments: fair value measurement and sensitivity analysis of market risk*.

Currency risk
In addition to price developments, Statoil's operating results and cash flows are affected by foreign currency fluctuations in the most significant currencies (NOK, EUR and GBP) against USD.

Statoil manages its currency risk from operations with USD as the basis currency. Foreign exchange risk is managed at corporate level in accordance with given policies and mandates. In the present Euro-zone uncertainty, Statoil has established processes to be prepared for different outcomes.

Statoil's operating cash flows derived from oil and gas sales, operating expenses and capital expenditures are mainly in USD, but taxes and dividends are mainly in NOK. Accordingly, Statoil's currency management is primarily linked to mitigate currrency risk related to tax and dividend payments in NOK. This means that Statoil regularly purchases substantial NOK amounts on a forward basis using conventional derivative instruments.

Interest rate risk
With regards to interest rate risk, Statoil manages its interest rates exposure on its long-term issued debt mainly by converting the cash flows from fixed coupon payments into floating rate interest payments through the use of interest rate swaps.

Statoil aims to diversify sources of funding, and to achieve lower expected funding costs over time.

Bonds are normally issued at fixed rates in a variety of local currencies (among others JPY, EUR, GBP and USD). These bonds are normally converted to floating USD bonds by using interest rate and currency swaps. For more detailed information about Statoil's long-term debt portfolio see note 20 *Bonds, bank loans and finance lease liabilities.*

Liquidity risk
Liquidity risk is the risk that Statoil will not be able to meet obligations of financial liabilities when they become due. The purpose of liquidity management is to make certain that Statoil has sufficient funds available at all times to cover its financial obligations.

Statoil manages liquidity and funding at the corporate level, ensuring adequate liquidity to cover Statoil's operational requirements. Statoil has high focus and attention on credit and liquidity risk throughout its entire organisation. In order to secure necessary financial flexibility, which includes meeting the financial obligations, Statoil maintains what it believes to be a conservative liquidity management policy. To secure financial flexibility and identify future long-term financing needs, Statoil carries out three-year cash forecasts at least monthly.

Statoil's operating cash flows are significantly impacted by, among other things, the volatility in the oil and gas prices as well as production volumes. During 2012 Statoil's overall liquidity position remained strong.

The main cash outflows are the annual dividend payment and Norwegian Petroleum Tax payments six times per year. If the monthly cash flow forecast shows that the liquid assets one month after tax and dividend payments will fall below the defined policy level, new long-term funding will be considered.

Current funding needs will normally be covered by using the USD 4.0 billion US Commercial Papers Programme (CP) which is backed by a revolving credit facility of USD 3.0 billion, supported by 20 core banks, maturing in 2017. The facility provides secure access to funding, supported by best available short-term rating and it has not been drawn.

Statoil raises debt in all major capital markets (USA, Europe and Japan) for long-term funding purposes. The policy is to have a smooth maturity profile with repayments not exceeding five per cent of capital employed in any year for the nearest five years. Statoil's non-current financial liability has an average maturity of approximately nine years.

For more information about Statoil's non-current financial liabilities see note 20 *Bonds, bank loans and finance lease liabilities.*

The table below shows a maturity profile, based on undiscounted contractual cash flows, for Statoil's financial liabilities.

	At 31 December	
(in NOK billion)	2012	2011
Due within 1 year	(102.8)	(111.1)
Due between 1 and 2 years	(28.6)	(31.7)
Due between 3 and 4 years	(21.0)	(33.7)
Due between 5 and 10 years	(44.9)	(48.7)
Due after 10 years	(55.0)	(55.2)
Total specified	(252.3)	(280.4)

Credit risk
Credit risk is the risk that Statoil's customers or counterparties will cause Statoil financial loss by failing to honour their obligations. Credit risk arises from credit exposures with customer accounts receivables as well as from financial investments, derivative financial instruments and deposits with financial institutions.

Key elements of the credit risk management approach include:

- A global credit risk policy
- Credit mandates
- An internal credit rating process
- Credit risk mitigation tools
- A continuous monitoring and managing of credit exposures

Prior to entering into transactions with new counterparties, Statoil's credit policy requires all counterparties to be formally identified and approved. In addition, all sales, trading and financial counterparties are assigned internal credit ratings as well as exposure limits. Once established, all counterparties are re-assessed regularly and continuously monitored. Counterparty risk assessments are based on a quantitative and qualitative analysis of recent financial statements and other relevant business information. In addition, Statoil evaluates any past payment performance, the counterparties' size and business diversification, and the inherent industry risk. The internal credit ratings reflect our assessment of the counterparties' credit risk. Exposure limits are determined based on assigned internal credit ratings combined with other factors, such as expected transaction and industry characteristics. Credit mandates define acceptable credit risk thresholds and are endorsed by management and regularly reviewed with regard to changes in market conditions.

Statoil uses risk mitigation tools to reduce or control credit risk both on a counterparty and portfolio level. The main tools include bank and parental guarantees, prepayments and cash collateral. For bank guarantees, only investment grade international banks are accepted as counterparties.

Statoil has pre-defined limits for the absolute credit risk level allowed at any given time on Statoil's portfolio level as well as maximum credit exposures for individual counterparties. Statoil monitors the portfolio on a regular basis and individual exposures against limits on a daily basis. The total credit exposure portfolio of Statoil is geographically diversified among a number of counterparties within the oil and energy sector, as well as larger oil and gas consumers and financial counterparties. The majority of Statoil's credit exposure is with investment grade counterparties.

The following table contains the carrying amount of Statoil's financial receivables and derivative financial instruments that are neither past due nor impaired split by Statoil's assessment of the counter-party's credit risk. Only non-exchange traded instruments are included in derivative financial instruments.

(in NOK billion)	Non-current financial receivables	Trade and other receivables	Non-current derivative financial instruments	Current derivative financial instruments
At 31 December 2012				
Investment grade, rated A or above	0.9	16.4	17.9	1.6
Other investment grade	0.2	26.0	15.3	1.9
Non-investment grade or not rated	1.4	21.3	0.0	0.1
Total financial asset	2.5	63.7	33.2	3.6
At 31 December 2011				
Investment grade, rated A or above	1.0	31.2	19.4	3.5
Other investment grade	0.0	35.8	13.3	2.3
Non-investment grade or not rated	0.6	27.7	0.0	0.1
Total financial asset	1.6	94.7	32.7	5.9

At 31 December 2012, NOK 12.4 billion of cash was held as collateral to mitigate a portion of Statoil's credit exposure. At 31 December 2011 NOK 10.8 billion was held as collateral. The collateral is cash received as a security to mitigate credit exposure related to positive fair values on interest rate swaps, cross currency interest rate swaps and foreign currency swaps. Cash is called as collateral in accordance with the master agreements with the different counterparties when the positive fair values for the different swap agreements are above an agreed threshold. The collateral received reduces the credit exposure in the Derivative financial instruments presented in the table above.

7 Remuneration

(in NOK billion, except average number of man-labour years)	For the year ended 31 December 2012	2011	2010
Salaries	22.7	21.1	19.8
Pension costs	(0.6)	3.8	4.1
Payroll tax	3.3	3.3	3.0
Other compensations and social costs	2.8	2.5	2.2
Total payroll costs	28.2	30.7	29.1
Average number of man-labour years	26,728	29,378	28,396

Total payroll expenses are accumulated in cost-pools and partly charged to partners of Statoil-operated licences on an hours incurred basis.

The negative pension cost was primarily caused by a curtailment gain recognised on the basis of Statoil's discontinuance of the supplementary (gratuity) part of the early retirement scheme. For further information see note 21 *Pensions*.

Compensation to the board of directors (BoD) and the corporate executive committee (CEC)
The remuneration to members of the BoD and the CEC during the year was as follows:

(in NOK million)	For the year ended 31 December 2012	2011	2010
Current employee benefits	81.1	59.4	49.9
Post-employment benefits	13.6	12.0	11.4
Other non-current benefits	0.1	0.1	0.1
Share based payment benefits	1.3	1.0	0.8
Total	96.1	72.5	62.2

At 31 December 2012, 2011 and 2010 there are no loans to the members of the BoD or the CEC.

Share-based compensation
Statoil's share saving plan provides employees with the opportunity to purchase Statoil shares through monthly salary deductions and a contribution by Statoil. If the shares are kept for two full calendar years of continued employment, the employees will be allocated one bonus share for each one they have purchased.

Estimated compensation expense including the contribution by Statoil for purchased shares, amounts vested for bonus shares granted and related social security tax was NOK 0.5 billion, NOK 0.5 billion and NOK 0.4 billion related to the 2012, 2011 and 2010 programs, respectively. For the 2013 program (granted in 2012) the estimated compensation expense is NOK 0.6 billion. At 31 December 2012 the amount of compensation cost yet to be expensed throughout the vesting period is NOK 1.1 billion.

8 Other expenses

Auditor's remuneration

(in NOK million, excluding VAT)	For the year ended 31 December 2012	2011	2010
Audit fee	44	63	65
Audit related fee	9	7	14
Tax fee	2	0	0
Other service fee	2	3	0
Total	57	73	79

In addition to the figures in the table above, the audit fees and audit-related fees related to Statoil-operated licences amount to NOK 7 million, NOK 9 million and NOK 9 million for 2012, 2011 and 2010, respectively.

Research and development expenditures
Research and development (R&D) expenditures were NOK 2.8 billion, NOK 2.2 billion and NOK 2.0 billion in 2012, 2011 and 2010, respectively. R&D expenditures are partly financed by partners of Statoil-operated licences. Statoil's share of the expenditures has been recognised as expense in the Consolidated statement of income.

9 Financial items

(in NOK billion)	For the year ended 31 December 2012	2011 (restated)	2010 (restated)
Foreign exchange gains (losses) derivative financial instruments	2.1	1.6	(1.7)
Other foreign exchange gains (losses)	(1.3)	(2.2)	(0.2)
Net foreign exchange gains (losses)	0.8	(0.6)	(1.9)
Dividends received	0.1	0.1	0.1
Gains (losses) financial investments	0.6	(0.4)	0.8
Interest income financial investments	0.6	0.5	0.3
Interest income non-current financial receivables	0.1	0.1	0.1
Interest income current financial assets and other financial items	0.4	1.9	1.9
Interest income and other financial items	1.8	2.2	3.2
Interest expense bonds and bank loans and net interest on related derivatives	(2.5)	(2.2)	(2.1)
Interest expense finance lease liabilites	(0.5)	(0.6)	(0.2)
Capitalised borrowing costs	1.2	0.9	1.0
Accretion expense asset retirement obligations	(3.0)	(2.8)	(2.6)
Gains (losses) derivative financial instruments	3.0	6.9	2.6
Interest expense current financial liabilities and other finance expense	(0.7)	(1.8)	(0.5)
Interest and other finance expenses	(2.5)	0.4	(1.8)
Net financial items	0.1	2.0	(0.5)

Statoil's main financial items relate to assets and liabilities categorised in the held for trading category and the amortised cost category. For more information about financial instruments by category see note 28 *Financial instruments: fair value measurement and sensitivity analysis of market risk.*

In the above table the line item Interest expense bonds and bank loans and net interest on related derivatives for 2012 primarily includes interest expenses of NOK 4.8 billion from the financial liabilities at amortised cost category, partly offset by net interest on related derivatives of NOK 2.5 billion from the held for trading category. The line item Gains (losses) derivative financial instruments primarily includes fair value gains of NOK 2.9 billion from the held for trading category. In addition a net exchange gain of NOK 4.2 billion from the held for trading category is included in the line item Foreign exchange gains (losses) derivative financial instruments. Correspondingly, the line item Interest expense bonds and bank loans and net interest on related derivatives for 2011 primarily included interest expenses of NOK 5.6 billion from the financial liabilities at amortised cost category, partly offset by net interest on related derivatives of NOK 2.5 billion from the held or trading category. The line item Gains (losses) derivative financial instruments primarily included fair value gains of NOK 6.8 billion from the held for trading category. In addition a net exchange gain of NOK 3.3 billion from the held for trading category were included in the line item Foreign exchange gains (losses) derivative financial instruments.

In 2012 an impairment loss of NOK 2.1 billion recognised for an investment classified in the available for sale category is included in Interest income current financial assets and other financial items.

As stated in note 3 *Change in accounting policy*, with effect from 2012 Statoil changed its policy for classification of short-term financial investments with less than three months to maturity from *Financial investments* to *Cash and cash equivalents* in the balance sheet. As a consequence, certain reclassifications of related foreign currency effects between the line items Net foreign exchange gains (losses) and Interest and other financial items have been made; however, there is no impact on *Net financial items*.

10 Income taxes

Significant components of income tax expense

(in NOK billion)	For the year ended 31 December 2012	2011	2010
Current income tax expense in respect of current year	138.1	131.5	97.5
Prior period adjustments	(0.5)	0.2	(0.7)
Current income tax expense	137.6	131.7	96.8
Origination and reversal of temporary differences	0.3	7.0	2.4
Recognition of previously unrecognised deferred tax assets	(3.0)	(3.1)	0.0
Change in tax regulations	2.3	0.0	0.0
Prior period adjustments	0.0	(0.2)	0.0
Deferred tax expense	(0.4)	3.7	2.4
Income tax expense	137.2	135.4	99.2

Reconciliation of nominal statutory tax rate to effective tax rate

(in NOK billion)	For the year ended 31 December 2012	2011	2010
Income before tax	206.7	213.8	136.8
Calculated income tax at statutory rate*	62.9	64.0	43.1
Calculated Norwegian Petroleum tax**	87.4	84.9	61.5
Tax effect of uplift**	(5.3)	(5.1)	(5.0)
Tax effect of permanent differences	(6.3)	(5.7)	0.7
Recognition of previously unrecognised deferred tax assets***	(3.0)	(3.1)	0.0
Change in tax regulations	2.3	0.0	0.0
Prior period adjustments	(0.5)	0.0	(0.7)
Other items	(0.3)	0.4	(0.4)
Income tax expense	137.2	135.4	99.2
Effective tax rate	66.4%	63.3%	72.5%

* The weighted average of statutory tax rates was 30.4% in 2012, 29.9% in 2011 and 31.5% in 2010. The increase from 2011 to 2012 was principally due to a change in the geographic mix of income, with a higher proportion of income in 2012 arising in jurisdictions subject to relatively higher tax rates. The decrease from 2010 to 2011 was also due to such changes.

** When computing the petroleum tax of 50% on income from the Norwegian continental shelf, a tax-free allowance, or uplift, is granted at a rate of 7.5% per year. The uplift is computed on the basis of the original capitalised cost of offshore production installations. The uplift may be deducted from taxable income for a period of four years, starting in the year in which the capital expenditure is incurred. Unused uplift may be carried forward indefinitely. At year end 2012 and 2011 unrecognised uplift credits amounted to NOK 17.5 billion and NOK 15.1 billion, respectively.

*** An amount of NOK 3.0 billion of previously unrecognised deferred tax assets was recognised in 2012. The recognition of the deferred tax assets is based on the expectation that sufficient taxable income will be available through reversals of taxable temporary differences and future taxable income. In 2011, previously unrecognised deferred tax assets of NOK 3.1 billion was recognised.

Deferred tax assets and liabilities comprise

(in NOK billion)	Tax losses carried forward	Property, plant and equipment	Intangible assets	ARO	Pensions	Derivatives	Other	Total
Deferred tax at 31 December 2012								
Deferred tax assets	10.7	7.7	0.0	63.4	5.6	0.0	9.6	97.0
Deferred tax liabilities	0.0	(127.5)	(20.9)	0.0	0.0	(18.1)	(7.8)	(174.3)
Net asset (liability) at 31 December 2012	10.7	(119.8)	(20.9)	63.4	5.6	(18.1)	1.8	(77.3)
Deferred tax at 31 December 2011								
Deferred tax assets	11.0	9.2	0.0	55.4	6.6	0.0	10.4	92.6
Deferred tax liabilities	0.0	(127.7)	(16.3)	0.0	0.0	(18.4)	(7.0)	(169.4)
Net asset (liability) at 31 December 2011	11.0	(118.5)	(16.3)	55.4	6.6	(18.4)	3.4	(76.8)

Changes in net deferred tax liability during the year were as follows:

(in NOK billion)	2012	2011	2010
Net deferred tax liability at 1 January	76.8	76.2	74.4
Charged (credited) to the Consolidated statement of income	(0.4)	3.7	2.4
Other comprehensive income pensions	1.7	(2.0)	0.0
Translation differences and other	(0.8)	(1.1)	(0.6)
Net deferred tax liability at 31 December	77.3	76.8	76.2

Deferred tax assets and liabilities are offset to the extent that the deferred taxes relate to the same fiscal authority and there is a legally enforceable right to offset current tax assets against current tax liabilities. After netting deferred tax assets and liabilities by fiscal entity, deferred taxes are presented on the balance sheet as follows:

	At 31 December	
(in NOK billion)	2012	2011
Deferred tax assets	3.9	5.7
Deferred tax liabilities	(81.2)	(82.5)

Deferred tax assets are recognised based on the expectation that sufficient taxable income will be available through reversal of taxable temporary differences or future taxable income. At year end 2012 the net deferred tax assets are primarily recognised in the USA and Angola, while at year end 2011 the deferred tax assets were primarily recognised in Norway.

Unrecognised deferred tax assets

	At 31 December	
(in NOK billion)	2012	2011
Deductible temporary differences	1.0	3.7
Tax losses carried forward	7.8	9.0

Approximately 43% of the unrecognised losses carry-forwards may be carried forward indefinitely. The majority of the remaining part of the unrecognised tax losses expire after 2019. The unrecognised deductible temporary differences do not expire under the current tax legislation. Deferred tax assets have not been recognised in respect of these items because currently there is insufficient evidence to support that future taxable profits will be available to secure utilisation of the benefits.

11 Earnings per share

The weighted average number of ordinary shares is the basis for computing the basic and diluted earnings per share as disclosed in the Consolidated statement of income.

		At 31 December	
(in thousands)	2012	2011	2010
Weighted average number of ordinary shares	3,181,546	3,182,113	3,182,575
Weighted average number of ordinary shares, diluted	3,190,221	3,190,044	3,189,689

12 Property, plant and equipment

(in NOK billion)	Machinery, equipment and transportation equipment, including vessels	Production plants and oil and gas assets	Refining and manufacturing plants	Buildings and land	Assets under development	Total
Cost at 31 December 2011	23.2	751.4	53.6	16.9	97.7	942.8
Additions and transfers	1.3	100.0	7.8	1.5	6.7	117.3
Disposal assets at cost	(4.8)	(19.1)	(3.8)	(10.7)	(1.5)	(39.9)
Effect of changes in foreign exchange	(1.3)	(15.0)	(1.0)	(0.3)	(3.9)	(21.5)
Cost at 31 December 2012	18.4	817.3	56.6	7.4	99.0	998.7
Accumulated depreciation and impairment losses at 31 December 2011	(15.5)	(470.0)	(40.7)	(7.2)	(1.8)	(535.2)
Depreciation	(1.4)	(55.1)	(1.9)	(0.5)	(0.2)	(59.1)
Impairment losses	0.0	(0.7)	(0.6)	0.0	0.0	(1.3)
Reversal of impairment losses	0.0	0.0	0.0	0.0	0.0	0.0
Accumulated depreciation and impairment disposed assets	3.4	16.7	2.8	4.7	0.0	27.6
Effect of changes in foreign exchange	0.8	7.0	0.5	0.1	0.0	8.4
Accumulated depreciation and impairment losses at 31 December 2012	(12.7)	(502.1)	(39.9)	(2.9)	(2.0)	(559.6)
Carrying amount at 31 December 2012	5.7	315.2	16.7	4.5	97.0	439.1
Estimated useful lives (years)	3 - 20	*	15 - 20	20 - 33		

(in NOK billion)	Machinery, equipment and transportation equipment, including vessels	Production plants and oil and gas assets	Refining and manufacturing plants	Buildings and land	Assets under development	Total
Cost at 31 December 2010	22.1	678.2	55.5	16.5	76.1	848.4
Transfered from assets classified as held for sale	0.0	0.0	0.0	0.0	32.5	32.5
Additions and transfers	1.9	98.4	1.3	0.8	2.0	104.4
Additions from business combination	0.1	6.3	0.0	0.0	1.2	7.6
Disposals assets at cost	(1.2)	(38.7)	(3.4)	(0.1)	(13.6)	(57.0)
Effect of changes in foreign exchange	0.3	7.2	0.2	(0.3)	(0.5)	6.9
Cost at 31 December 2011	23.2	751.4	53.6	16.9	97.7	942.8
Accumulated depreciation and impairment losses at 31 December 2010	(14.3)	(437.6)	(36.7)	(6.6)	(1.6)	(496.8)
Additions and transfers	0.0	0.0	0.0	0.0	(2.2)	(2.2)
Depreciation	(1.4)	(45.6)	(2.2)	(0.7)	(0.2)	(50.1)
Impairment losses	(0.5)	(0.3)	(3.5)	(0.1)	0.0	(4.4)
Reversal of impairment losses	0.0	0.5	0.0	0.0	2.0	2.5
Accumulated depreciation and impairment disposed assets	0.9	16.4	1.9	0.1	0.0	19.3
Effect of changes in foreign exchange	(0.2)	(3.4)	(0.2)	0.1	0.2	(3.5)
Accumulated depreciation and impairment losses at 31 December 2011	(15.5)	(470.0)	(40.7)	(7.2)	(1.8)	(535.2)
Carrying amount at 31 December 2011	7.7	281.4	12.9	9.7	95.9	407.6
Estimated useful lives (years)	3 - 20	*	15-20	20 - 33		

* Depreciation according to unit of production method, see note 2 *Significant accounting policies.*

In 2012 and 2011 capitalised borrowing costs amounted to NOK 1.2 billion and NOK 0.9 billion, respectively.

The carrying amount of assets transferred to *Property, plant and equipment* from *Intangible assets* in 2012 and 2011 amounted to NOK 7.0 billion and NOK 3.7 billion, respectively.

In 2011 Statoil recognised impairment losses of NOK 3.8 billion related to refinery assets in the MPR segment. The basis for the impairment losses was value in use estimates triggered by decreasing expectations on refining margins. The impairment losses have been presented as *Depreciation, amortisation and net impairment losses.*

In 2011 Statoil recognised a reversal of impairment losses of NOK 2.6 billion related to assets in the Gulf of Mexico in the DPI segment. The basis for the reversal was value in use estimates triggered by changes in cost estimates and market conditions.

In 2010 Statoil recognised impairment losses of NOK 2.9 billion related to refinery assets in the MPR segment. The basis for the impairment losses was value in use estimates triggered by decreasing expectations on refining margins. In 2010 Statoil also recognised an impairment loss of NOK 1.6 billion related to a gas development project in the DPI segment. The basis for the impairment loss was reduced value in use estimate mainly driven by project delays, changes in certain cost estimates and market conditions.

In assessing the need for impairment of the carrying amount of a potentially impaired asset, the asset's carrying amount is compared to its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and estimated value in use. The base discount rate used is 6.5% real after tax. The discount rate is derived from Statoil's weighted average cost of capital. A derived pre-tax discount rate would generally be in the range of 8-12%, depending on asset specific characteristics, such as specific tax treatments, cash flow profiles and economic life. For certain assets a pre-tax discount rate could be outside this range, mainly due to special tax elements (for example permanent differences) affecting the pre-tax equivalent. Please see note 2 *Significant accounting policies* for further information regarding impairment on property, plant and equipment.

13 Intangible assets

(in NOK billion)	Exploration expenditures	Acquisition costs - oil and gas prospects	Goodwill	Other	Total
Cost at 31 December 2011	19.7	59.9	11.4	2.8	93.8
Additions	5.6	6.4	0.0	0.6	12.6
Disposals at cost	(0.5)	(0.1)	(1.2)	(0.8)	(2.6)
Transfers	(2.6)	(4.4)	0.1	(0.1)	(7.0)
Expensed exploration expenditures previously capitalised	(2.7)	(0.4)	0.0	0.0	(3.1)
Effect of changes in foreign exchange	(0.9)	(4.1)	(0.6)	(0.1)	(5.7)
Cost at 31 December 2012	18.6	57.3	9.7	2.4	88.0
Accumulated amortisation and impairment losses at 31 December 2011			(0.4)	(0.7)	(1.1)
Amortisation and impairments for the year			0.0	(0.1)	(0.1)
Amortisation and impairment losses disposed intangible assets			0.4	0.4	0.8
Accumulated amortisation and impairment losses at 31 December 2012			0.0	(0.4)	(0.4)
Carrying amount at 31 December 2012	18.6	57.3	9.7	2.0	87.6

(in NOK billion)	Exploration expenditures	Acquisition costs - oil and gas prospects	Goodwill	Other	Total
Cost at 31 December 2010	15.3	23.0	4.4	2.4	45.1
Transfered from assets classified as held for sale	0.9	11.5	0.0	0.0	12.4
Additions	6.4	7.8	0.0	0.3	14.5
Additions through business combination	0.0	24.1	6.8	0.0	30.9
Disposals at cost	(0.5)	(5.0)	0.0	0.0	(5.5)
Transfers	(2.2)	(1.5)	0.0	0.0	(3.7)
Expensed exploration expenditures previously capitalised	(0.7)	(0.8)	0.0	0.0	(1.5)
Effect of changes in foreign exchange	0.5	0.8	0.2	0.1	1.6
Cost at 31 December 2011	19.7	59.9	11.4	2.8	93.8
Accumulated amortisation and impairment losses at 31 December 2010			(0.4)	(1.5)	(1.9)
Amortisation and impairment losses for the year			0.0	(0.2)	(0.2)
Reversal of impairment			0.0	0.9	0.9
Effect of changes in foreign exchange			0.0	0.1	0.1
Accumulated amortisation and impairment losses at 31 December 2011			(0.4)	(0.7)	(1.1)
Carrying amount at 31 December 2011	19.7	59.9	11.0	2.1	92.7

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite useful lives are amortised systematically over their estimated economic lives, ranging between 10-20 years.

Impairment losses and reversals of impairment losses are presented as *Exploration expenses* and *Depreciation, amortisation and net impairment losses* on the basis of their nature as exploration assets (intangible assets) and other intangible assets, respectively. The impairment losses and reversal of impairments are based on value in use estimates triggered by changes in reserve estimates, cost estimates and market conditions. See note 12 *Property, plant and equipment* for further information on the basis for impairment assessments.

The table below shows the ageing of capitalised exploration expenditures.

(in NOK billion)	Amount capitalised
Less than one year	7.1
Between one and five years	10.1
Between five and nine years	1.4
Total	18.6

The table below shows the components of the exploration expenses.

(in NOK billion)	For the year ended 31 December 2012	2011	2010
Exploration expenditure	20.9	18.8	16.8
Expensed exploration expenditures previously capitalised	3.1	1.5	2.9
Capitalised exploration	(5.9)	(6.5)	(3.9)
Exploration expenses	18.1	13.8	15.8

14 Non-current financial assets and prepayments

(in NOK billion)	At 31 December 2012	2011
Bonds	8.9	8.0
Listed equity securities	4.9	4.5
Non-listed equity securities	1.2	2.9
Financial investments	15.0	15.4

Bonds and Listed equity securities relate to investment portfolios which are held by Statoil's captive insurance company and accounted for using the fair value option.

Non-listed equity securities are classified as available for sale assets and changes in fair value are recognised in *Other comprehensive income*, except for impairment losses which are recognised in the Consolidated statement of income.

(in NOK billion)	At 31 December 2012	2011
Financial receivables interest bearing	2.5	1.6
Prepayments and other non-interest bearing receivables	2.4	1.7
Prepayments and financial receivables	4.9	3.3

Financial receivables interest bearing primarily relate to project financing of subcontractors and activity in associated companies. The carrying amount of non-current financial receivables and current financial receivables approximate fair value.

15 Inventories

(in NOK billion)	At 31 December 2012	2011
Crude oil	13.7	16.3
Petroleum products	9.8	8.9
Other	1.8	2.6
Inventories	25.3	27.8

16 Trade and other receivables

(in NOK billion)	At 31 December 2012	2011
Trade receivables	55.3	86.5
Current financial receivables	1.0	1.6
Joint venture receivables	6.9	5.9
Associated companies and other related party receivables	0.5	0.7
Total financial trade and other receivables	63.7	94.7
Non-financial trade and other receivables	10.3	9.1
Trade and other receivables	74.0	103.8

For more information about the credit quality of Statoil's counterparties see note 6 *Financial risk management*. For currency sensitivities see note 28 *Financial instruments: fair value measurement and sensitivity analysis of market risk*.

17 Current financial investments

(in NOK billion)	2012	At 31 December 2011 (restated)	2010 (restated)
Bonds	1.0	0.5	1.1
Treasury bills and commercial papers	13.9	4.7	7.1
Financial investments	14.9	5.2	8.2

Current financial investments at 31 December 2012 are classified as held for trading, except for NOK 5.4 billion related to investment portfolios which are held by Statoil's captive insurance company and accounted for using the fair value option. The corresponding balances at 31 December 2011 and 2010 were NOK 5.1 and NOK 6.2 billion, respectively.

18 Cash and cash equivalents

(in NOK billion)	2012	At 31 December 2011 (restated)	2010 (restated)
Cash at bank available	7.3	10.4	11.1
Time deposits	21.4	24.1	13.0
Money market funds	2.8	6.5	1.6
Treasury bills and commercial papers	31.4	8.2	1.7
Restricted cash, including collateral deposits	2.3	6.1	6.4
Cash and cash equivalents	65.2	55.3	33.8

Restricted cash at 31 December 2012 includes collateral deposits of NOK 1.9 billion related to trading activities. Corresponding collateral deposits at 31 December 2011 was NOK 1.8 billion. Collateral deposits are related to certain requirements set out by exchanges where Statoil is participating. The terms and conditions related to these requirements are determined by the respective exchanges.

For information about the bank overdraft, please see note 24 *Bonds, bank loans, commercial papers and collateral liabilities*.

19 Shareholders' equity

At 31 December 2012 and 2011, Statoil's share capital of NOK 7,971,617,757.50 comprised 3,188,647,103 shares at a nominal value of NOK 2.50.

Statoil ASA has only one class of shares and all shares have voting rights. The holders of shares are entitled to receive dividends as and when declared and are entitled to one vote per share at general meetings of the company.

Dividends declared and paid per share were NOK 6.50 in 2012, NOK 6.25 in 2011 and NOK 6.00 in 2010. A dividend of NOK 6.75 per share, amounting to a total dividend of NOK 21.5 billion, will be proposed at the annual general meeting in May 2013. The proposed dividend is not recognised as a liability in the Consolidated financial statements.

Retained earnings available for distribution of dividends at 31 December 2012 are limited to the retained earnings of the parent company, net of deferred tax assets, based on Norwegian accounting principles and legal regulations and amounted to NOK 196.6 billion (before provisions for the proposed dividend of NOK 21.5 billion). This differs from *Retained earnings* of NOK 270.8 billion in the Consolidated statement of changes in equity. Retained earnings available for distribution of dividends at 31 December 2011 amounted to NOK 153.3 billion (before provisions for proposed dividend of NOK 20.7 billion for the year ended 31 December 2011).

During 2012 a total of 3,278,561 treasury shares were purchased for NOK 0.5 billion. In 2011 a total of 2,931,346 treasury shares were purchased for NOK 0.4 billion. At 31 December 2012 Statoil had 8,675,317 treasury shares and at 31 December 2011 7,931,347 treasury shares, all of which are related to Statoil's share saving plan.

20 Bonds, bank loans and finance lease liabilities

Capital management

The main objectives of Statoil's capital management policy is to maintain a strong financial position and to ensure sufficient financial flexibility. One of the key ratios in the assessment of Statoil's financial robustness is Net debt adjusted (ND) to capital employed adjusted (CE). ND is defined as Statoil's interest bearing financial liabilities less cash and cash equivalents and current financial investments, adjusted for collateral deposits and balances held by Statoil's captive insurance company (an increase of in total NOK 7.3 billion and NOK 6.9 billion for 2012 and 2011, respectively), balances related to the SDFI (a decrease of NOK 1.2 billion and NOK 1.4 billion for 2012 and 2011, respectively) and project financing exposure that does not correlate to the underlying exposure (a decrease of NOK 0.3 billion and NOK 0.4 billion for 2012 and 2011, respectively). CE is defined as Statoil's total equity (including non-controlling interests) and ND.

(in NOK billion)	At 31 December 2012	2011
Net debt adjusted (ND)	45.1	76.0
Capital employed adjusted (CE)	365.0	361.2
Net debt to capital employed (ND/CE)	12.4%	21.1%

Bonds, bank loans and finance lease liabilities

Financial liabilities measured at amortised cost

	Weighted average interest rates in %		Carrying amount in NOK billion at 31 December		Fair value in NOK billion at 31 December	
	2012	2011	2012	2011	2012	2011
Unsecured bonds						
US dollar (USD)	4.52	4.92	69.9	65.5	80.2	74.8
Euro (EUR)	4.99	4.99	18.4	19.5	22.8	23.1
Japanese yen (JPY)	-	1.66	-	0.4	-	0.4
Great Britain Pound (GBP)	6.71	6.71	9.2	9.5	13.8	13.2
Total			97.5	94.9	116.8	111.5
Unsecured loans						
US dollar (USD)	0.47	0.74	2.4	5.9	2.5	6.0
Norwegian kroner (NOK)	-	4.04	-	4.0	-	4.0
Japanese yen (JPY)	4.30	1.65	0.7	0.6	0.7	0.6
Secured bank loans						
US dollar (USD)	4.33	3.48	0.4	0.5	0.4	0.5
Other currencies	3.57	3.80	0.1	0.1	0.1	0.1
Finance lease liabilities			5.6	12.0	5.6	12.0
Other liabilities			-	0.8	-	0.8
Total			9.2	23.9	9.3	24.0
Total financial liabilities			106.7	118.8	126.1	135.5
Less current portion			5.7	7.2	5.9	7.2
Bonds, bank loans and finance lease liabilities			101.0	111.6	120.2	128.3

On 21 November 2012 Statoil issued USD 0.6 billion of bonds maturing in January 2018 and USD 1.1 billion of bonds maturing in January 2023. On 23 November 2012 Statoil reopened existing bonds maturing in November 2041 and issued USD 0.3 billion of bonds with the same maturity. The registered bonds were issued under the Registration Statement on Form F-3 ("Shelf Registration") filed with the Securities and Exchange Commission (SEC) in the USA.

Unsecured bonds amounting to NOK 69.9 billion are denominated in USD and unsecured bonds amounting to NOK 27.6 billion are swapped into USD. The table does not include the effects of agreements entered into to swap the various currencies into USD. For further information see note 28 *Financial instruments: fair value measurement and sensitivity analysis of market risk*.

Weighted average interest rates are calculated based on the contractual rates on the loans per currency at 31 December and do not include the effect of swap agreements.

The fair value of the non-current financial liabilities is determined using a discounted cash flow model. Interest rates used in the model are derived from the LIBOR and EURIBOR forward curves and will vary based on the time to maturity for the non-current financial liabilities. The credit premium used is based on indicative pricing from external financial institutions.

Substantially all unsecured bond and unsecured bank loan agreements contain provisions restricting the pledging of assets to secure future borrowings without granting a similar secured status to the existing bondholders and lenders.

Statoil's secured bank loans in USD have been secured by mortgage of shares in a subsidiary with a book value of NOK 1.8 billion, in addition, security includes Statoil's pro-rata share of income from certain projects.

Statoil has 30 unsecured bond agreements outstanding which contain provisions allowing Statoil to call the debt prior to its final redemption at par or at certain specified premiums if there are changes to the Norwegian tax laws. The carrying amount of these agreements is NOK 96.0 billion at the 31 December 2012 closing rate.

For more information about the revolving credit facility, maturity profile for undiscounted cash flows and interest rate risk management, see note 6 *Financial risk management*.

Maturity profile bonds, bank loans and finance lease liabilities

	At 31 December	
(in NOK billion)	2012	2011
Year 2 and 3	19.1	21.3
Year 4 and 5	10.8	21.8
After 5 years	71.1	68.5
Total repayment	101.0	111.6
Weighted average maturity (year)	9	9
Weighted average annual interest rate (%)	4.74	4.84

More information regarding finance lease liabilities is provided in note 25 *Leases*.

21 Pensions

The Norwegian companies in the Statoil group are subject to the Mandatory Company Pensions Act, and their pension schemes follow the requirements of the Act.

The main pension schemes in Norway are managed by Statoil Pensjon (Statoil's pension fund - hereafter "Statoil Pension"). Statoil Pension is an independent pension fund that covers employees of Statoil ASA and Statoil Kapitalforvaltning ASA. The purpose of Statoil Pension is to provide retirement and disability pension to members and survivor's pension to spouses, registered partners, cohabitants and children. The pension fund's assets are kept separate from the company's and group companies' assets. Statoil Pension is supervised by the Financial Supervisory Authority of Norway ("Finanstilsynet") and is licensed to operate as a pension fund.

Statoil ASA and a number of its subsidiaries have defined benefit retirement plans, which cover substantially all of their employees.

The Norwegian National Insurance Scheme ("Folketrygden") provides pension payments (social security) to all retired Norwegian citizens. Such payments are calculated by references to a base amount ("Grunnbeløpet" or "G") annually approved by the Norwegian parliament. Statoil's plan benefits are generally based on a minimum of 30 years of service and 66% of the final salary level, including an assumed benefit from the Norwegian National Insurance Scheme.

Due to national agreements in Norway, Statoil is a member of both the previous "agreement-based early retirement plan ('AFP') " and the new AFP scheme applicable from 1 January 2011. Statoil will pay a premium for both AFP schemes until 31 December 2015. After that date, premiums will only be due on the new AFP scheme. The premium in the new scheme will be calculated on the basis of the employees' income between 1 and 7.1 G. The premium is payable for all employees until age 62. Pension from the new AFP scheme will be paid from the AFP plan administrator to employees for their full lifetime.

During 2012 a curtailment gain of NOK 4.3 billion has been recognised in the Consolidated statement of income following Statoil's decision to discontinue Statoil's supplementary (gratuity) part of the early retirement scheme for employees born after 1953, including NOK 0.5 billion related to Statoil Fuel and Retail ASA's redesign of its defined benefit plans. Employees remain entitled to the early retirement benefits available under the national Norwegian AFP plan. Statoil has determined that its obligations under this multi-employer defined benefit plan can be estimated with sufficient reliability for recognition purposes. Accordingly, the estimated proportionate share of the AFP plan has been recognised as a defined benefit obligation. The combined early retirement commitment was accounted for as one defined benefit plan, and consequently the discontinuation of the gratuity part was not regarded as a termination for the AFP part of the plan.

The present values of the projected defined benefit obligation and the related current service cost and past service cost are measured using the projected unit credit method. The assumptions for salary increases, increases in pension payments and social security base amount are based on agreed regulation in the plans, historical observations, future expectations of the assumptions and the relationship between these assumptions. At 31 December 2012 the discount rate for the defined benefit plans in Norway is established on the basis of seven years' mortgage covered bonds interest rate extrapolated on a 21.9 year yield curve which matches the duration of Statoil's payment portfolio for earned benefits. Previously the discount rate was based on government bonds, as the market for high quality corporate bonds in Norway was assessed not to be sufficiently deep. The updated assessment of the Norwegian market for covered bonds (OMF) has, however, led Statoil to conclude that it is appropriate to determine the discount rate for pension obligations by reference to market yields on covered bonds.

Social security tax is calculated based on a pension plan's net funded status. Social security tax is included in the projected benefit obligation.

Statoil has more than one defined benefit plan, but the disclosure is made in total since the plans are not subject to materially different risks. Pension plans outside Norway are insignificant and are not disclosed separately.

Some Statoil companies have defined contribution plans. The period's contributions are recognised in the Statement of income as pension cost for the period.

Net pension cost

	For the year ended 31 December		
(in NOK billion)	2012	2011	2010
Current service cost	3.8	3.6	3.5
Interest cost	2.2	2.7	2.7
Expected return on plan assets	(2.5)	(2.9)	(2.7)
Losses (gains) from curtailment or settlement	(4.3)	0.0	0.0
Actuarial (gains) losses related to termination benefits	0.0	0.1	0.2
Defined benefit plans	(0.8)	3.5	3.7
Defined contribution plans	0.2	0.2	0.2
Multi-employer plans	0.0	0.1	0.2
Total net pension cost	(0.6)	3.8	4.1

Pension cost includes associated social security tax and is partly charged to partners of Statoil operated licences.

(in NOK billion)	2012	2011
Projected benefit obligations (PBO)		
At 1 January	75.0	67.8
Current service cost	3.8	3.6
Interest cost	2.2	2.7
Actuarial losses (gains)	(3.4)	2.9
Benefits paid	(1.8)	(1.7)
Losses (gains) from curtailment or settlement	(4.7)	0.0
Acquisition and sale	(2.4)	(0.1)
Foreign currency translation	0.0	(0.2)
At 31 December	68.7	75.0
Fair value of plan assets		
At 1 January	51.9	51.0
Expected return on plan assets	2.5	2.9
Actuarial gains (losses)	1.9	(4.5)
Company contributions (including social security tax)	4.2	3.3
Benefits paid	(0.7)	(0.5)
(Losses) gains from curtailment or settlement	(0.1)	0.0
Acquisition and sale	(2.2)	(0.1)
Foreign currency translation	0.0	(0.2)
At 31 December	57.5	51.9
Net benefit liability at 31 December	11.2	23.1
Represented by:		
Asset recognised as non-current pension assets	9.4	3.9
Liability recognised as non-current pension liabilities	20.6	27.0
PBO specified by funded and unfunded pension plans	68.7	75.0
Funded	48.1	48.0
Unfunded	20.6	27.0
History of experience (gains) and losses		
Experience actuarial (gains) losses to the PBO	4.0	3.1
Experience actuarial (gains) losses to the plan assets	(1.9)	4.5
Actual return on assets	4.4	(1.6)

The tables above for PBO and Fair value of plan assets do not include currency effects for Statoil ASA.

Actuarial losses and gains recognised directly in Other comprehensive income (OCI)

(in NOK billion)	For the year ended 31 December 2012	2011	2010
Net actuarial losses (gains) recognised during the year	(5.3)	7.4	0.3
Actuarial losses (gains) related to currency effects on net obligation and foreign exhange translation	(0.2)	0.0	(0.3)
Recognised directly in OCI during the year	5.5	(7.4)	0.0
Cumulative actuarial losses (gains) recognised directly in OCI net of tax	11.6	16.3	10.9

The net actuarial gain for 2012 is mainly related to an updated assessment of the appropriate discount rate to be used for pension obligations in Norway.

In the table above, Actuarial losses (gains) related to currency effects on net obligation relate to the translation of the net pension obligation in NOK to the functional currency USD for the parent company, Statoil ASA. Foreign exchange translation relates to the translation of the net pension obligation from the functional currency USD to Statoil's presentation currency NOK.

	Assumptions used to determine benefit costs in %		Assumptions used to determine benefit obligations in %	
	For the year ended 31 December		For the year ended 31 December	
	2012	2011	2012	2011
Discount rate	3.25	4.25	3.75	3.25
Expected return on plan assets	4.75	5.75	4.50	4.75
Rate of compensation increase	3.00	4.00	3.25	3.00
Expected rate of pension increase	2.00	2.75	1.75	2.00
Expected increase of social security base amount (G-amount)	2.75	3.75	3.00	2.75
Average remaining service period in years			15	15

The assumptions presented are for the Norwegian companies in Statoil which are members of Statoil's pension fund. The defined benefit plans of other subsidiaries are not significant to the consolidated pension assets and liabilities.

Expected attrition at 31 December 2012 was 2.5%, 2.0%, 1.0%, 0.5% and 0.1% for the employees under 30 years, 30-39 years, 40-49 years, 50-59 years and 60-67 years, respectively. Expected attrition at 31 December 2011 was 2.2%, 2.0%, 1.0%, 0.6% and 0.1% for the employees under 30 years, 30-39 years, 40-49 years, 50-59 years and 60-67 years, respectively.

For the population in Norway, the mortality table K 2005, including the minimum requirements from The Financial Supervisory Authority of Norway ("Finanstilsynet"), is used as the best mortality estimate. The requirement adjustments reduce the mortality rate with a minimum of 15% for male and 10% for female employees. The disability table, KU, has been developed by the insurance company Storebrand and aligns with the actual disability risk for Statoil in Norway.

Sensitivity analysis

The table below presents an estimate of the potential effects of changes in the key assumptions for the defined benefit plans. The following estimates are based on facts and circumstances as of 31 December 2012. Actual results may materially deviate from these estimates.

	Discount rate		Rate of compensation increase		Social security base amount		Expected rate of pension increase	
(in NOK billion)	0.50%	-0.50%	0.50%	-0.50%	0.50%	-0.50%	0.50%	-0.50%
Changes in:								
Projected benefit obligation at 31 December 2012	(5.6)	6.5	4.0	(3.6)	(1.3)	1.3	3.3	(3.0)
Service cost 2013	(0.4)	0.5	0.4	(0.4)	(0.1)	0.1	0.2	(0.2)

The sensitivity of the financial results to each of the key assumptions has been estimated based on the assumption that all other factors would remain unchanged. The estimated effects on the financial result would differ from those that would actually appear in the Consolidated financial statements because the Consolidated financial statements would also reflect the relationship between these assumptions.

Pension assets

The plan assets related to the defined benefit plans were measured at fair value at 31 December 2012 and 2011. The long-term expected return on pension assets is based on a long-term risk-free interest rate adjusted for the expected long-term risk premium for the respective investment classes. A risk-free interest rate (the 10 year Norwegian Government bond has been extrapolated by use of a yield curve from another currency with long-term observable interest rates) is applied as a starting point for calculation of return on plan assets. The expected money market return is calculated by subtracting the expected term premium from bond yields. Based on historical data, equities and real estate are expected to provide a long-term return above that of the money market's.

Real estate properties owned by Statoil Pension amounted to NOK 2.1 billion and NOK 1.9 billion of total pension assets at 31 December 2012 and 2011, respectively, and are rented to Statoil companies.

Statoil Pension invests in both financial assets and real estate. The expected rate of return on real estate is estimated to be between the rate of return on equity securities and debt securities. The table below presents the portfolio weighting and expected rate of return of the finance portfolio as approved by the Board of the Statoil Pension for 2013. The portfolio weight during a year will depend on the risk capacity.

	Pension assets on investments classes		Portfolio weight*		Expected rate of return
(in %)	2012	2011			
Equity securities	38.8	29.0	40.0	(+/-5)	x + 4
Bonds	41.5	43.7	45.0	(+/-5)	x
Money market instruments	15.0	23.0	15.0	(+/-15)	x - 0.2
Real estate	3.9	4.0			
Other assets	0.8	0.3			
Total	100.0	100.0	100.0		

* The interval in brackets expresses the scope of tactical deviation by Statoil Kapitalforvaltning ASA (the asset manager).
The X in the table above represents the long-term rate of return on debt securities.

The expected company contribution related to 2013 amounts to approximately NOK 2.0 billion.

22 Provisions

(in NOK billion)	Asset retirement obligations	Other provisions	Total
Non-current portion at 31 December 2011	78.9	8.4	87.3
Long term interest bearing provisions reported as bonds, bank loans and finance lease liabilities	0.0	0.8	0.8
Current portion at 31 December 2011 reported as trade and other payables	0.9	7.9	8.8
Provisions at 31 December 2011	79.8	17.1	96.9
New or increased provisions	6.2	4.6	10.8
Unused amounts reversed	(0.9)	(2.5)	(3.4)
Amounts charged against provisions	(0.7)	(3.8)	(4.5)
Effects of change in the discount rate	5.9	0.0	5.9
Reduction due to divestments	(1.8)	(0.1)	(1.9)
Accretion expenses	3.0	0.0	3.0
Reclassification and transfer	(0.0)	(1.0)	(1.0)
Currency translation	(1.2)	(0.7)	(1.9)
Provisions at 31 December 2012	90.3	13.6	103.9
Current portion at 31 December 2012 reported as trade and other payables	1.3	7.1	8.4
Non-current portion at 31 December 2012	89.0	6.5	95.5

Expected timing of cash outflows

(in NOK billion)	Asset retirement obligations	Other provisions	Total
2013 - 2017	7.4	10.0	17.4
2018 - 2022	9.5	0.2	9.7
2023 - 2027	10.3	0.1	10.4
2028 - 2032	23.6	0.1	23.7
Thereafter	39.6	3.1	42.7
At 31 December 2012	90.4	13.5	103.9

The increase in asset retirement obligations is mainly due to decrease in the discount rate (credit-adjusted risk-free interest rate).

The timing of cash outflows related to asset retirement obligations primarily depends on when the production ceases at the various facilities.

The other provisions category mainly relates to expected payments on unresolved claims. The timing and amounts of potential settlements in respect of these provisions are uncertain and dependent on various factors that are outside management's control.

For further discussion of methods applied and estimates required, see note 2 *Significant accounting policies*.

23 Trade and other payables

(in NOK billion)	At 31 December 2012	2011
Trade payables	25.9	31.1
Non-trade payables and accrued expenses	17.1	21.6
Joint venture payables	19.8	19.8
Associated companies and other related party payables	9.4	10.9
Total financial trade and other payables	72.2	83.4
Non-financial trade and other payables	9.6	10.6
Trade and other payables	81.8	94.0

Included in Non-trade payables and accrued expenses are certain provisions that are further described in note 26 *Other commitments and contingencies*. For information regarding currency sensitivities, see note 28 *Financial instruments: fair value measurement and sensitivity analysis of market risk*. For further information on payables to associated companies and other related parties, see note 27 *Related parties*.

24 Bonds, bank loans, commercial papers and collateral liabilities

(in NOK billion)	At 31 December 2012	2011
Collateral liabilities	12.4	10.8
Current portion of non-current bonds, bank loans and finance lease obligations	5.7	7.2
Other including bank overdraft	0.3	1.8
Bonds, bank loans, commercial papers and collateral liabilities	18.4	19.8
Weighted interest rate (%)	1.02	1.65

The carrying amount for *Bonds, bank loans, commercial papers and collateral liabilities* at amortised cost together with accrued interest approximate fair value.

Collateral liabilities relate to cash received as security for a portion of Statoil's credit exposure.

25 Leases

Statoil leases certain assets, notably drilling rigs, vessels and office buildings.

In 2012, net rental expenses were NOK 17.6 billion (NOK 13.7 billion in 2011 and NOK 12.4 billion in 2010) of which minimum lease payments were NOK 20.0 billion (NOK 16.0 billion in 2011 and NOK 13.8 billion in 2010) and sublease payments received were NOK 2.4 billion (NOK 2.4 billion in 2011 and NOK 1.5 billion in 2010). No material contingent rent payments have been expensed in 2012, 2011 or 2010.

The information in the table below shows future minimum lease payments due and receivable under non-cancellable operating leases at 31 December 2012.

(in NOK billion)	Operating leases					
	Rigs	Vessels	Other	Total	Sublease	Net total
2013	18.2	3.2	1.3	22.7	(3.5)	19.2
2014	16.6	2.4	1.2	20.2	(1.5)	18.7
2015	13.9	2.0	1.1	17.0	(1.3)	15.7
2016	9.9	1.7	1.0	12.6	(1.1)	11.5
2017	5.4	1.1	0.9	7.4	(0.6)	6.8
Thereafter	17.9	4.3	7.7	29.9	(2.7)	27.2
Total future minimum lease payments	81.9	14.7	13.2	109.8	(10.7)	99.1

Statoil had certain operating lease contracts for drilling rigs at 31 December 2012. The remaining significant contracts' terms range from two months to eight years. Certain contracts contain renewal options. Rig lease agreements are for the most part based on fixed day rates. Certain rigs have been subleased in whole or for part of the lease term mainly to Statoil-operated licences on the NCS. These leases are shown gross as operating leases in the table above.

In 2010 Statoil entered into a long-term time charter agreement with Teekay for offshore loading and transportation in the North Sea. The contract covers the lifetime of applicable producing fields and at year end 2012 included five crude tankers. The contract's estimated nominal amount was approximately NOK 5.0 billion at year end 2012 and it is included in Vessels in the table above.

The category Other operating leases include future minimum lease payments of NOK 4.7 billion related to the lease of two office buildings located in Bergen and owned by Statoil Pension, one of which is currently under construction. These operating lease commitments to a related party extend to the year 2034. NOK 3.8 billion of the total is payable after 2017.

Statoil had finance lease liabilities of NOK 5.6 billion at 31 December 2012. The nominal minimum lease payments related to these finance leases amount to NOK 7.9 billion. *Property, plant and equipment* includes NOK 4.4 billion for finance leases that have been capitalised at year-end (NOK 10.2 billion in 2011), mainly within Machinery, equipment and transportation equipment including vessels and Refining and manufacturing plants.

26 Other commitments and contingencies

Contractual commitments

Statoil had contractual commitments of NOK 53.3 billion at 31 December 2012. The contractual commitments reflect the Statoil share and mainly comprise construction and acquisition of property, plant and equipment.

As a condition for being awarded oil and gas exploration and production licences, participants may be committed to drill a certain number of wells. At the end of 2012, Statoil was committed to participate in 41 wells, with an average ownership interest of approximately 41%. Statoil's share of estimated expenditures to drill these wells amounts to NOK 9.6 billion. Additional wells that Statoil may become committed to participating in depending on future discoveries in certain licences are not included in these numbers.

Other long-term commitments

Statoil has entered into various long-term agreements for pipeline transportation as well as terminal use, processing, storage and entry/exit capacity commitments and commitments related to specific purchase agreements. The agreements ensure the rights to the capacity or volumes in question, but also impose on Statoil the obligation to pay for the agreed-upon service or commodity, irrespective of actual use. The contracts' terms vary, with duration of up to 30 years.

Take-or-pay contracts for the purchase of commodity quantities are only included in the tables below if their contractually agreed pricing is of a nature that will or may deviate from the obtainable market prices for the commodity at the time of delivery.

Obligations payable by Statoil to entities accounted for using the equity method are included gross in the tables below. For assets (for example pipelines) that Statoil accounts for by recognising its share of assets, liabilities, income and expenses (capacity costs) on a line-by-line basis in the Consolidated financial statements, the amounts in the table include the net commitment payable by Statoil (i.e. gross commitment less the Statoil ownership share).

Nominal minimum other long-term commitments at 31 December 2012:

(in NOK billion)	Total
2013	14.4
2014	12.6
2015	13.0
2016	12.7
2017	12.7
Thereafter	102.1
Total	167.5

Contingencies
During 2012 the major part of the financial exposure related to gas sales contracts' price review claims, for which arbitration previously had been requested, was settled on commercial terms with no significant impact on the financial statements.

During the annual audits of Statoil's participation in Block 4, Block 15 and Block 17 offshore Angola, the Angolan Ministry of Finance has assessed additional profit oil and taxes due on the basis of activities that currently include the years 2002 up to and including 2010. Statoil disputes the assessments and is pursuing these matters in accordance with relevant Angolan legal and administrative procedures. On the basis of the assessments and continued activity on the three blocks up to and including 2012, the exposure for Statoil at year-end 2012 is estimated at USD 0.8 billion (NOK 4.5 billion), the most significant part of which relates to profit oil elements. Statoil has provided in the financial statements for its best estimate related to the assessments, reflected in the Consolidated statement of income mainly as a revenue reduction, with additional amounts reflected as interest expenses and tax expenses, respectively.

There is a dispute between the Nigerian National Petroleum Corporation (NNPC) and the partners (Contractor) in Oil Mining Lease (OML) 128 of the unitised Agbami field concerning interpretation of the terms of the OML 128 Production Sharing Contract (PSC). The dispute relates to the allocation between NNPC and Contractor of cost oil, tax oil and profit oil volumes. NNPC claims that in aggregate from the year 2009 to 2012, Contractor has lifted excess volumes compared to the PSC terms, and consequently NNPC has increased its lifting of oil. The Contractor disputes NNPC's position. Arbitration has been initiated in the matter in accordance with the terms of the PSC. NNPC and the Nigerian Federal Inland Revenue Service are contesting the legality of the arbitration process as far as resolving tax related disputes goes, and are actively pursuing this view through the channels of the Nigerian legal system. The exposure for Statoil at year-end 2012 is mainly related to cost oil and profit oil volumes and has been estimated at USD 0.4 billion (NOK 2.1 billion). Statoil has provided in the financial statements for its best estimate related to the claims, which has been reflected in the Consolidated statement of income as a reduction of revenue.

During the normal course of its business Statoil is involved in legal proceedings, and several other unresolved claims are currently outstanding. The ultimate liability or asset, respectively, in respect of such litigation and claims cannot be determined at this time. Statoil has provided in its financial statements for probable liabilities related to litigation and claims based on its best estimate. 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.

Statoil is actively pursuing the above disputes through the contractual and legal means available in each case, but the timing of the ultimate resolutions and related cash flows, if any, cannot at present be determined with sufficient reliability.

For information concerning provisions made related to claims and disputes, see note 22 *Provisions.*

27 Related parties

Transactions with the Norwegian State
The Norwegian State is the majority shareholder of Statoil and also holds major investments in other Norwegian companies. As of 31 December 2012 the Norwegian State had an ownership interest in Statoil of 67% (excluding Folketrygdfondet (Norwegian national insurance fund) of 3.33%). 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. All transactions are considered to be on an arm's length basis.

Total purchases of oil and natural gas liquids from the Norwegian State amounted to NOK 96.6 billion, NOK 95.5 billion and NOK 81.4 billion in 2012, 2011 and 2010, respectively. Purchases of natural gas regarding the Tjelbergodden methanol plant from the Norwegian State stayed constant at NOK 0.4 billion in 2012, 2011 and 2010, respectively. The major part included in the line item Associated companies and other related party payables in note 23 *Trade and other payables*, are amounts payable to the Norwegian State for these purchases.

Other transactions
In relation to its ordinary business operations such as pipeline transport, gas storage and processing of petroleum products, Statoil also has regular transactions with certain entities in which Statoil has ownership interests. Such transactions are carried out on an arm's length basis and are included within the applicable captions in the Consolidated statement of income.

For information concerning certain lease arrangements with Statoil Pension, see note 25 *Leases*.

Related party transactions with management are presented in note 7 *Remuneration*. Management remuneration for 2012 is presented in note 6 *Remuneration* in the financial statements of the parent company, Statoil ASA.

28 Financial instruments: fair value measurement and sensitivity analysis of market risk

Financial instruments by category
The following tables present Statoil's classes of financial instruments and their carrying amounts by the categories as they are defined in IAS 39, *Financial Instruments: Recognition and Measurement*. All financial instruments' carrying amounts are measured at fair value or their carrying amounts reasonably approximate fair value except non-current financial liabilities. See note 20 *Bonds, bank loans and finance lease liabilities* for fair value information of non-current bonds, bank loans and finance lease liabilities.

See note 2 *Significant accounting policies* for further information regarding measurement of fair values.

(in NOK billion)	Note	Loans and receivables	Available-for-sale	Fair value through profit or loss: Held for trading	Fair value through profit or loss: Fair value option	Non-financial assets	Total carrying amount
At 31 December 2012							
Assets							
Non-current financial investments	14	0.0	1.2	0.0	13.8	0.0	15.0
Non-current derivative financial instruments		0.0	0.0	33.2	0.0	0.0	33.2
Prepayments and financial receivables	14	2.5	0.0	0.0	0.0	2.4	4.9
Trade and other receivables	16	63.7	0.0	0.0	0.0	10.3	74.0
Current derivative financial instruments		0.0	0.0	3.6	0.0	0.0	3.6
Current financial investments	17	0.0	0.0	9.5	5.4	0.0	14.9
Cash and cash equivalents	18	31.0	0.0	34.2	0.0	0.0	65.2
Total		97.2	1.2	80.5	19.2	12.7	210.8

(in NOK billion)	Note	Loans and receivables	Available-for-sale	Fair value through profit or loss: Held for trading	Fair value through profit or loss: Fair value option	Non-financial assets	Total carrying amount
At 31 December 2011							
Assets							
Non-current financial investments	14	0.0	2.9	0.0	12.5	0.0	15.4
Non-current derivative financial instruments		0.0	0.0	32.7	0.0	0.0	32.7
Prepayments and financial receivables	14	1.6	0.0	0.0	0.0	1.7	3.3
Trade and other receivables	16	94.7	0.0	0.0	0.0	9.1	103.8
Current derivative financial instruments		0.0	0.0	6.0	0.0	0.0	6.0
Current financial investments (restated)	17	0.0	0.0	0.1	5.1	0.0	5.2
Cash and cash equivalents (restated)	18	40.6	0.0	14.7	0.0	0.0	55.3
Total		136.9	2.9	53.5	17.6	10.8	221.7

(in NOK billion)	Note	Loans and receivables	Available-for-sale	Fair value through profit or loss: Held for trading	Fair value through profit or loss: Fair value option	Non-financial assets	Total carrying amount
At 31 December 2010							
Assets							
Non-current financial investments		0.0	3.0	0.0	12.3	0.0	15.3
Non-current derivative financial instruments		0.0	0.0	20.6	0.0	0.0	20.6
Prepayments and financial receivables		1.7	0.0	0.0	0.0	2.2	3.9
Trade and other receivables		68.4	0.0	0.0	0.0	7.5	75.9
Current derivative financial instruments		0.0	0.0	6.1	0.0	0.0	6.1
Current financial investments (restated)	17	0.0	0.0	2.0	6.2	0.0	8.2
Cash and cash equivalents (restated)	18	30.5	0.0	3.3	0.0	0.0	33.8
Total		100.6	3.0	32.0	18.5	9.7	163.8

(in NOK billion)	Note	Amortised cost	Fair value through profit or loss	Non-financial liabilities	Total carrying amount
At 31 December 2012					
Liabilities					
Bonds, bank loans and finance lease liabilities	20	101.0	0.0	0.0	101.0
Non-current derivative financial instruments		0.0	2.7	0.0	2.7
Trade and other payables	23	72.2	0.0	9.6	81.8
Bonds, bank loans, commercial papers and collateral liabilities	24	18.4	0.0	0.0	18.4
Current derivative financial instruments		0.0	1.1	0.0	1.1
Total		191.6	3.8	9.6	205.0

(in NOK billion)	Note	Amortised cost	Fair value through profit or loss	Non-financial liabilities	Total carrying amount
At 31 December 2011					
Liabilities					
Bonds, bank loans and finance lease liabilities	20	110.8	0.0	0.8	111.6
Non-current derivative financial instruments		0.0	3.9	0.0	3.9
Trade and other payables	23	83.4	0.0	10.6	94.0
Bonds, bank loans, commercial papers and collateral liabilities	24	19.8	0.0	0.0	19.8
Current derivative financial instruments		0.0	3.0	0.0	3.0
Total		214.0	6.9	11.4	232.3

(in NOK billion)	Amortised cost	Fair value through profit or loss	Non-financial liabilities	Total carrying amount
At 31 December 2010				
Liabilities				
Bonds, bank loans and finance lease liabilities	99.8	0.0	0.0	99.8
Non-current derivative financial instruments	0.0	3.4	0.0	3.4
Trade and other payables	68.6	0.0	5.1	73.7
Bonds, bank loans, commercial papers and collateral liabilities	11.7	0.0	0.0	11.7
Current derivative financial instruments	0.0	4.2	0.0	4.2
Total	180.1	7.6	5.1	192.8

Fair value measurement of derivative financial instruments and financial investments

Statoil measures all derivative financial instruments and financial investments at fair value. Changes in the fair value of the derivative financial instruments are recognised in the Consolidated statement of income, within *Revenues* or within *Net financial items*, respectively, depending on their nature as commodity based derivative contracts or interest rate and foreign exchange rate derivative instruments.

Statoil's financial investments consist of the portfolios held by Statoil's captive insurance company (mainly bonds, listed equity securities and commercial papers) and investments in money market funds held for liquidity management purposes. Statoil also holds some other non-listed equity securities for long-term strategic purposes. These are classified as available-for-sale assets (AFS). Changes in fair value of the financial investments are recognised in the Consolidated statement of income within *Net financial items*, with the exception of the investments that are classified as AFS assets. Changes in fair value of these investments are recognised in the Consolidated statement of comprehensive income, while any impairment losses are recognised in the Consolidated statement of income within *Net financial items*.

When determining the fair value of derivative financial instruments and financial investments Statoil uses prices quoted in an active market to the extent possible. This will typically be for listed equity securities and government bonds. When such prices are not available Statoil uses inputs that are directly or indirectly observable in the market as a basis for valuation techniques such as discounted cash flow analysis or pricing models. When observable prices as a basis for the fair value measurement are unavailable, fair value is estimated based on internal assumptions. For more information about the methodology and assumption used when measuring the fair value of Statoil's derivative financial instruments and financial investment, see note 2 *Significant accounting policies*.

Fair value hierarchy

The following table summarises each class of financial instruments which are recognised in the balance sheet at fair value, split by Statoil's basis for fair value measurement.

(in NOK billion)	Non-current financial investment	Non-current derivative financial instruments-assets	Current financial investments (restated)	Current derivative financial instruments-assets	Cash equivalents (restated)	Non-current derivative financial instruments-liabilities	Current derivative financial instruments-liabilities	Net fair value
At 31 December 2012								
Level 1	8.1	0.0	4.7	0.0	0.0	0.0	0.0	12.8
Level 2	5.7	16.6	10.2	2.2	34.2	(2.7)	(1.1)	65.1
Level 3	1.2	16.6	0.0	1.4	0.0	0.0	0.0	19.2
Total fair value	15.0	33.2	14.9	3.6	34.2	(2.7)	(1.1)	97.1
At 31 December 2011								
Level 1	7.9	0.0	4.5	0.0	0.0	0.0	0.0	12.4
Level 2	4.8	15.0	0.7	4.5	14.7	(3.9)	(3.0)	32.8
Level 3	2.7	17.7	0.0	1.5	0.0	0.0	0.0	21.9
Total fair value	15.4	32.7	5.2	6.0	14.7	(3.9)	(3.0)	67.1
At 31 December 2010								
Level 1	8.2	0.0	4.9	0.0	0.0	0.0	0.0	13.1
Level 2	4.4	6.8	3.3	4.7	3.3	(3.4)	(4.2)	14.9
Level 3	2.7	13.8	0.0	1.4	0.0	0.0	0.0	17.9
Total fair value	15.3	20.6	8.2	6.1	3.3	(3.4)	(4.2)	45.9

Level 1, fair value based on prices quoted in an active market for identical assets or liabilities, includes financial instruments actively traded and for which the values recognised in Statoil's balance sheet are determined based on observable prices on identical instruments. For Statoil this category will, in most cases, only be relevant for investments in listed equity securities and government bonds.

Level 2, fair value based on inputs other than quoted prices included within Level 1, which are derived from observable market transactions, includes Statoil's non-standardised contracts for which fair values are determined on the basis of price inputs from observable market transactions. This will typically be when Statoil uses forward prices on crude oil, natural gas, interest rates, and foreign exchange rates as inputs to the valuation models to determining the fair value of its derivative financial instruments.

Level 3, fair value based on unobservable inputs, includes financial instruments for which fair values are determined on the basis of input and assumptions that are not from observable market transactions. The fair values presented in this category are mainly based on internal assumptions. The internal assumptions are only used in the absence of quoted prices from an active market or other observable price inputs for the financial instruments subject to the valuation.

The fair value of certain earn-out agreements and embedded derivative contracts are determined by the use of valuation techniques with price inputs from observable market transactions as well as internal generated price assumptions and volume profiles. The discount rate used in the valuation is a risk-free rate based on the applicable currency and time horizon of the underlying cash flows adjusted for a credit premium to reflect either Statoil's credit premium, if the value is a liability, or an estimated counterparty credit premium if the value is an asset. The fair value of these derivative financial instruments have been classified in their entirety in the third category within Current and Non-current derivative financial instruments - assets in the above table. Another reasonable assumption, that could have been applied when determining the fair value of these contracts, would be to extrapolate the last observed forward prices with inflation. Had Statoil applied this assumption the fair value of the contracts included would have decreased by approximately NOK 1.6 billion at end of 2012 and decreased by NOK 2.5 billion at end of 2011 and impacted the Consolidated statement of income with corresponding amounts.

The reconciliation of the changes in fair value during 2012 and 2011 for all financial assets classified in the third level in the hierarchy are presented in the following table.

(in NOK billion)	Non-current financial investment	Non-current derivative financial instruments-assets	Current derivative financial instruments-assets	Total
For the year ended 31 December 2012				
Opening balance	2.7	17.7	1.5	21.9
Total gains and losses recognised				
- in statement of income	(2.0)	(1.2)	1.4	(1.8)
- in other comprehensive income	0.0	0.0	0.0	0.0
Purchases	0.5	0.1	0.0	0.6
Settlement	0.0	0.0	(1.5)	(1.5)
Transfer into level 3	0.2	0.0	0.0	0.2
Foreign currency translation differences	(0.2)	0.0	0.0	(0.2)
Closing balance	1.2	16.6	1.4	19.2
For the year ended 31 December 2011				
Opening balance	2.8	13.8	1.4	18.0
Total gains and losses recognised				
- in statement of income	(0.5)	5.5	1.5	6.5
- in other comprehensive income	(0.2)	0.0	0.0	(0.2)
Purchases	0.7	0.0	0.0	0.7
Settlement	0.0	0.0	(1.4)	(1.4)
Transfer out of level 3	0.0	(1.5)	0.0	(1.5)
Foreign currency translation differences	(0.1)	(0.1)	0.0	(0.2)
Closing balance	2.7	17.7	1.5	21.9

The assets within level 3 during 2012 have had a net decrease in the fair value of NOK 2.7 billion. Of the NOK 1.8 billion recognised in the Consolidated statement of income during 2012 NOK 0.2 billion is related to changes in fair value of certain earn-out agreements. Related to the same earn-out agreements NOK 1.5 billion included in the opening balance for 2012 have been fully realised as the underlying volumes have been delivered during 2012 and the amount is presented as settled in the above table.

Substantially all gains and losses recognised in the Consolidated statement of income during 2012 are related to assets held at the end of 2012.

Sensitivity analysis of market risk

Commodity price risk

The table below contains the fair value and related commodity price risk sensitivities of Statoil's commodity based derivatives contracts. For further information related to the type of commodity risks and how Statoil manages these risks see note 6 *Financial risk management*.

Statoil's assets and liabilities resulting from commodity based derivatives contracts are mainly related to non-exchange traded derivative instruments, including embedded derivatives that have been bifurcated and recognised at fair value in the Consolidated balance sheet.

Price risk sensitivities at the end of 2012 and 2011 have been calculated assuming a reasonably possible change of 40% in crude oil, refined products, electricity and natural gas prices.

Since none of the derivative financial instruments included in the table below are part of hedging relationships, any changes in the fair value would be recognised in the Consolidated statement of income.

(in NOK billion)	Net fair value	-40% sensitivity	40% sensitivity
At 31 December 2012			
Crude oil and refined products	12.9	(7.9)	7.9
Natural gas and electricity	6.5	1.1	(1.0)
At 31 December 2011			
Crude oil and refined products	14.0	(9.4)	9.4
Natural gas and electricity	8.7	2.9	(2.9)

Currency risk

Currency risks constitute significant financial risks for Statoil. Total exposure is managed at a portfolio level, in accordance with approved strategies and mandates, on a regular basis. For further information related to the currency risks and how Statoil manages these risks see note 6 *Financial risk management*.

The following currency risk sensitivities have been calculated by assuming a 9% reasonably possible change in the main foreign exchange rates that Statoil is exposed to. An increase in the foreign exchange rates by 9% means that the transaction currency has strengthened in value. By end of 2011 a change of 12% in main foreign exchange rates were viewed as reasonably possible changes. The estimated gains and the estimated losses following from a change in the foreign exchange rates would impact the Consolidated statement of income.

	Change in	
(in NOK billion)	USD	NOK
At 31 December 2012		
Net gains/losses (9% sensitivity)	(8.4)	7.7
Net gains/losses (-9% sensitivity)	8.4	(7.7)
At 31 December 2011		
Net gains/losses (12% sensitivity)	(10.4)	8.0
Net gains/losses (-12% sensitivity)	10.4	(8.0)

Interest rate risk

Interest rate risks constitute significant financial risks for Statoil. Total exposure is managed at a portfolio level, in accordance with approved strategies and mandates, on a regular basis. For further information related to the interest risks and how Statoil manages these risks, see note 6 *Financial risk management*.

The following interest rate risk sensitivity has been calculated by assuming a 0.7 percentage point reasonably possible changes in the interest rates by end of 2012. By end of 2011 a change of 1.5 percentage points in the interest rates were viewed as reasonably possible changes. The estimated gains following from a decline in the interest rates and the estimated losses following from an interest rate increase would impact the Consolidated statement of income.

(in NOK billion)	Gains	Losses
At 31 December 2012		
Interest rate risk (0.7 percentage point sensitivity)	4.2	(4.2)
At 31 December 2011		
Interest rate risk (1.5 percentage point sensitivity)	10.2	(10.2)

29 Supplementary oil and gas information (unaudited)

In accordance with Financial Accounting Standards Board Accounting Standards Codification "Extractive Activities - Oil and Gas" (Topic 932), Statoil is reporting certain supplemental disclosures about oil and gas exploration and production operations. While this information is developed with reasonable care and disclosed in good faith, it is emphasised that some of the data is necessarily imprecise and represents only approximate amounts because of the subjective judgement involved in developing such information. Accordingly, this information may not necessarily represent the present financial condition of Statoil or its expected future results.

For further information regarding the reserves estimation requirement, see note 2 *Significant accounting policies* - Critical accounting judgements and key sources of estimation uncertainty - Proved oil and gas reserves.

No events have occurred since 31 December 2012 that would result in a significant change in the estimated proved reserves or other figures reported as of that date.

The subtotals and totals in some of the tables may not equal the sum of the amounts shown due to rounding.

Oil and gas reserve quantities

Statoil's oil and gas reserves have been estimated by its qualified professionals in accordance with industry standards under the requirements of the U.S. Securities and Exchange Commission (SEC), Rule 4-10 of Regulation S-X. Statements of reserves are forward-looking statements.

The determination of these reserves is part of an ongoing process subject to continual revision as additional information becomes available. Estimates of proved reserve quantities are imprecise and change over time as new information becomes available. Moreover, identified reserves and contingent resources that may become proved in the future, are excluded from the calculations.

Statoil's proved reserves are recognised under various forms of contractual agreements including production sharing agreements (PSAs) where Statoil's share of reserves can vary due to commodity prices or other factors. Reserves from agreements such as PSAs and buy back agreements are based on the volumes to which Statoil has access (cost oil and profit oil), limited to available market access. At 31 December 2012, 9% of total proved reserves were related to such agreements (16% of oil and natural gas liquids (NGL) and 4% of gas). This compares with 10% and 12% of total proved reserves for 2011 and 2010, respectively. Net entitlement oil and gas production from fields with such agreements was 89 million boe during 2012 (75 million boe for 2011 and 84 million boe for 2010). Statoil participates in such agreements in Algeria, Angola, Azerbaijan, Libya, Nigeria and Russia. In 2012 Statoil recovered certain costs from previous operations in Iran. The related volumes have been included as entitlement production. The cost recovery from Iran has been completed and at 31 December 2012 Statoil has no recognised proved reserves from Iran.

Statoil is recording, as proved reserves, volumes equivalent to our tax liabilities under negotiated fiscal arrangements (PSAs) where the tax is paid on behalf of Statoil. Reserves are net of royalty oil paid in kind and quantities consumed during production.

Rule 4-10 of Regulation S-X requires that the appraisal of reserves is based on existing economic conditions including a 12-month average price prior to the end of the reporting period, unless prices are defined by contractual arrangements. Oil reserves at year-end 2012 have been determined based on a 12-month average 2012 Brent blend price equivalent to USD 111.13/bbl. The slight increase in oil price from 2011, when the average Brent blend price was USD 110.96/bbl, has had no material effect on the profitable oil to be recovered from the accumulations, or on Statoil's proved oil reserves under PSAs and similar contracts. Gas reserves at year-end 2012 have been determined based on achieved gas prices during 2012 giving a volume weighted average gas price of 2.3 NOK/Sm3. The comparable volume weighted average gas price used to determine gas reserves at year-end 2011 was 2.1 NOK/Sm3. The US gas prices have decreased, thereby reducing the economic gas reserves in the USA slightly, while the gas prices in other parts of the world are higher than in 2011, reducing the gas reserves under PSAs.These changes are all included in the revision category in the tables below.

From the Norwegian continental shelf (NCS) Statoil is responsible, on behalf of the Norwegian State's direct financial interest (SDFI), for managing, transporting and selling the Norwegian State's oil and gas. These reserves are sold in conjunction with the Statoil reserves. As part of this arrangement, Statoil delivers and sells gas to customers in accordance with various types of sales contracts on behalf of the SDFI. In order to fulfill the commitments, Statoil utilises a field supply schedule which provides the highest possible total value for the joint portfolio of oil and gas between Statoil and the SDFI.

Statoil and the SDFI receive income from the joint natural gas sales portfolio based upon their respective share in the supplied volumes. For sales of the SDFI natural gas, to Statoil and to third parties, the payment to the Norwegian State is based on achieved prices, a net back formula calculated price or market value. All of the Norwegian State's oil and NGL is acquired by Statoil. The price Statoil pays to the SDFI for the crude oil is based on market reflective prices. The prices for NGL are either based on achieved prices, market value or market reflective prices.

The regulations of the owner's instruction, as described above, may be changed or withdrawn by the Statoil general meeting. Due to this uncertainty and the Norwegian State's estimate of proved reserves not being available to Statoil, it is not possible to determine the total quantities to be purchased by Statoil under the owner's instruction.

Topic 932 requires the presentation of reserves and certain other supplemental oil and gas disclosures by geographical area, defined as country or continent containing 15% or more of total proved reserves. Norway contains 75% of total proved reserves at 31 December 2012 and no other country contains reserves approaching 15% of total proved reserves. Accordingly, management has determined that the most meaningful presentation of geographical areas would be to include Norway and the continents of Eurasia (excluding Norway), Africa and Americas.

The following tables reflect the estimated proved reserves of oil and gas at 31 December 2009 through 2012, and the changes therein.

	Net proved oil and NGL reserves in million barrels oil equivalent						
	Consolidated companies					Equity accounted	Total
	Norway	Eurasia excluding Norway	Africa	Americas	Subtotal	Americas	Total
Proved reserves							
At 31 December 2009	1,351	138	310	272	2,070	105	2,174
Revisions and improved recovery	100	(7)	31	(2)	123	1	124
Extensions and discoveries	46	56	25	47	174	-	174
Purchase of reserves-in-place	-	-	-	4	4	-	4
Sales of reserves-in-place	-	-	-	-	-	-	-
Production	(256)	(18)	(53)	(21)	(348)	(5)	(352)
At 31 December 2010	1,241	170	313	299	2,023	101	2,124
Revisions and improved recovery	295	(42)	46	11	310	(1)	309
Extensions and discoveries	71	-	-	60	132	-	132
Purchase of reserves-in-place	14	-	-	106	120	-	120
Sales of reserves-in-place	-	-	-	(66)	(66)	-	(66)
Production	(252)	(15)	(46)	(26)	(338)	(5)	(343)
At 31 December 2011	1,369	114	313	385	2,181	95	2,276
Revisions and improved recovery	150	12	42	21	225	(8)	217
Extensions and discoveries	100	85	-	81	266	-	266
Purchase of reserves-in-place	-	-	-	1	1	-	1
Sales of reserves-in-place	(17)	-	-	(1)	(17)	-	(17)
Production	(231)	(17)	(56)	(46)	(349)	(5)	(353)
At 31 December 2012	1,372	193	299	441	2,306	82	2,389

Statoil's proved reserves of bitumen in Americas, representing less than 3% of our proved reserves, is included as oil in the table above.

	Net proved gas reserves in billion standard cubic feet						
	Consolidated companies					Equity accounted	Total
	Norway	Eurasia excluding Norway	Africa	Americas	Subtotal	Americas	Total
Proved reserves							
At 31 December 2009	16,938	747	338	125	18,148	-	18,148
Revisions and improved recovery	394	(62)	(4)	4	332	-	332
Extensions and discoveries	381	-	227	340	948	-	948
Purchase of reserves-in-place	-	-	-	45	45	-	45
Sales of reserves-in-place	-	-	-	-	-	-	-
Production	(1,370)	(51)	(41)	(47)	(1,509)	-	(1,509)
At 31 December 2010	16,343	634	521	466	17,965	-	17,965
Revisions and improved recovery	383	22	(50)	4	359	-	359
Extensions and discoveries	111	-	-	451	563	-	563
Purchase of reserves-in-place	138	-	-	90	227	-	227
Sales of reserves-in-place	-	-	-	-	-	-	-
Production	(1,287)	(48)	(40)	(59)	(1,434)	-	(1,434)
At 31 December 2011	15,689	608	431	952	17,681	-	17,681
Revisions and improved recovery	824	29	(49)	(39)	766	-	766
Extensions and discoveries	279	-	-	352	630	-	630
Purchase of reserves-in-place	-	-	-	18	18	-	18
Sales of reserves-in-place	(305)	-	-	(14)	(319)	-	(319)
Production	(1,483)	(62)	(41)	(161)	(1,748)	-	(1,748)
At 31 December 2012	15,003	575	341	1,107	17,027	-	17,027

	Net proved oil, NGL and gas reserves in million barrels oil equivalent						
	Consolidated companies					Equity accounted	Total
	Norway	Eurasia excluding Norway	Africa	Americas	Subtotal	Americas	Total
Proved reserves							
At 31 December 2009	4,369	271	370	294	5,304	105	5,408
Revisions and improved recovery	170	(18)	30	(1)	182	1	183
Extensions and discoveries	114	56	65	108	343	-	343
Purchase of reserves-in-place	-	-	-	12	12	-	12
Sales of reserves-in-place	-	-	-	-	-	-	-
Production	(500)	(27)	(60)	(29)	(617)	(5)	(621)
At 31 December 2010	4,153	283	406	382	5,224	101	5,325
Revisions and improved recovery	364	(38)	37	12	374	(1)	373
Extensions and discoveries	91	-	-	141	232	-	232
Purchase of reserves-in-place	38	-	-	122	161	-	161
Sales of reserves-in-place	-	-	-	(66)	(66)	-	(66)
Production	(481)	(23)	(53)	(36)	(593)	(5)	(598)
At 31 December 2011	4,165	222	390	555	5,331	95	5,426
Revisions and improved recovery	297	17	33	14	361	(8)	353
Extensions and discoveries	150	85	-	144	378	-	378
Purchase of reserves-in-place	-	-	-	4	4	-	4
Sales of reserves-in-place	(71)	-	-	(4)	(74)	-	(74)
Production	(495)	(28)	(63)	(74)	(660)	(5)	(665)
At 31 December 2012	4,046	296	360	639	5,340	82	5,422

Statoil's proved reserves of bitumen in Americas, representing less than 3% of our proved reserves, is included as oil in the table above.

	Consolidated companies					Equity accounted	Total
	Norway	Eurasia excluding Norway	Africa	Americas	Subtotal	Americas	Total
Net proved oil and NGL reserves in million barrels							
At 31 December 2009							
Developed	1,028	94	208	83	1,413	28	1,442
Undeveloped	322	44	102	189	656	76	733
At 31 December 2010							
Developed	950	99	192	82	1,322	35	1,356
Undeveloped	291	71	121	218	701	66	767
At 31 December 2011							
Developed	919	102	219	103	1,344	37	1,381
Undeveloped	450	11	93	282	837	58	895
At 31 December 2012							
Developed	842	79	232	191	1,344	38	1,383
Undeveloped	530	114	67	250	962	44	1,006
Net proved gas reserves in billion standard cubic feet							
At 31 December 2009							
Developed	14,138	523	256	73	14,990	-	14,990
Undeveloped	2,800	224	83	51	3,158	-	3,158
At 31 December 2010							
Developed	13,721	421	221	336	14,698	-	14,698
Undeveloped	2,622	214	300	130	3,267	-	3,267
At 31 December 2011							
Developed	12,661	371	293	404	13,730	-	13,730
Undeveloped	3,027	237	138	548	3,951	-	3,951
At 31 December 2012							
Developed	12,073	343	226	567	13,210	-	13,210
Undeveloped	2,931	232	115	540	3,817	-	3,817
Net proved oil, NGL and gas reserves in million barrels oil equivalent							
At 31 December 2009							
Developed	3,548	187	254	96	4,084	28	4,113
Undeveloped	821	84	116	198	1,219	76	1,295
At 31 December 2010							
Developed	3,394	174	231	142	3,941	35	3,975
Undeveloped	758	109	175	241	1,283	66	1,350
At 31 December 2011							
Developed	3,175	168	272	175	3,790	37	3,827
Undeveloped	990	54	118	380	1,541	58	1,599
At 31 December 2012							
Developed	2,994	140	272	292	3,698	38	3,737
Undeveloped	1,052	155	88	347	1,642	44	1,686

The conversion rates used are 1 standard cubic meter = 35.3 standard cubic feet, 1 standard cubic meter oil equivalent = 6.29 barrels of oil equivalent (boe) and 1,000 standard cubic meter gas = 1 standard cubic meter oil equivalent.

Capitalised cost related to Oil and Gas production activities

Consolidated companies

(in NOK billion)	2012	At 31 December 2011	2010
Unproved properties	76.0	79.9	38.3
Proved properties, wells, plants and other equipment	896.7	827.5	704.3
Total capitalised cost	972.7	907.4	742.6
Accumulated depreciation, impairment and amortisation	(498.2)	(466.3)	(419.9)
Net capitalised cost	474.5	441.1	322.7

Net capitalised cost related to equity accounted investments as of 31 December 2012 was NOK 4.9 billion, NOK 5.6 billion in 2011 and NOK 5.8 billion in 2010. The reported figures are based on capitalised costs within the upstream segments in Statoil, in line with the description below for result of operations for oil and gas producing activities.

In addition capitalised cost related to oil and gas production activities classified as held for sale amounted to NOK 44.9 billion at 31 December 2010. At 31 December 2011 and 2012, no assets were classified as held for sale.

Expenditures incurred in Oil and Gas Property Acquisition, Exploration and Development Activities

These expenditures include both amounts capitalised and expensed.

Consolidated companies

(in NOK billion)	Norway	Eurasia excluding Norway	Africa	Americas	Total
Year ended 31 December 2012					
Exploration expenditures	5.2	4.1	3.8	7.8	20.9
Development costs	45.7	3.2	12.2	28.7	89.8
Acquired proved properties	0.0	0.0	0.0	0.3	0.3
Acquired unproved properties	0.0	0.4	0.0	6.0	6.4
Total	50.9	7.7	16.0	42.8	117.4
Year ended 31 December 2011					
Exploration expenditures	6.6	2.5	1.7	8.0	18.8
Development costs	36.9	2.8	11.1	19.4	70.2
Acquired proved properties	1.7	0.0	0.0	7.6	9.3
Acquired unproved properties	0.1	0.3	5.1	26.2	31.7
Total	45.3	5.6	17.9	61.2	130.0
Year ended 31 December 2010					
Exploration expenditures	6.0	1.6	2.0	7.2	16.8
Development costs	29.3	2.5	11.3	10.4	53.5
Acquired proved properties	0.0	0.0	0.0	0.6	0.6
Acquired unproved properties	0.0	1.1	0.0	9.3	10.4
Total	35.3	5.2	13.3	27.5	81.3

Expenditures incurred in Oil and Gas Development Activities related to equity accounted investments in 2012 were NOK 0.4 billion, NOK 0.3 billion in 2011 and NOK 0.3 billion in 2010.

Results of Operation for Oil and Gas Producing Activities
As required by Topic 932, the revenues and expenses included in the following table reflect only those relating to the oil and gas producing operations of Statoil.

The table has been changed compared to previous year's presentation, in order to align the result of operations for oil and gas producing activities with segment reporting for the two upstream reporting segments Development and Production Norway (DPN) and Development and Production International (DPI) as presented in Statoil's segment disclosure in note 4 *Segments*. The figures in the "other" lines relate to gains and losses from commodity based derivatives, transportation and processing costs within the upstream segments, upstream business administration and business development as well as gains and losses from sales of oil and gas interests.

Income tax expense is calculated on the basis of statutory tax rates adjusted for uplift and tax credits. No deductions are made for interest or other elements not included in the table below.

Consolidated companies

(in NOK billion)	Norway	Eurasia excluding Norway	Africa	Americas	Total
Year ended 31 December 2012					
Sales	0.2	6.1	10.3	6.6	23.2
Transfers	212.6	6.8	27.3	21.9	268.6
Other revenues	7.9	1.3	0.2	1.0	10.4
Total revenues	220.7	14.2	37.8	29.5	302.2
Exploration expenses	(3.5)	(3.6)	(3.4)	(7.6)	(18.1)
Production costs	(22.2)	(1.1)	(3.5)	(3.9)	(30.7)
Depreciation, amortisation and net impairment losses	(29.8)	(3.0)	(10.7)	(12.5)	(56.0)
Other expenses	(3.6)	(1.9)	(0.5)	(9.6)	(15.6)
Total costs	(59.1)	(9.6)	(18.1)	(33.6)	(120.4)
Results of operations before tax	161.6	4.6	19.7	(4.1)	181.8
Tax expense	(115.7)	(2.0)	(10.8)	3.1	(125.4)
Results of operations	45.9	2.6	8.9	(1.0)	56.4
Net income from equity accounted investments	0.1	0.5	0.0	0.8	1.4
Year ended 31 December 2011					
Sales	0.5	5.1	4.9	1.0	11.5
Transfers	203.6	6.1	23.1	15.6	248.4
Other revenues	7.9	0.4	0.0	13.8	22.1
Total revenues	212.0	11.6	28.0	30.4	282.0
Exploration expenses	(5.1)	(2.5)	(2.0)	(4.2)	(13.8)
Production costs	(20.4)	(1.3)	(3.0)	(2.9)	(27.6)
Depreciation, amortisation and net impairment losses	(29.6)	(2.8)	(6.5)	(4.5)	(43.4)
Other expenses	(4.3)	(2.4)	(0.5)	(5.5)	(12.7)
Total costs	(59.4)	(9.0)	(12.0)	(17.1)	(97.5)
Results of operations before tax	152.6	2.6	16.0	13.3	184.5
Tax expense	(112.6)	(3.4)	(9.8)	2.3	(123.5)
Results of operations	40.0	(0.8)	6.2	15.6	61.0
Net income from equity accounted investments	0.1	0.5	0.0	0.4	1.0

Consolidated companies

(in NOK billion)	Norway	Eurasia excluding Norway	Africa	Americas	Total
Year ended 31 December 2010					
Sales	0.0	2.7	2.6	0.7	6.0
Transfers	166.2	6.9	24.2	10.7	208.0
Other revenues	4.5	2.1	0.1	0.3	7.0
Total revenues	170.7	11.7	26.9	11.7	221.0
Exploration expenses	(5.5)	(1.5)	(2.0)	(6.8)	(15.8)
Production costs	(20.8)	(1.1)	(3.2)	(2.0)	(27.1)
Depreciation, amortisation and net impairment losses	(26.0)	(4.1)	(7.5)	(5.0)	(42.6)
Other expenses	(2.8)	(1.9)	(0.4)	(2.9)	(8.0)
Total costs	(55.1)	(8.6)	(13.1)	(16.7)	(93.5)
Results of operations before tax	115.6	3.1	13.8	(5.0)	127.5
Tax expense	(83.7)	(1.8)	(6.9)	1.0	(91.3)
Results of operations	31.9	1.3	7.0	(4.0)	36.2
Net income from equity accounted investments	0.1	0.7	0.0	0.0	0.8

Standardised measure of discounted future net cash flows relating to proved oil and gas reserves

The table below shows the standardised measure of future net cash flows relating to proved reserves. The analysis is computed in accordance with Topic 932, by applying average market prices as defined by the SEC, year-end costs, year-end statutory tax rates and a discount factor of 10% to year-end quantities of net proved reserves. The standardised measure of discounted future net cash flows is a forward-looking statement.

Future price changes are limited to those provided by existing contractual arrangements at the end of each reporting year. Future development and production costs are those estimated future expenditures necessary to develop and produce year-end estimated proved reserves based on year-end cost indices, assuming continuation of year-end economic conditions. Pre-tax future net cash flow is net of decommissioning and removal costs. Estimated future income taxes are calculated by applying the appropriate year-end statutory tax rates. These rates reflect allowable deductions and tax credits and are applied to estimated future pretax net cash flows, less the tax basis of related assets. Discounted future net cash flows are calculated using a discount rate of 10% per year. Discounting requires a year-by-year estimate of when future expenditures will be incurred and when reserves will be produced. The standardised measure of discounted future net cash flows prescribed under Topic 932 requires assumptions as to the timing and amount of future development and production costs and income from the production of proved reserves. The information does not represent management's estimate or Statoil's expected future cash flows or the value of its proved reserves and therefore should not be relied upon as an indication of Statoil's future cash flow or value of its proved reserves.

(in NOK billion)	Norway	Eurasia excluding Norway	Africa	Americas	Total
At 31 December 2012					
Consolidated companies					
Future net cash inflows	1,812.8	138.6	203.4	228.5	2,383.3
Future development costs	(196.1)	(39.6)	(16.2)	(41.2)	(293.1)
Future production costs	(499.1)	(39.8)	(55.4)	(90.9)	(685.2)
Future income tax expenses	(862.7)	(15.0)	(48.9)	(25.1)	(951.7)
Future net cash flows	254.9	44.2	82.9	71.3	453.3
10 % annual discount for estimated timing of cash flows	(113.2)	(25.0)	(27.6)	(34.7)	(200.5)
Standardised measure of discounted future net cash flows	141.7	19.2	55.3	36.6	252.8
Equity accounted investments					
Standardised measure of discounted future net cash flows	-	-	-	1.0	1.0
Total standardised measure of discounted future net cash flows including equity accounted investments	141.7	19.2	55.3	37.6	253.8
At 31 December 2011					
Consolidated companies					
Future net cash inflows	1,781.7	102.7	227.0	245.6	2,357.0
Future development costs	(156.5)	(17.0)	(23.3)	(39.2)	(236.0)
Future production costs	(484.6)	(23.8)	(51.3)	(84.3)	(644.0)
Future income tax expenses	(851.8)	(18.2)	(51.8)	(36.8)	(958.6)
Future net cash flows	288.8	43.7	100.6	85.3	518.4
10 % annual discount for estimated timing of cash flows	(120.0)	(19.5)	(38.6)	(38.2)	(216.3)
Standardised measure of discounted future net cash flows	168.8	24.2	62.0	47.1	302.1
Equity accounted investments					
Standardised measure of discounted future net cash flows	-	-	-	2.5	2.5
Total standardised measure of discounted future net cash flows including equity accounted investments	168.8	24.2	62.0	49.6	304.6
At 31 December 2010					
Consolidated companies					
Future net cash inflows	1,353.4	99.3	163.6	145.0	1,761.3
Future development costs	(140.0)	(23.4)	(29.0)	(18.6)	(211.0)
Future production costs	(440.3)	(30.6)	(51.4)	(62.4)	(584.7)
Future income tax expenses	(567.5)	(6.8)	(30.3)	(17.5)	(622.1)
Future net cash flows	205.6	38.5	52.9	46.5	343.5
10 % annual discount for estimated timing of cash flows	(86.7)	(16.1)	(21.6)	(16.7)	(141.1)
Standardised measure of discounted future net cash flows	118.9	22.4	31.3	29.8	202.4
Equity accounted investments					
Standardised measure of discounted future net cash flows	-	-	-	3.8	3.8
Total standardised measure of discounted future net cash flows including equity accounted investments	118.9	22.4	31.3	33.6	206.2

Changes in the standardised measure of discounted future net cash flows from proved reserves

(in NOK billion)	2012	2011	2010
Consolidated companies			
Standardised measure at beginning of year	302.1	202.4	174.1
Net change in sales and transfer prices and in production (lifting) costs related to future production	9.6	324.2	111.5
Changes in estimated future development costs	(63.7)	(51.7)	(40.1)
Sales and transfers of oil and gas produced during the period, net of production cost	(275.1)	(243.0)	(194.9)
Net change due to extensions, discoveries, and improved recovery	11.1	30.6	4.1
Net change due to purchases and sales of minerals in place	(13.4)	(1.9)	(0.4)
Net change due to revisions in quantity estimates	114.3	110.8	39.8
Previously estimated development costs incurred during the period	88.7	69.6	54.1
Accretion of discount	84.4	56.4	53.6
Net change in income taxes	(5.2)	(195.3)	0.6
Total change in the standardised measure during the year	(49.3)	99.7	28.3
Standardised measure at end of year	252.8	302.1	202.4
Equity accounted investments			
Standardised measure at end of year	1.0	2.5	3.8
Standardised measure at end of year including equity accounted investments	253.8	304.6	206.2

In the table above, each line item presents the sources of changes in the standardised measure value on a discounted basis, with the Accretion of discount line item reflecting the increase in the net discounted value of the proved oil and gas reserves due to the fact that the future cash flows are now one year closer in time. In previous years' reporting, each line item was presented on an undiscounted basis, with the total discounting effect of all line items presented in the Accretion of discount line item. This change is implemented to be more in line with general industry practice. The line item Net change in income taxes is presented on a discounted basis as before. The figures for 2011 and 2010 have been adjusted in order to be comparable with the presentation of changes in the standardised measure of value in 2012. The total standardised measure of value at the end of each year is not affected by this change.

Parent company financial statements

STATEMENT OF INCOME STATOIL ASA - NGAAP

(in NOK million)	Note	For the year ended 31 December 2012	2011
Revenues	5	480,401	462,606
Net income from subsidiaries and other equity accounted companies	13	63,592	66,408
Other income	13	4,051	74
Total revenues and other income		548,044	529,088
Purchases [net of inventory variation]		(466,831)	(449,765)
Operating expenses		(8,457)	(9,153)
Selling, general and administrative expenses		(3,425)	(2,713)
Depreciation, amortisation and net impairment losses	12	(817)	(761)
Exploration expenses		(911)	(762)
Net operating income		67,603	65,934
Net financial items	10	6,879	2,395
Income before tax		74,482	68,329
Income tax	11	(4,508)	24
Net income		69,974	68,353

BALANCE SHEET STATOIL ASA - NGAAP

(in NOK million)	Note	At 31 December 2012	At 31 December 2011 (restated)
Property, plant and equipment	12	5,245	5,404
Intangible assets		28	184
Investments in subsidiaries and other equity accounted companies	13	328,490	294,488
Deferred tax assets	11	1,005	6,576
Pension assets	20	9,425	3,865
Prepayments and financial receivables		1,691	1,300
Receivables from subsidiaries and other equity accounted companies	14	69,108	70,145
Total non-current assets		414,992	381,962
Inventories	15	14,717	13,168
Trade and other receivables	16	42,799	53,026
Receivables from subsidiaries and other equity accounted companies	14	43,114	67,143
Derivative financial instruments	4	993	816
Financial investments	14	9,543	0
Cash and cash equivalents	17	57,437	42,728
Total current assets		168,603	176,881
TOTAL ASSETS		583,595	558,843

BALANCE SHEET STATOIL ASA - NGAAP

(in NOK million)	Note	At 31 December 2012	At 31 December 2011 (restated)
Share capital		7,972	7,972
Treasury shares		(22)	(20)
Additional paid-in capital		17,330	17,330
Retained earnings		176,106	139,068
Reserves for valuation variances		79,216	79,839
Total equity	18	280,602	244,189
Bonds, bank loans and finance lease liabilities	19	98,388	99,525
Derivative financial instruments	4	460	1,031
Liabilities to subsidiaries		91	78
Pension liabilities	20	20,428	25,982
Provisions	21	1,324	1,235
Total non-current liabilities		120,691	127,851
Trade and other payables	22	30,994	39,551
Current tax payable	11	658	889
Bonds, commercial papers and collateral liabilities	23	17,811	14,179
Derivative financial instruments	4	548	2,025
Dividends payable	18	21,494	20,705
Liabilities to subsidiaries	14	110,797	109,454
Total current liabilities		182,302	186,803
Total liabilities		302,993	314,654
TOTAL EQUITY AND LIABILITIES		583,595	558,843

STATEMENT OF CASH FLOWS STATOIL ASA - NGAAP

(in NOK million)	For the year ended 31 December 2012	2011 (restated)
Income before tax	74,482	68,329
Adjustments for:		
Depreciation, amortisation and net impairment losses	817	762
(Gains) losses on foreign currency transactions and balances	(1,874)	(613)
(Gains) losses on sales of assets and other items	13,226	(36,445)
(Increase) decrease in inventories	(1,549)	1,853
(Increase) decrease in trade and other receivables	13,132	(9,521)
Increase (decrease) in trade and other payables	(11,008)	7,380
Increase (decrease) in receivables/liabilities to/from subsidiaries	1,069	6,557
(Increase) decrease in net financial derivative instruments	200	(403)
Taxes paid	(207)	502
(Increase) decrease in non-current items related to operating activities	(5,267)	(1,041)
Cash flows provided by operating activities	83,021	37,360
Additions to property, plant and equipment and intangible assets	(1,076)	(1,097)
(Increase) decrease in financial investments	(10,566)	2,553
(Increase) decrease in non-current loans granted and other non-current items	(75,361)	17,274
Proceeds from sales of assets and businesses, and repayment of capital contribution	19,135	19
Cash flows provided by (used in) investing activities	(67,868)	18,749
New non-current loans and issuance of bonds	11,593	10,053
Repayment of non-current bonds, bank loans and finance lease liabilities	(3,501)	(4,055)
Dividend paid	(20,683)	(19,891)
Net current loans and other	2,039	4,384
Increase (decrease) in financial receivables and payables to/from subsidiaries	11,402	(26,382)
Cash flows provided by (used in) financing activities	850	(35,891)
Net increase (decrease) in cash and cash equivalents	16,003	20,218
Effect of exchange rate changes on cash and cash equivalents	(1,294)	1,291
Cash and cash equivalents at the beginning of the period	42,728	21,219
Cash and cash equivalents at the end of the period	57,437	42,728
Interest paid	3,488	2,061
Interest received	4,010	1,514

Increase (decrease) in financial receivables and payables to/from subsidiaries includes deposits in Statoil group's internal bank arrangement.

Notes to the Financial statements for Statoil ASA

1 Organisation and basis of presentation

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.

Statoil ASA's business consists principally of the exploration, production, transportation, refining and marketing of petroleum and petroleum-derived products, and other forms of energy. The activities are mainly carried out through ownership of, participation in or cooperation with other companies. All the Statoil group's net assets on the Norwegian Continental Shelf (NCS) are owned by Statoil ASA's 100% owned operating subsidiary Statoil Petroleum AS.

Statoil ASA is listed on the Oslo Stock Exchange (Norway) and the New York Stock Exchange (USA).

The functional currency of Statoil ASA is USD, based on an evaluation of the company's primary economic environment and related cash flows, while its presentation currency is NOK. The USD to NOK rates of exchange employed at year end 2012 and 2011 are 5.57 and 5.99, respectively.

Certain reclassifications have been made to prior year figures to be consistent with current year's classifications.

2 Significant accounting policies

Statement of compliance
The financial statements of Statoil ASA ("the company") are prepared in accordance with the Norwegian Accounting Act of 1998 and good accounting practice (NGAAP).

Basis of preparation
The financial statements are prepared on the historical cost basis with some exceptions, as detailed in the accounting policies set out below. These policies have been applied consistently to all periods presented in these financial statements.

The Statement of cash flows has been prepared in accordance with the indirect method.

Significant changes in accounting policies in the current period
With effect from 2012 the company changed its policy for classification in the balance sheet of short-term financial investments with less than 3 months to maturity from *Financial investments* to *Cash and cash equivalents*. At the same time, the company changed its policy for presentation of changes in current financial investments in the statement of cash flows from *Cash flows provided by operating activities* to *Cash flows used in investing activities,* and also changed its policy for presenting changes in financial (non-current) receivables from subsidiaries, which have been reclassified from *Cash flows provided by (used in) financing activities* to *Cash flows used in investing activities.* The policy changes better reflect the company's liquidity management policies, and therefore provide more relevant information. The changes have been applied retrospectively in these financial statements including the notes. For further information see Note 3 *Change in accounting policy*.

Subsidiaries, associated companies and jointly controlled entities
Shareholdings and interests in subsidiaries, associated companies (companies in which the company does not have control, or joint control, but has the ability to exercise significant influence over operating and financial policies; generally when the ownership share is between 20 and 50%) and jointly controlled entities are accounted for using the equity method. The company applies the equity method on the basis of the respective entities' financial reporting prepared in compliance with the Statoil group's NGAAP accounting principles. Goodwill included in the balance sheets of subsidiaries and associated companies is depreciated over ten years on a straight line basis, and the related depreciation expense is included in the company's Statement of income under *Net income (loss) from subsidiaries and other equity accounted companies.*

Expenses related to the Statoil group as operator of jointly controlled assets
Indirect operating expenses incurred by the company, such as personnel expenses, are accumulated in cost pools. Such expenses are allocated in part on an hours incurred cost basis to Statoil Petroleum AS, to other group companies, and to licences where Statoil Petroleum AS or other group companies are operators. Costs allocated in this manner reduce the expenses in the company's Statement of income.

Asset transfers between the company and its subsidiaries
Transfers of assets and liabilities between the company and the entities that it directly or indirectly controls are accounted for at the carrying amounts of the assets and liabilities transferred.

Foreign currency translation
The company's transactions in foreign currencies are translated to USD at the foreign exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to USD at the foreign exchange rate at the balance sheet date. Foreign exchange differences arising on translation are recognised in the Statement of income. Non-monetary assets that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transactions.

Presentation currency
For the purpose of the financial statements, the Statement of income and the Balance sheet are translated from functional currency into the presentation currency, Norwegian kroner (NOK). The assets and liabilities of the company and net assets and liabilities of equity accounted investments whose functional currencies are other than NOK, are translated into NOK at the foreign exchange rate at the balance sheet date. The revenues and expenses from the company and the net income from equity accounted investments are translated using the foreign exchange rates on the dates of the transactions.

Revenue recognition
Revenues associated with sale and transportation of crude oil, petroleum and chemical products, and other merchandise are recorded when title and risk pass to the customer, which normally is at the point of delivery of the goods, based on the contractual terms of the agreements. Sales and purchases of physical commodities, which are not settled net, are presented on a gross basis as *Revenues* and *Purchases [net of inventory variation]* in the Statement of income. Activities related to the trading of commodity based derivative instruments are reported on a net basis, with the margin included in *Revenues*.

Transactions with the Norwegian State and with Statoil Petroleum AS
The company markets and sells the Norwegian State's and Statoil Petroleum AS' share of oil and gas production from the Norwegian continental shelf (NCS). The Norwegian State's participation in petroleum activities is organised through the State's direct financial interest (SDFI). All purchases and sales of SDFI's and Statoil Petroleum AS' oil production are classified as *Purchases [net of inventory variation]* and *Revenues*, respectively. The company sells, in its own name, but for the Norwegian State's and Statoil Petroleum AS' account and risk, the Norwegian state's and Statoil Petroleum AS' production of natural gas. This sale and related expenditures refunded by the Norwegian State and by Statoil Petroleum AS are recorded net in the company's financial statements.

Employee benefits
Wages, salaries, bonuses, social security contributions, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by employees of the company. The accounting policy for pensions and share-based payments is described below.

Share-based payments
The company operates an employee bonus share program. The cost of equity-settled transactions (bonus share awards) with employees is measured by reference to the estimated fair value at the date at which they are granted and is recognised as an expense over the average vesting period of 2.5 years. The awarded shares are accounted for as salary expense and recognised as an equity transaction (included in retained earnings).

Research and development
Research and development costs which are expected to generate probable future economic benefits are considered for capitalisation as intangible assets under the applicable NGAAP requirements. All other research and development expenditure is expensed as incurred. Subsequent to initial recognition, any capitalised development costs are reported at cost less accumulated amortisation and accumulated impairment losses.

Income tax
Income tax in the Statement of income for the year comprises current and deferred tax expense. Income tax is recognised in the Statement of income except when it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax consists of the expected tax payable on the taxable income for the year and any adjustment to tax payable for previous years. Uncertain tax positions and potential tax exposures are analysed individually and the best estimate of the probable amount for liabilities to be paid (unpaid potential tax exposure amounts, including penalties) and virtually certain amount for assets to be received (disputed tax positions for which payment has already been made) in each case is recognised within current tax or deferred tax as appropriate. Interest income and interest expenses relating to tax issues are estimated and recognised in the period in which they are earned or incurred, and are presented within *Net financial items* in the Statement of income.

Deferred tax assets and liabilities are recognised for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities and their respective tax bases, subject to the initial recognition exemption. The amount of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. In order for a deferred tax asset to be recognised based on future taxable income, convincing evidence is required, taking into account the existence of contracts, observable prices in active markets, expected volatility of trading profits and similar facts and circumstances.

Property, plant and equipment
Property, plant and equipment is reflected at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of a decommissioning obligation, if any, and, for qualifying assets, borrowing costs.

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset is replaced and it is probable that future economic benefits associated with the item will flow to the company, the expenditure is capitalised. Inspection and overhaul costs, associated with regularly scheduled major maintenance programs planned and carried out at recurring intervals exceeding one year, are capitalised and amortised over the period to the next scheduled inspection and overhaul. All other maintenance costs are expensed as incurred.

Depreciation is calculated on the basis of the assets' estimated useful lives, normally using the straight-line method. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The estimated useful lives of property, plant and equipment are reviewed on an annual basis and changes in useful lives are accounted for prospectively. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in *Other income* or *Operating expenses*, respectively, in the period the item is derecognised.

Leases
Leases for which the company assumes substantially all the risks and rewards of the ownership are reflected as finance leases within *Property, plant and equipment* and *Bonds, bank loans and finance lease liabilities*. Capitalised leases are depreciated over the shorter of the estimated useful life of the asset or the lease term, using the depreciation methods described above, depending on the nature of the leased asset. All other leases are classified as operating leases and the costs are charged to the relevant operating expense related caption on a straight line basis over the lease term, unless another basis is more representative of the benefits of the lease to the company.

The company distinguishes between lease and capacity contracts. Lease contracts provide the right to use a specific asset for a period of time, while capacity contracts confer on the company the right to and the obligation to pay for certain volume capacity availability related to transport, storage etc. Such capacity contracts that do not involve specified assets or that do not involve substantially all the capacity of an undivided interest in a specific asset are not considered by the company to qualify as leases for accounting purposes. Capacity payments are reflected as *Operating expenses* in the Statements of income in the period for which the capacity contractually is available to the company.

Financial assets
Financial assets representing loans and receivables are carried at amortised cost using the effective interest method. Trading securities classified as current financial investments are recognised at fair value with gains and losses reflected in the Statement of income.

Trade receivables are carried at the original invoice amount less a provision for doubtful receivables which is made when there is objective evidence that the company will be unable to recover the balances in full.

Financial assets are presented as current if they contractually will expire or otherwise are expected to be recovered within 12 months after the balance sheet date, or if they are held for the purpose of being traded.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is determined by the first-in first-out method and comprises direct purchase costs, transportation and manufacturing expenses.

Derivative financial instruments
The following accounting policies are applied for the principal financial instruments and commodity-based derivatives:

- Currency swap agreements are recognised at fair value in the Balance sheet and changes in fair value are recognised in the Statement of income.
- Interest rate swap agreements are valued according to the lower of cost or market principle.
- Commodity-based derivatives traded on organised exchanges are valued at fair market value and the resulting gains and losses are recognised in the Statement of income. Other commodity-based derivatives are valued according to the lower of cost or market principle.

Cash and cash equivalents
Cash and cash equivalents include cash in hand, current balances with banks and similar institutions, and short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in fair value, and have a maturity of three months or less from the acquisition date.

Impairment of property, plant and equipment
The company assesses assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Individual assets are grouped based on levels with separately identifiable and largely independent cash inflows.

In assessing whether a write-down of the carrying amount of a potentially impaired asset is required, the asset's carrying amount is compared to the recoverable amount. Frequently the recoverable amount of an asset proves to be the company's estimated value in use, which is determined using a discounted cash flow model. In performing a value in use-based impairment test, the estimated future cash flows are adjusted for risks specific to the asset and discounted using a real post-tax discount rate which is based on the company's post-tax weighted average cost of capital (WACC).

If assets are determined to be impaired, the carrying amounts of those assets are written down to the recoverable amount which is the higher of fair value less costs to sell and value in use. Impairments are reversed as applicable to the extent that conditions for impairment are no longer present.

Financial liabilities
Interest-bearing loans and borrowings are initially recognised at cost and subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs as well as discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognised either in Interest income and other financial items or in Interest and other finance expenses within *Net financial items*. Financial liabilities are presented as current if the liabilities are due to be settled within 12 months after the balance sheet date, or if they are held for the purpose of being traded.

Dividends payable
Dividends for the year are reflected as Dividends payable within current liabilities. The dividends payable require General Assembly approval before distribution.

Pension liabilities
Statoil ASA has pension plans that provide employees with a defined pension benefit upon retirement. The benefit to be received by employees generally depends on many factors including length of service, retirement date and future salary increases.

The company's proportionate shares of multi-employer defined benefit plans are recognized as liabilities in the balance sheet to the extent that sufficient information is available and a reliable estimate of the obligation can be made.

The company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their services in the current and prior periods. That benefit is discounted to determine its present value and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date, reflecting the maturity dates approximating the terms of the company's obligations. The discount rate has been established on the basis of Norwegian covered bonds for the main part of the pension obligations. The cost of pension benefit plans is expensed over the period that the employees render services and become eligible to receive benefits. The calculation is performed by an external actuary.

The interest element of the defined benefit cost is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest cost is recognised in the Statement of income as a part of the net periodic pension cost.

Past service cost is recognised immediately when the benefits become vested or on a straight-line basis until the benefits become vested. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are re-measured using current actuarial assumptions and the resulting gain or loss is recognised in the Statement of income during the period in which the settlement or curtailment occurs.

Actuarial gains and losses are recognised in full in the company's retained earnings in the period in which they occur, while actuarial gains and losses related to provision for termination benefits are recognised in the Statement of income in the period in which they occur. Due to the company's functional currency being USD, the significant part of the company's pension obligations will be payable in a foreign currency (ie. NOK). As a consequence, actuarial gains and losses include the impact of exchange rate fluctuations.

Provisions
Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Onerous contracts
The company recognises as provisions the net obligation under contracts defined as onerous. Contracts are deemed to be onerous if the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received in relation to the contract. A contract which forms an integral part of the operations of a cash-generating-unit whose assets are dedicated to that contract, and for which the economic benefits cannot be reliably separated from those of the cash-generating-unit, is included in impairment considerations for the applicable cash-generating-unit.

Use of estimates
Preparation of the financial statements requires the company to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as disclosures of contingencies. Actual results may ultimately differ from the estimates and assumptions used.

The nature of the company's operations, and the many countries in which the company operates, is subject to changing economic, regulatory and political conditions. The company does not believe it is vulnerable to the risk of a near-term severe impact as a result of any concentration of its activities.

3 Change in accounting policy

As stated in note 2 *Significant accounting policies*, with effect from 2012 Statoil changed its policy for classification of short-term financial investments with less than three months to maturity from *Financial investments* to *Cash and cash equivalents* in the balance sheet. At the same time, Statoil changed its policy for presentation of changes in current financial investments from *Cash flows provided by operating activities* to *Cash flows used in investing activities* in the statement of cash flows. Changes in financial receivables and payables from/to subsidiaries have been reclassified from *Cash flows provided by (used in) financing activities* to *Cash flows used in investing activities.* The policy changes has been retrospectively applied in these financial statements and the following tables show the effect of the changes in previous period.

BALANCE SHEET

(in NOK million)	As restated At 31 December 2011	As earlier reported At 31 December 2011
Financial investments	0	14,620
Cash and cash equivalents	42,728	28,108
Total	42,728	42,728

STATEMENT OF CASH FLOWS

(in NOK million)	As restated For the year ended 31 December 2011	As earlier reported For the year ended 31 December 2011
Cash flows provided by operating activities	37,360	34,888
Cash flows provided by (used in) investing activities	18,749	(8,040)
Cash flows provided by (used in) financing activities	(35,891)	(16,088)
Net increase (decrease) in cash and cash equivalents	20,218	10,760
Effect of exchange rate changes on cash and cash equivalents	1,291	(783)
Cash and cash equivalents at the beginning of the period (net of overdraft)	21,219	18,131
Cash and cash equivalents at the end of the period (net of overdraft)	42,728	28,108

4 Financial risk management and derivatives

Financial risks

Statoil ASA's activities expose the company to the following financial risks:

- Market risk (including commodity price risk, currency risk and interest rate risk)
- Credit risk
- Liquidity risk

Market risk

Statoil ASA operates in the worldwide crude oil, refined products, natural gas, and electricity markets and is exposed to market risks including fluctuations in hydrocarbon prices, foreign currency rates, interest rates, and electricity prices that can affect the revenues and costs of operating, investing and financing.

For the marketing of Statoil's commodities Statoil ASA has established guidelines for entering into derivative contracts in order to manage the commodity price, foreign currency rate and interest rate risk. The company uses both financial and commodity-based derivatives to manage the risks in revenues, financial items and the present value of future cash flows.

Commodity price risk
Commodity price risk represents Statoil ASA's most important short-term market risk and is monitored every day against established mandates as defined by the governing policies. To manage short-term the commodity risk, Statoil ASA enters into commodity-based derivative contracts, including futures, options, over-the-counter (OTC) forward contracts, market swaps and contracts for differences related to crude oil, petroleum products, natural gas and electricity.

Derivatives associated with crude oil and refined oil products are traded mainly on the InterContinental Exchange (ICE) in London, the New York Mercantile Exchange (NYMEX), the OTC Brent market, and in crude and refined products swaps markets. Derivatives associated with natural gas and electricity are mainly OTC physical forwards and options, NASDAQ OMX Oslo (formerly Nordpool) forwards, and futures traded on the NYMEX and ICE.

The term of oil and refined oil products derivatives is usually less than one year and the term for natural gas and electricity derivatives is usually three years or less.

Currency risk
In addition to price developments Statoil ASA's operating results and cash flows are affected by foreign currency fluctuations of the most significant currencies (NOK, EUR and GBP) against USD.

Foreign exchange risk is managed at corporate level in accordance with policies and mandates.

Statoil ASA's cash flows derived from oil and gas sales, operating expenses and capital expenditures, are mainly in USD, but taxes and dividends are in NOK. Accordingly, the entity's currency management is primarily linked to secure tax and dividend payments in NOK. This means that the entity regularly purchase substantial NOK amounts on a forward basis using conventional derivative instruments.

At the end of 2012 the following currency risk sensitivity has been calculated by assuming a 9% change in the foreign currency exchange rate between NOK and USD. By end of 2011 an assumption of 12% were used in the calculation. An increase in the foreign exchange rate by 9% means that the transaction currency has strengthened in value.

(in NOK million)	Gains	Losses
At 31 December 2012		
Norwegian kroner (9% sensitivity)	13,531	(13,531)
At 31 December 2011		
Norwegian kroner (12% sensitivity)	10,935	(10,935)

Interest rate risk
Statoil ASA has assets and liabilities with variable interest rate that expose the entity to cash flow risk caused by market interest rate fluctuations. Statoil ASA principally manages the company's interest rates by converting a portion of cash flows from the long-term debt portfolio issued with fixed coupon rates into floating rate interest payments. Bonds are normally issued at fixed rates in local currency (JPY, EUR, GBP and USD). These bonds are converted to floating USD bonds by using interest rate- and currency swaps. For more detailed information about Statoil ASA's long term debt-portfolio see note 19 *Bonds, bank loans and finance lease liabilities*.

For the interest rate risk sensitivity a change of 0.7 percentage point in the interest rates have been used in the calculation by end of 2012. By end of 2011 a change of 1.5 percentage point in the interest rates were viewed as reasonably possible changes. A decline in the interest rates results in a gain while increased interest rates result in a loss. Included in the interest rate sensitivity are changes in fair value of interest rate derivative financial instruments currently recognised at fair value in the Balance sheet since the fair value are lower than the cost price for the instruments at year end 2012 and 2011. When the interest rate declines the fair value of these instruments will be higher than the cost price and therefore the full change in fair value due to an interest rate decline will not be recognised in the Statement of income. The estimated gains and losses are presented in the following table.

(in NOK million)	Gains	Losses
At 31 December 2012		
Interest rate risk (0.7 percentage point sensitivity)	199	(199)
At 31 December 2011		
Interest rate risk (1.5 percentage point sensitivity)	579	(579)

Liquidity risk
Liquidity risk is the risk that Statoil ASA will not be able to meet obligations of financial liabilities when they become due. The purpose of liquidity management is to make certain that Statoil ASA has sufficient funds available at all times to cover its financial obligations.

Liquidity and funding are managed at the corporate level, ensuring adequate liquidity to cover group operational requirements. Statoil ASA has a high focus and attention on credit and liquidity risk throughout it's entire organisation. In order to secure necessary financial flexibility, which includes meeting Statoil ASA's financial obligations, Statoil ASA maintains what it believes to be a conservative liquidity management policy. To secure financial flexibility and identify future long-term financing needs, Statoil ASA carries out three-year cash forecasts at least monthly.

Statoil ASA's operating cash flows are significantly impacted by the volatility in the oil and gas prices. During 2012 the overall liquidity position remained strong.

The main cash outflows are the annual dividend payment and the annual tax payments. If the monthly cash flow forecast shows that the liquid assets one month after tax and dividend payments will fall below the defined policy level, new long-term funding will be considered.

For information about Statoil ASA's non-current financial liabilities, see note 19 *Bonds, bank loans and finance lease liabilities.*

Mainly all of Statoil ASA's financial liabilities related to derivative financial instruments, both exchange traded and non-exchange traded commodity-based derivatives together with financial derivatives, with the exception of some interest rate derivatives classified as non-current in the Balance sheet, fall due within one year, based on the underlying delivery period of the contracts included in the portfolio. The interest rate derivatives classified as non-current in the Balance sheet fall due from 2015 till 2031.

Credit risk
Credit risk is the risk that Statoil ASA's customers or counterparties will cause the company financial loss by failing to honour their obligations. Credit risk arises from credit exposures with customer accounts receivables as well as from financial investments, derivative financial instruments and deposits with financial institutions.
Key elements of the credit risk management approach include:

- A global credit risk policy
- Credit mandates
- Internal credit rating process
- Credit risk mitigation tools
- A continuous monitoring and managing of credit exposures

Prior to entering into transactions with new counterparties, the credit policy requires all counterparties to be formally identified and approved. In addition all sales, trading and financial counterparties are assigned internal credit ratings as well as exposure limits. Once established, all counterparties are re-assessed minimum annually and continuously monitored. Counterparty risk assessments are based on a quantitative and qualitative analysis of recent financial and other relevant business information. In addition, Statoil ASA evaluates any past payment performance, the counterparties' size and business diversification, and the inherent industry risk. The internal credit ratings reflect Statoil ASA's assessment of the counterparties' credit risk. Exposure limits are determined based on assigned internal credit ratings combined with other factors, such as expected transaction and industry characteristics. Credit mandates define acceptable credit risk thresholds and are endorsed by management and regularly reviewed with regard to changes in market conditions.

Statoil ASA uses risk mitigation tools to reduce or control credit risk both on a counterparty and portfolio level. The main tools include bank and parental guarantees, prepayments and cash collateral. For bank guarantees only investment grade international banks are accepted as counterparties.

Statoil ASA has pre-defined limits for the minimum average credit rating allowed at any given time on the group portfolio level as well as maximum credit exposures for individual counterparties. Statoil ASA monitors the portfolio on a regular basis and individual exposures versus limits on a daily basis. The total credit exposure portfolio of Statoil ASA is geographically diversified among a number of counterparties within the oil and energy sector, as well as larger oil and gas consumers and financial counterparties. The majority of the company's credit exposure is with investment grade counterparties.

The following table contains the carrying amount of Statoil ASA's derivative financial instruments, except for exchange traded derivative financial instruments, split by our assessment of the counterparty's credit risk.

	At 31 December	
(in NOK million)	2012	2011
Investment grade, rated A or above	787	606
Other investment grade	160	115
Non investment grade or not rated	0	16
Total	947	737

As of 31 December 2012 and 2011 cash was held as collateral to mitigate a portion of Statoil ASA's credit exposure.

Fair value measurement of derivative financial instruments
Statoil ASA measures derivative financial instruments at fair value if the instruments are part of a trading portfolio and traded at an authorised exchange. This might typically be for forward contracts traded at the Nordic electricity exchange NASDAQ OMX Oslo (formaly Nordpool). Other derivative financial instruments are recognised in the Balance sheet at the lowest of the cost price and the fair value. Changes in the carrying value of the derivative financial instruments are recognised in the Statements of income either within *Revenues* or within the *Net financial items*. Statoil ASA's portfolio of derivative financial instruments consists of commodity based derivative contracts as well as interest rate and foreign exchange rate derivative instruments.

The following table contains the estimated fair values and the net carrying amounts of Statoil ASA's derivative financial instruments except for the interest rate derivatives and the cross currency interest rate derivatives where the table only contains the fair value adjustments while the accrued interests are presented within *Bonds, commercial papers and collateral liabilities* and the currency revaluations are presented within *Bonds, bank loans and finance lease liabilities*.

(in NOK million)	Fair value of assets	Fair value of liabilities	Net fair value
At 31 December 2012			
Foreign currency instruments	655	(18)	637
Interest rate instruments	0	(554)	(554)
Crude oil and refined products	153	(150)	3
Natural gas and electricity	185	(286)	(101)
Total	993	(1,008)	(15)
At 31 December 2011			
Foreign currency instruments	323	(1,112)	(789)
Interest rate instruments	0	(1,369)	(1,369)
Crude oil and refined products	200	(236)	(36)
Natural gas and electricity	293	(339)	(46)
Total	816	(3,056)	(2,240)

In addition to the fair value of financial derivative instruments recognised in the Balance sheet, Statoil ASA has entered into interest rate swap and cross currency swap agreements where the fair value at year end 2012 and 2011 was higher than the cost, hence the fair value adjustments related to these agreements are not recognised in the Balance sheet. At 31 December 2012 the fair value adjustments not recognised were NOK 13.6 billion. By end of 2011 the fair value adjustments not recognised were NOK 12.3 billion.

When determining the fair value of the derivative financial instruments, Statoil ASA uses prices quoted in an active market to the extent possible. When this is not available, the company uses inputs that either directly or indirectly are observable in the market as a basis for valuation techniques such as discounted cash flow analysis or pricing models.

The following table summarises the basis for Statoil ASA's fair value measurement for all financial derivative instruments recognised in Statoil ASA's Balance sheet. For the interest rate derivatives and the cross currency interest rate derivatives the table only contain the fair value adjustments.

(in NOK million)	Current derivative financial instruments assets	Non-current derivative financial instruments liabilities	Current derivative financial instruments liabilities	Net fair value
At 31 December 2012				
Level 1	0	0		0
Level 2	993	(460)	(548)	(15)
Level 3	0	0	0	0
Total fair value	993	(460)	(548)	(15)
At 31 December 2011				
Level 1	0	0	0	0
Level 2	816	(1,031)	(2,025)	(2,240)
Level 3	0	0	0	0
Total fair value	816	(1,031)	(2,025)	(2,240)

Level 1, fair value based on prices quoted in an active market for identical assets or liabilities, refers to the fair value of financial instruments actively traded where the values recognised in Statoil ASA's Balance sheet are determined based on observable prices on identical instruments. This category will in most cases only be relevant for investments in listed equity securities or gouverment bonds.

Level 2, fair value based on inputs other than quoted prices included within Level 1, which are derived from observable market transactions, includes Statoil ASA's non-standardised contracts which fair values are determined on the basis of price inputs that are from observable market transactions. This will typically be when Statoil ASA uses forward prices on crude oil, natural gas, interest rates, and foreign exchange rates as inputs into valuation models to determining the fair value of its derivative financial instruments.

Level 3, fair value based on unobservable inputs, refers to fair values calculated based on input and assumptions that are not from observable market transactions. The fair values presented in this category will mainly be based on internal assumptions. The internal assumptions are only used due to the absence of quoted price from an active market or other observable price inputs for the financial instruments subject to the valuation.

5 Revenues

(in NOK million)	2012	2011
Revenues third party	400,569	383,194
Intercompany revenues	79,832	79,412
Revenues	480,401	462,606

6 Remuneration

Statoil ASA remuneration in 2012

(in NOK million, except average number of man-labour years)	For the year ended 31 December 2012	2011
Salaries	18,464	16,574
Pension costs	(442)	3,416
Social security tax	2,871	2,598
Other compensations	2,327	2,061
Total	23,220	24,649
Average number of man-labour years	19,645	18,337

The negative pension cost was primarily caused by a curtailment gain recognised on the basis of Statoil's discontinuance of the supplementary (gratuity) part of the early retirement scheme, for further information see note 20 *Pensions*

Board of directors remuneration in 2012

Members of the board (In NOK thousand)	Board remuneration	Audit committee	Compensation committee	HSEE committee	Total remuneration
Svein Rennemo	655		48		703
Marit Arnstad*	203			8	211
Grace Reksten Skaugen	359		78		437
Roy Franklin	432	120		95	647
Jakob Stausholm	334	185			519
Bjørn Tore Godal	334		56	40	430
Lady Barbara Singer Judge	432	120			552
Lill-Heidi Bakkerud	334			32	366
Morten Svaan	334	120			454
Einar Arne Iversen	334				334
Børge Brende**	100				100
Maria Johanna Oudeman**	100				100
Total	3,951	545	182	175	4,853

* Member until and including 19 June 2012
** Member from 15 September 2012

Management remuneration in 2012 (in NOK thousand)

Members of corporate executive committee	Fixed remuneration		Annual variable pay	Taxable benefits in kind	Taxable reimburse-ments	Taxable salary	Non-taxable benefits in kind	Non-taxable reimburse-ments	Non-taxable salary	Total remune-ration	Estimated pension cost 3)	Estimated present value of pension obligation
	Base pay 1)	LTI 2)										
Lund Helge (CEO)	7,224	2,050	3,307	681	16	13,278	537	26	563	13,841	4,950	37,515
Reitan Torgrim (CFO)	2,721	640	1,102	113	13	4,589	0	31	31	4,620	666	10,965
Sjøblom Tove Stuhr (Executive vice president Corporate staffs and services)	2,472	582	723	317	6	4,100	269	54	323	4,423	646	14,020
Mellbye Peter (Executive vice president Development & Production International, until 1 September 2012) 4)	2,575	583	958	243	7	4,366	0	15	15	4,381	1,057	41,485
Bacher Lars Christian (Executive vice president Development & Production International, from 1 September 2012) 4)	935	65	0	81	3	1,084	203	15	218	1,302	552	10,424
Dodson Timothy (Executive vice president Exploration)	3,151	706	1,215	135	22	5,229	382	85	467	5,696	1,081	16,982
Øvrum Margareth (Executive vice president, Technology, Projects & Drilling)	3,570	810	1,205	199	12	5,796	195	39	234	6,030	1,127	34,192
Michelsen Øystein (Executive vice president Development & Production Norway)	3,372	812	1,009	379	7	5,579	277	58	335	5,914	875	26,309
Sætre Eldar (Executive vice president Marketing, Processing and Renewable Energy)	3,417	810	1,005	395	23	5,650	0	46	46	5,696	1,046	32,532
Maloney William (Executive vice president Development & Production North America) 5)	3,851	2,353	2,353	710	9	9,276	139	0	139	9,415	602	0
Knight John (Executive vice president Global Strategy & Business Development) 5)	4,983	3,269	3,269	754	0	12,275	0	0	0	12,275	997	0
Total	38,271	12,680	16,146	4,007	118	71,222	2,002	369	2,371	73,593	13,599	224,424

1a) The CEO's base salary increase as of 1 January 2012 was 3.25%.
1b) Base pay consists of base salary, holiday allowance and any other administrative benefits.
2) The fixed long-term incentive (LTI) element implies an obligation to invest the net amount in Statoil shares. A lock-in period of three years applies for the investment. The LTI element is presented the year it is granted.
Members of the corporate executive committee employed by non-Norwegian subsidiaries have an LTI scheme deviating from the model used in the parent company. A net amount equivalent to the annual variable pay is used for purchasing Statoil shares.

3) Pension cost is calculated based on actuarial assumptions and pensionable salary at 31 December 2012 and is recognised as pension cost in the Statement of income for 2012. Payroll tax is not included.
Members of the corporate executive committee employed by non-Norwegian subsidiaries have a defined contribution scheme.
4) Remuneration for Mellbye and Bacher apply for their respective time of service in the corporate executive committee.
5) Members of the corporate executive committee employed by non-Norwegian subsidiaries and not resident in Norway.

Statement on remuneration and other employment terms for Statoil's corporate executive committee

Pursuant to the Norwegian Public Limited Liability Companies Act, section 6-16 a, the Board will present the following statement regarding remuneration of Statoil's Corporate Executive Committee to the 2013 Annual General Meeting:

1. Remuneration policy and concept for the accounting year 2012

1.1 Policy and principles

In general the company's established remuneration principles and general concepts will be continued in the accounting year 2013. Statoil's remuneration policy is closely linked to the company's core values and people policy. Certain key principles have been adopted for the design of our remuneration concept.

The remuneration concept is an integrated part of our values based performance framework. It has been designed to:

- reflect our global competitive market strategy and local market conditions
- strengthen the common interests of people in the Statoil group and its shareholders
- be in accordance with statutory regulations and good corporate governance
- be fair, transparent and non-discriminatory
- reward and recognise delivery and behaviour equally
- differentiate on the basis of responsibilities and performance
- reward both short- and long-term contributions and results

Our rewards and recognition are designed to attract and retain the right people - people who perform, change and learn. The overall remuneration level and the balance between the individual components reflect the national and international framework and business environment in which we operate.

1.2 The decision-making process

The decision-making process for implementing or changing remuneration policies and concepts, and the determination of salaries and other remuneration for Corporate Executive Committee, are in accordance with the provisions of the Norwegian Public Limited Liability Companies Act sections 5-6 and 6-16 a and the Board's Rules of Procedure as amended 5 September 2012, with effect from 1 December 2012. The Board's Rules of Procedure are available on Statoil.com.

The Board of directors has appointed a separate Compensation Committee. The Compensation Committee is a preparatory body for the Board. The Committee's main objective is to assist the Board of directors in its work relating to the terms of employment for Statoil's Chief executive officer and the main principles and strategy for the remuneration and leadership development of our senior executives. The Board of directors determines the Chief executive officer's salary and other terms of employment. For further details about the roles and responsibilities of the Compensation Committee, please refer to the Committee's instructions available on Statoil.com.

1.3 The remuneration concept for the Corporate Executive Committee

Statoil's remuneration concept for the Corporate Executive Committee consists of the following main elements:

- Fixed remuneration
- Variable pay
- Pensions and insurance schemes
- Severance schemes
- Other benefits

The evaluation of changes to the company's general pension system initiated in 2012 will continue in 2013. This also includes pension accruals for pensionable salary above 12 times the national insurance basic amount (G).

Deviations from the general principles outlined below pertaining to two members of the Corporate Executive Committee, implemented with effect as of 1 January 2011, are described in section 2.1 below. These deviations have also been described in previous Statements on remuneration and other employment terms for Statoil's Corporate Executive Committee.

Fixed Remuneration

Fixed remuneration consists of base salary and a long-term incentive programme.

Base salary

We offer base salary levels which are aligned with the individual's responsibility and performance at a level which is competitive in the markets in which we operate. The evaluation of performance is based on the fulfilment of pre-defined goals, see "Variable pay" below. The base salary is normally subject to annual review.

Long Term Incentive (LTI)
Statoil will continue the established long-term incentive system for a limited number of senior executives and key professional positions. Members of the Corporate Executive Committee are included in the scheme.

The long-term incentive system is a fixed, monetary compensation calculated as a portion of the participant's base salary; ranging from 20 - 30% depending on the individual's position. On behalf of the participant, the company acquires shares equivalent to the net annual amount. The grant is subject to a three year lock-in period and then released for the participant's disposal.

The long-term incentive and the annual variable pay schemes constitute a remuneration concept focusing both on short- and long-term goals and results. By ensuring that our top executives are holders of company shares, the long-term incentive contributes to the strengthening of the common interests between the top management and our shareholders.

Variable pay
The maximum potential for variable pay in the parent company is 50% of the fixed remuneration. The company's performance based variable pay concept will be continued in 2013.

The Chief executive officer is entitled to an annual variable pay amounting to 25% of his fixed remuneration conditional on accomplishing agreed targets. If agreed targets are exceeded, the reward will be in the range from 25 to 50% of his fixed remuneration. Correspondingly, the Executive vice presidents have an annual variable pay scheme comprising a target of 20% conditional on accomplishing agreed goals. The maximum variable pay potential for this group is 40% of the fixed remuneration.

Remuneration policies' effect on risk
The remuneration concept is an integrated part of our Performance Management system. It is an overarching principle that there should be a close link between performance and remuneration.

Individual salary and annual variable pay review are based on the performance evaluation in our Performance Management system. Participation in the long-term incentive (LTI) scheme and the size of the annual LTI element are reflective of the level and impact of the position and not directly linked to the incumbent's performance.

The goals forming the basis for the performance assessment are established between the manager and the employee as part of our Performance Management process. The performance goals are set in two dimensions, delivery and behaviour, which are equally weighted. Delivery goals are established for each of the five perspectives; people and organisation, HSE, operations, market and finance. In each perspective, both long term strategic objectives and short term targets and Key Performance Indicators (KPI) are defined together with relevant actions. Behaviour goals are based on our core values and leadership principles and address the behaviour required and expected in order to achieve our delivery goals.

The performance evaluation is a holistic evaluation combining measurement and assessment of performance against both delivery and behaviour goals. The KPIs are used as *indicators* only. Hence, sound judgement and hindsight information are applied before final conclusions are drawn. Measured KPI results are reviewed against their strategic contribution, sustainability and significant changes in assumptions.

This balanced scorecard approach, which involves a broad set of goals defined in relation to both the delivery and behaviour dimensions and an overall performance evaluation is viewed to significantly reduce the likelihood that remuneration policies may stimulate excessive risk-taking or have other material adverse effects.

In the performance contracts of the Chief executive officer and Chief financial officer, one of several targets is related to the company's relative total shareholder return (TSR). The amount of the annual variable pay is decided based on an overall assessment of the performance of various targets including but not limited to the company's relative TSR.

Pension and insurance schemes
Statoil ASA's current general pension plan is a defined benefit arrangement with a pension level amounting to 66% of the pensionable salary conditional on a minimum of 30 years of service. Pension from The Norwegian National Insurance Scheme is taken into account when estimating the pension. The general retirement age is 67 for employees onshore and 65 for offshore employees.

The pension schemes for members of the Corporate Executive Committee including the Chief executive officer constitute supplementary individual agreements to the company's general pension plan.

Subject to specific terms in his pension agreement of 7 March 2004, the Chief executive officer is entitled to a pension amounting to 66% of pensionable salary and a retirement age of 62. The full service period is 15 years.

Two of the Executive vice presidents have individual pension terms according to a previous standard arrangement implemented in October 2006. Subject to specific terms those executives are entitled to a pension amounting to 66% of pensionable salary and a retirement age of 62. When calculating the number of years of membership in the Statoil's general pension plan, these agreements grant the right to an extra contribution time corresponding to half a year of extra membership for each year the individual has served as Executive vice president.

In addition, three of Statoil's Executive vice presidents have an individually agreed retirement age of 65 and an early retirement pension level amounting to 66% of pensionable salary.

The individual pension terms for Executive vice presidents outlined above are results of commitments according to previous established agreements.

The company's standard pension arrangements for Executive vice presidents deviating from Statoil ASA's general pension plan have been discontinued and will not apply for new appointments to the Corporate Executive Committee.

The most recently appointed Executive Vice President's pension terms entail a continuation of his previous pension arrangements which are in alignment with the current general pension terms of the company. Pension accruals for pensionable salary above 12 times the national insurance basic amount (G) are recognised as unfunded defined benefit pension plan.

In addition to the pension benefits outlined above, the Executive vice presidents in the parent company are offered other benefits in accordance with Statoil's general pension plan including pension from the age of 67 based on the defined benefit arrangement. Members of the Corporate Executive Committee are covered by the general insurance schemes applicable within Statoil.

The Executive vice presidents employed outside the parent company have defined contribution schemes (16 and 20% contribution respectively) in accordance with the framework established in their local employment companies. The pension contribution is paid into a separate legal entity.

The process of evaluating changes to the general pension scheme in the parent company will be continued in 2013. This evaluation includes an assessment on the question of replacing the current defined benefit scheme with a defined contribution plan and the prevailing pension scheme for salaries exceeding 12 times the national insurance basic amount (G). This project is planned to conclude after the passage of the Banking Law Commission's recommendations in the parliament and will also include alignment of executive pension with the Governmental guidelines on executive remuneration.

Severance pay arrangements

Under the terms of his contract of 7 March 2004, the Chief executive officer is entitled to severance payment corresponding to 24 months of base salary in the event of a Board resolution to release him from his contract of employment. Severance payment is calculated from the expiry of the notice period of 6 months. The same entitlement applies should the parties agree that the employment will be discontinued and the Chief executive officer gives notice pursuant to a written agreement with the Board.

Executive vice presidents are entitled to a severance payment equivalent to six months' salary, commencing at the time of expiry of a six months' notice period, when the resignation is at the request from the company. The same amount of severance payment is also payable if the parties agree that the employment should be discontinued and the Executive vice president gives notice pursuant to a written agreement with the Company. Any other payment earned by the Executive vice president during the period of severance payment will be fully deducted. This relates to earnings from any employment or business activity where the Executive vice president has active ownership.

The entitlement to severance payment is conditional on the Chief executive officer or the Executive vice president not being guilty of gross misconduct, gross negligence, disloyalty or other material breach of his/her duties.

As a general rule, The Chief executive officer's/Executive vice president's own notice will not instigate any severance payment.

Other benefits

Statoil has a Share savings plan available to all employees including members of the Corporate Executive Committee. The Share savings plan entails an offer to purchase Statoil shares in the market limited to five per cent of annual gross salary. If the shares are kept for two full calendar years of continued employment the employees will be allocated bonus shares proportionate to their purchase. Shares to be used for sale and transfer to employees are acquired by Statoil in the market, in accordance with the authorisation from the Annual General Meeting.

The members of the Corporate Executive Committee have benefits in kind such as company car and electronic communication.

2. Execution of the remuneration policy and principles in 2012

2.1 Deviations from the Statement on Executive remuneration 2012

Two members of the executive committee have variable pay schemes deviating from the description above. The individuals in question are employed by Statoil Gulf Services LLC in Houston and Statoil Global Employment Company Ltd. in London. These schemes entail a framework for variable pay of 75-100% of the base salary for each of the elements (annual variable pay and long term Incentive). The long-term incentive is performance based. The contracts also include a provision for severance payment of 12 months' base salary.

The Board's overall assessment is that the extended framework implemented with effect from 1 January 2011 for the variable pay schemes for these executives is in alignment with the market, but not market leading for positions at this level at the respective locations.

2.2 Development in actual remuneration

During the last five-year period, the framework for the annual base salary review has been lower for the corporate executive committee than for employees encompassed by the collective bargaining agreements in the company. In this period the merit increase for executive vice presidents employed in the parent company has been determined within an annual average framework of 3.2%. During the same period the CEO's average annual base salary increase has been 2.35% whilst his average annual variable pay was 27.5% of his fixed remuneration. The annual variable pay for 2012 (37.5% of his fixed remuneration) was higher than the period average, reflecting the company's strong performance. The average annual variable pay for the CEO reflects the fact that the maximum pay potential for 2008 and 2009 was reduced by 50% as a consequence of the financial crisis.

2.3 Changes to the Corporate Executive Committee in 2012

Executive Vice President Development and Production International, Peter Mellbye, retired from his position on the 31 August 2012 on terms and conditions in accordance with his pension agreement of 15 November 1994. Mr Mellbye was succeeded by Executive Vice President Lars Christian Bacher.

A change to the corporate organisation structure was decided in 2012, leading to the discontinuation of the position as Executive Vice President and Chief of Staff, effective from 1 January 2013.

3. Concluding remarks

Statoil's remuneration policy and solutions are aligned with the company's overall values, people policy and performance-oriented framework. In closing, the remuneration systems and practices are transparent and deviations are explained in accordance with prevailing guidelines and good corporate governance.

7 Share-based compensation

Statoil's share saving plan provides employees with the option to purchase Statoil shares through monthly salary deductions, and a contribution by Statoil ASA. If the shares are kept for two full calendar years of continued employment the employees will be allocated one bonus share for each one they have purchased.

Estimated compensation expense including the contribution by Statoil for purchased shares, amount vested for bonus shares granted and related social security tax was NOK 460 million and NOK 400 million related to 2012 and 2011, respectively. For the 2013 program (granted in 2012) the estimated compensation expense is NOK 500 million. At 31 December 2012 the amount of compensation cost yet to be expensed throughout the vesting period is NOK 997 million.

8 Auditor's remuneration

(in NOK million, excluding VAT)	For the year ended 31 December 2012	 2011
Audit fees	14.4	17.8
Audit related fees	1.4	3.3
Other service fees	0.5	0.0
Total	16.3	21.1

There are no fees incurred related to tax services. On 15 May 2012, the General meeting of shareholders appointed KPMG AS as Statoil's auditor, thereby replacing Ernst & Young AS as of that date.

9 Research and development expenditures

Research and development expenditures were NOK 153 million and NOK 111 million in 2012 and 2011, respectively.

10 Financial items

(In NOK million)	For the year ended 31 December 2012	2011 (restated)
Foreign exchange gains (losses) derivative financial instruments	2,068	1,601
Other foreign exchange gains (losses)	4,025	1,274
Net foreign exchange gains (losses)	6,093	2,875
Dividends received	21	26
Interest income from group companies	2,659	3,149
Interest income current financial assets and other financial items	1,196	1,204
Interest income and other financial items	3,876	4,379
Interest expense to group companies	(1,019)	(1,888)
Interest expense non-current financial liabilities	(2,568)	(2,092)
Interest expense current financial liabilities and other finance expenses	497	(879)
Interest and other finance expenses	(3,090)	(4,859)
Net financial items	6,879	2,395

As stated in note 3 *Change in accounting policy*, with effect from 2012 Statoil changed its policy for classification of short-term financial investments with less than three months to maturity from Financial investments to Cash and cash equivalents in the balance sheet. As a consequence certain reclassifications of related foreign currency effects between the line items *Net foreign exchange gains (losses)* and *Interest and other financial items* have been made. This has no impact on *Net financial items*.

11 Income taxes

Income tax expense

(in NOK million)	For the year ended 31 December 2012	2011
Current taxes payable	(264)	(774)
Change in deferred tax	(4,244)	798
Income tax expense	(4,508)	24

Reconciliation of Norwegian nominal statutory tax rate to effective tax rate

(in NOK million)	For the year ended 31 December 2012	2011
Income before tax	74,482	68,329
Nominal tax rate 28%	(20,855)	(19,132)
Tax effect of:		
Permanent differences caused by USD as functional currency	(1,670)	1,095
Other permanent differences	17,648	18,156
Income tax prior years	(267)	37
Other	636	(132)
Total	(4,508)	24
Effective tax rate	6.05%	(0.04%)

Significant components of deferred tax assets and liabilities were as follows:

(in NOK million)	At 31 December 2012	2011
Deferred tax assets on		
Inventory	77	6
Tax losses carry forward	0	347
Pensions	3,449	5,415
Long term provisions	1,628	1,383
Derivatives and long term debt	118	446
Other non-current items	205	233
Total deferred tax assets	5,477	7,830
Deferred tax liabilities on		
Property, plant and equipment	160	293
Derivatives and long term debt	3,745	814
Other non-current items	568	147
Total deferred tax liabilities	4,473	1,254
Net deferred tax assets / (liabilities)	1,004	6,576

At 31 December 2012, Statoil ASA had recognised net deferred tax assets of NOK 1.0 billion, as it is considered probable that taxable profit will be available to utilise the deferred tax assets.

The movement in deferred income tax

(in NOK million)	2012	2011
Deferred income tax assets / (liabilities) at 1 January	6,577	3,978
Charged to the income statement	(4,245)	797
Acquisitions, sales and other	(1,328)	1,801
Deferred income tax assets / (liabilities) at 31 December	1,004	6,576

12 Property, plant and equipment

(in NOK million)	Machinery, equipment and transportation equipment	Buildings and land	Vessels	Other	Total
Cost at 31 December 2011	2,898	1,454	3,970	1,246	9,568
Additions and transfers	594	564	0	(104)	1,054
Disposal assets at cost	(497)	(1)	0	(40)	(538)
Effect of movements in foreign exchange	(218)	(118)	(282)	(89)	(707)
Cost at 31 December 2012	2,777	1,899	3,688	1,013	9,377
Accumulated depreciation and impairment losses at 31 December 2011	(1,820)	(358)	(1,096)	(890)	(4,164)
Depreciation	(533)	(83)	(195)	(6)	(817)
Accumulated depreciation and impairment disposed assets	496	0	0	40	536
Effect of movements in foreign exchange	138	28	86	61	313
Accumulated depreciation and impairment losses at 31 December 2012	(1,719)	(413)	(1,205)	(795)	(4,132)
Carrying amount at 31 December 2012	1,058	1,486	2,483	218	5,245
Estimated useful lives (years)	3 - 10	20 - 33	20-25		

13 Investments in subsidiaries and other equity accounted companies

(in NOK million)	2012	2011
Investments at 1 January	294,488	267,687
Net income from subsidiaries and other equity accounted companies	63,592	66,408
Additional paid-in equity	66,733	6,448
Pension adjustments	271	(309)
Distributions	(78,237)	(50,683)
Translation adjustments	(18,357)	4,937
Investments at 31 December	328,490	294,488

The closing balance of NOK 328,490 million consist of investments in subsidiaries amounting to NOK 328,229 million and investments in other equity accounted companies amounting to NOK 261 million. In 2011, the amounts were NOK 294,104 million and NOK 384 million respectively.

Amortisation of goodwill amounts to NOK 975 million and NOK 458 million in 2012 and 2011 respectively.

Distributions during 2012 mainly consist of a group contribution from Statoil Petroleum AS of NOK 31 billion. In 2011 the group contribution from Statoil Petroleum AS was NOK 49 billion.

Ownership in certain subsidiaries and other equity accounted companies (in %)

Name	%	Country of incorporation	Name	%	Country of incorporation
Statholding AS	100	Norway	Statoil Nigeria Outer Shelf AS	100	Norway
Statoil Angola Block 15 AS	100	Norway	Statoil Norsk LNG AS	100	Norway
Statoil Angola Block 15/06 Award AS	100	Norway	Statoil North Africa Gas AS	100	Norway
Statoil Angola Block 17 AS	100	Norway	Statoil North Africa Oil AS	100	Norway
Statoil Angola Block 31 AS	100	Norway	Statoil North America Inc.	100	United States
Statoil Angola Block 38 AS	100	Norway	Statoil Orient AG	100	Switzerland
Statoil Angola Block 39 AS	100	Norway	Statoil OTS AB	100	Sweden
Statoil Angola Block 40 AS	100	Norway	Statoil Petroleum AS	100	Norway
Statoil Apsheron AS	100	Norway	Statoil Shah Deniz AS	100	Norway
Statoil Azerbaijan AS	100	Norway	Statoil Sincor AS	100	Norway
Statoil BTC Finance AS	100	Norway	Statoil SP Gas AS	100	Norway
Statoil Coordination Centre NV	100	Belgium	Statoil Tanzania AS	100	Norway
Statoil Danmark AS	100	Denmark	Statoil Technology Invest AS	100	Norway
Statoil Deutschland GmbH	100	Germany	Statoil UK Ltd	100	United Kingdom
Statoil do Brasil Ltda	100	Brazil	Statoil Venezuela AS	100	Norway
Statoil Exploration Ireland Ltd.	100	Ireland	Statoil Venture AS	100	Norway
Statoil Forsikring AS	100	Norway	Statoil Methanol ANS	82	Norway
Statoil Hassi Mouina AS	100	Norway	Mongstad Refining DA	79	Norway
Statoil Indonesia Karama AS	100	Norway	Mongstad Terminal DA	65	Norway
Statoil New Energy AS	100	Norway	Tjeldbergodden Luftgassfabrikk DA	51	Norway
Statoil Nigeria AS	100	Norway	Naturkraft AS	50	Norway
Statoil Nigeria Deep Water AS	100	Norway	Vestprosess DA	34	Norway

Divestment of shares in Statoil Fuel & Retail ASA
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. Statoil ASA recognised a gain of NOK 4.0 billion on the transaction, presented as *Other income* in the financial statements. The gain was exempt from taxation.

14 Financial assets and liabilities

Non-current receivables from subsidiaries and other equity accounted companies

(in NOK million)	At 31 December 2012	2011
Interest bearing receivables from subsidiaries and other equity accounted companies	65.494	66.440
Non-interest bearing receivables from subsidiaries	3.614	3.705
Receivables from subsidiaries and other equity accounted companies	69.108	70.145

Interest bearing receivables from subsidiaries and other equity accounted companies at 31 December 2012 are due later than five years, except for NOK 16.2 billion which is due within the next five years. Of the Non-interest bearing receivables from subsidiaries at 31 December 2012 NOK 2.7 billion relates to pension, see note 20 *Pensions*. Correspondingly, NOK 3.5 billion related to pension at 31 December 2011.

Current receivables from subsidiaries and other equity accounted companies

Receivables from subsidiaries and other equity accounted companies includes group contributions from Statoil Petroleum AS of NOK 31 billion.

Current financial investments

(in NOK million)	At 31 December 2012	2011
Time deposits	390	0
Treasury bills and commercial papers	9.153	0
Financial investments	9.543	0

Current financial investments at 31 December 2012 and 2011 are considered to be trading securities, measured at fair value with gains and losses recognised in the Statement of income. The cost price for current financial investments at 31 December 2012 was NOK 9.4 billion.

Current liabilities to subsidiaries
Liabilities to subsidiaries includes current liabilities to Statoil Petroleum AS of NOK 26 billion, and liabilities related to Statoil group's internal bank arrangements of NOK 79 billion

15 Inventories

(in NOK million)	At 31 December 2012	2011
Crude oil	8,678	7,422
Petroleum products	4,503	4,364
Other	1,536	1,382
Inventories	14,717	13,168

16 Trade and other receivables

(in NOK million)	At 31 December 2012	2011
Trade receivables	38,424	47,693
Other receivables	4,375	5,333
Trade and other receivables	42,799	53,026

17 Cash and cash equivalents

(in NOK million)	At 31 December 2012	2011
Cash at bank available	1,186	3,188
Time deposits	21,391	24,120
Money market funds	2,768	6,508
Treasury bills and commercial papers	31,238	8,113
Restricted cash, including collateral deposits	854	799
Cash and cash equivalents	57,437	42,728

Restricted cash at 31 December 2012 include collateral deposits of NOK 0.9 billion related to trading activities. Correspondingly collateral deposits at 31 December 2011 were NOK 0.8 billion. Collateral deposits are related to certain requirements set out by exchanges where the company is participating. The terms and conditions related to these requirements are determined by the respective exchanges.

18 Equity and shareholders

Change in equity

(in NOK million)	At 31 December 2012	2011
Shareholders' equity at 1 January	244,189	194,925
Net income	69,974	68,353
Actuarial gain (loss) employee retirement benefit plans	4,341	(5,164)
Foreign currency translation adjustments	(16,326)	6,809
Ordinary dividend	(21,494)	(20,705)
Value of stock compensation plan	61	60
Treasury shares purchased	(143)	(89)
Total equity at 31 December	280,602	244,189

The accumulated foreign currency translation effect as of 31 December 2012 decreases total equity by NOK 10.1 billion. At 31 December 2011 the corresponding effect was an increase in total equity of NOK 6.2 billion.

Common stock

	Number of shares	Par value	Common stock
Authorised and issued	3,188,647,103	2.50	7,971,617,757.50
Treasury shares	8,675,317	2.50	21,688,292.50
Total outstanding shares	3,179,971,786	2.50	7,949,929,465.00

There is only one class of shares and all shares have voting rights.

During 2012 a total of 3,278,561 treasury shares were purchased for NOK 0.5 billion. In 2011 a total of 2,931,346 treasury shares were purchased for 0.4 billion. At 31 December 2012 Statoil had 8,675,317 treasury shares and at 31 December 2011 7,931,347 treasury shares, all of which are related to Statoil's share saving plan.

The board of directors is authorised on behalf of the company to acquire Statoil shares in the market. The authorisation may be used to acquire Statoil shares with an overall nominal value of up to NOK 20 million. Such shares acquired in accordance with the authorisation may only be used for sale and transfer to employees of the Statoil group as part of the group's share saving plan approved by the board. The minimum and maximum amount that may be paid per share will be NOK 50 and 500, respectively. The authorisation is valid until the next ordinary general meeting.

The 20 largest shareholders at 31 December 2012 (in %)		
1	The Norwegian State (Ministry of Petroleum and Energy)	67.00
2	Folketrygdfondet (Norwegian national insurance fund)	3.33
3	Bank of New York Mellom *	2.14
4	Clearstream Banking S.A *	2.04
5	Bank of New Yord ADR Departement *	1.01
6	State Street Bank *	0.98
7	The Northern Trust	0.85
8	Bank of New York Mellom *	0.76
9	State Street Bank *	0.72
10	State Street Bank *	0.58
11	State Street Bank *	0.57
12	JPMorgan Chase Bank *	0.45
13	JPMorgan Chase Bank *	0.44
14	Six Sis AG	0.38
15	BNYBE - Yvy Asset Strategy Fund	0.31
16	Euroclear Bank	0.29
17	KLP Aksje Norge Indeks VPF	0.27
18	The Northern Trust	0.26
19	UBS AG Zurich	0.26
20	Legal and General Assurance	0.25

* Client account and similar

Members of the board of directors, corporate executive committee and corporate assembly holding shares as of 31 December 2012:

Board of Directors	
Svein Rennemo	10,000
Grace Reksten Skaugen	400
Bjørn Tore Godal	0
Lady Barbara Judge	5,291
Jakob Stausholm	16,600
Roy Franklin	0
Maria Johanna Oudeman	0
Børge Brende	0
Lill-Heidi Bakkerud	330
Morten Svaan	2,835
Einar Arne Iversen	3,952

Corporate Executive Committee	
Helge Lund	51,079
Torgrim Reitan	16,128
Margareth Øvrum	26,576
Eldar Sætre	21,405
Øystein Michelsen	19,019
Lars Christian Bacher	13,715
Tim Dodson	15,553
William Maloney	18,132
John Knight	40,264
Tove Stuhr Sjøblom*	7,917
Corporate assembly (in total)	12,849

* Tove Stuhr Sjøblom was member of the corporate executive committee until 31 December 2012.

19 Bonds, bank loans and finance lease liabilities

(in NOK million)	At 31 December 2012	2011
Unsecured bonds	98,085	94,498
Unsecured loans	2,884	5,117
Financial lease liabilites	2,834	3,246
Gross financial liabilities	103,803	102,861
Less current portion	5,415	3,336
Bonds, bank loans and finance lease liabilities	98,388	99,525
Weighted average interest rate (%)	4.66	4.55

Statoil utilises currency swaps to manage foreign exchange risk on its non-current financial liabilities. Long-term currency swaps are reflected in the table above. The stated interest rate on the majority of the non-current loans are fixed. Interest rate swaps are utilised to manage interest rate exposure.

On 21 November 2012 Statoil ASA issued USD 0.6 billion maturing in January 2018 and USD 1.1 billion of bonds maturing in January 2023. On 23 November 2012 Statoil reopened existing bond maturing in November 2041 and issued USD 0.3 billion of bonds with the same maturity. The registered bonds were issued under the Registration Statement on Form F-3 ("Shelf Registration") filed with the Securities and Exchange Commission (SEC) in the United States.

Substantially all unsecured bond and unsecured bank loan agreements contain provisions restricting the pledging of assets to secure future borrowings without granting a similar secured status to the existing bond holders and lenders.

Statoil has 30 unsecured bond agreements outstanding, which contain provisions allowing Statoil to call the debt prior to its final redemption at par or at certain specified premiums if there are changes to the Norwegian tax laws. The carrying amount of these agreements is NOK 96.0 billion at 31 December 2012 closing exchange rate.

Statoil ASA has an undrawn revolving credit facility for USD 3.0 billion supported by 20 core banks.

Non-current financial liabilities repayment profile

(in NOK million)	
2014	8,629
2015	11,054
2016	6,054
2017	7,170
Thereafter	65,481
Total	98,388

More information regarding finance lease liabilities is provided in note 24 *Leases*.

20 Pensions

Statoil ASA (Statoil) is subject to the Mandatory Company Pensions Act, and the company's pension scheme follows the requirements of the Act.

Statoil's pension scheme is managed by Statoil Pensjon (Statoil's pension fund - hereafter "Statoil Pension"). Statoil Pension is an independent pension fund that covers employees of Statoil ASA. The purpose of Statoil Pension is to provide retirement and disability pension to members and survivor's pension to spouses, registered partners, cohabitants and children. The pension fund's assets are kept separate from the company's assets. Statoil Pension is supervised by the Financial Supervisory Authority of Norway ("Finanstilsynet") and is licensed to operate as a pension fund.

Statoil has defined benefit retirement plans which cover all of its employees.

The Norwegian National Insurance Scheme ("Folketrygden") provides pension payments (social security) to all retired Norwegian citizens. Such payments are calculated by reference to a base amount ("Grunnbeløpet" or "G") annually approved by the Norwegian parliament. Statoil's plan benefits are generally based on a minimum of 30 years of service and 66% of the final salary level, including an assumed benefit from the Norwegian National Insurance Scheme.

Due to national agreements in Norway, Statoil is a member of both the previous "agreement-based early retirement plan" (AFP) and the new AFP scheme applicable from 1 January 2011. Statoil will pay premium for both AFP schemes until 31 December 2015. After that date, premiums will only be due on the new AFP scheme. The premium in the new scheme will be calculated on the basis of the employees' income between 1 and 7.1 G. The premium is payable for all employees until age 62. Pension from the new AFP scheme will be paid from the AFP plan administrator to employees for their full lifetime.

During 2012 a curtailment gain of NOK 3.9 billion has been recognised in the Statement of income following Statoil's decision to discontinue Statoil's supplementary (gratuity) part of the early retirement scheme for employees born after 1953. Employees remain entitled to the early retirement benefits available under the national Norwegian AFP plan. Statoil has determined that its obligation under this multi-employer defined benefit plan can be estimated with sufficient reliability for recognition purposes. Accordingly, the estimated proportionate share of the AFP plan has been recognised as a defined benefit obligation. The combined early retirement commitment was accounted for as one defined benefit plan, and consequently the discontinuation of the gratuity part was not regarded as a termination for the AFP part of the plan.

The present values of the projected defined benefit obligation and the related current service cost and past service cost are measured using the projected unit credit method. The assumptions for salary increases, increases in pension payments and social security base amount are based on agreed regulation in the plans, historical observations, future expectations of the assumptions and the relationship between these assumptions. At 31 December 2012 the discount rate for the defined benefit plans in Norway is established on the basis of seven years' mortgage covered bonds interest rate extrapolated on a 21.9 year yield curve which matches the duration for Statoil's payment portfolio for earned benefits. Previously the discount rate was based on government bonds. An updated assessment of the Norwegian market for covered bonds (OMF) has led Statoil to conclude that it is appropriate to determine the discount rate for pension obligations by reference to market yields on covered bonds.

Social security tax is calculated based on the pension plan's net funded status. Social security tax is included in the projected benefit obligation.

Statoil has more than one defined benefit plan, but the disclosure is made in total since the plans are not subject to materially different risks.

Net pension cost

(in NOK million)	For the year ended 31 December 2012	2011
Current service cost	3,702	3,419
Interest cost	2,095	2,538
Expected return on plan assets	(2,370)	(2,681)
Losses (gains) from curtailment or settlement	(3,861)	0
Actuarial (gains) losses related to termination benefits	(36)	57
Defined benefit plans	(470)	3,333
Multi-employer plans	29	83
Total net pension cost	(441)	3,416

Pension cost includes associated social security tax and is partly charged to partners of Statoil operated licences.

For information regarding pension benefits for key management personnel, see note 6 *Remuneration*.

(in NOK million)	2012	2011
Projected benefit obligations (PBO)		
At 1 January	67,311	59,285
Current service cost	3,702	3,419
Interest cost	2,095	2,538
Actuarial losses (gains)	(3 574)	2,488
Benefits paid	(1 783)	(1 608)
Losses (gains) from curtailment or settlement	(4 110)	
Change in receivable from subsidiary related to termination benefits	881	1,189
At 31 December	64,522	67,311
Fair value of plan assets		
At 1 January	48,740	47,610
Expected return on plan assets	2,370	2,681
Actuarial gains (losses)	1,699	(4 252)
Company contributions (including social security tax)	4,047	3,132
Benefits paid	(674)	(431)
At 31 December	56,182	48,740
Net benefit liability at 31 December	(8 340)	(18 572)
Represented by:		
Asset recognised as non-current pension assets	9,425	3,865
Asset recognised as non-current receivables from subsidiary*	2,663	3,545
Liability recognised as non-current pension liabilities	(20 428)	(25 982)
PBO specified by funded and unfunded pension plans	64 522	67 311
Funded	46 757	44 874
Unfunded	17 765	22 437
History of experience (gains) and losses		
Experience actuarial (gains) losses to the PBO	3,970	2,827
Experience actuarial (gains) losses to the plan assets	(1 699)	4,252
Actual return on assets	4,069	(1 571)

* Asset recognised as non-current receivables from subsidiary relates to termination benefits.

The table above for PBO and Fair value of plan assets do not include currency effects.

Actuarial losses and gains recognised directly in retained earnings

(in NOK million)	For the year ended 31 December 2012	2011
Net actuarial losses (gains) recognised during the year	(5,273)	6,740
Actuarial losses (gains) related to currency effects on net obligation and foreign exhange translation	(276)	34
Recognised in the income statement during the year	36	(57)
Recognised directly in retained earnings during the year	5,513	(6,717)
Cumulative actuarial losses (gains) recognised directly in retained earnings net of tax	11,125	15,194

The net actuarial gain for 2012 is mainly related to an updated assessment of the appropriate discount rate to be used for pension obligations in Norway.

In the table above Actuarial losses (gains) related to currency effects on net obligation relate to the translation of the net obligation in NOK to the functional currency USD. Foreign exchange translation relates to the translation of the net pension obligation from the functional currency USD to Statoil's presentation currency NOK.

	Assumptions used to determine benefit costs in %		Assumptions used to determine benefit obligations in %	
	For the year ended 31 December		For the year ended 31 December	
Assumptions used to determine benefit costs in %	2012	2011	2012	2011
Discount rate	3.25	4.25	3.75	3.25
Expected return on plan assets	4.75	5.75	4.50	4.75
Rate of compensation increase	3.00	4.00	3.25	3.00
Expected rate of pension increase	2.00	2.75	1.75	2.00
Expected increase of social security base amount (G-amount)	2.75	3.75	3.00	2.75
Average remaining service period in years			15	15

Expected attrition at 31 December 2012 was 2.5%, 2.0%, 1.0%, 0.5% and 0.1% for the employees under 30 years, 30-39 years, 40-49 years, 50-59 years and 60-67 years, respectively. Expected attrition at 31 December 2011 was 2.2%, 2.0%, 1.0%, 0.6% and 0.1% for the employees under 30 years, 30-39 years, 40-49 years, 50-59 years and 60-67 years, respectively.

For the population in Norway, the mortality table K 2005, including the minimum requirements from The Financial Supervisory Authority of Norway ("Finanstilsynet"), is used as the best mortality estimate. The requirement adjustments reduce the mortality rate with a minimum, of 15% for male and 10% for female employees. The disability table, KU, has been developed by the insurance company Storebrand and aligns with the actual disability risk for Statoil in Norway.

Sensitivity analysis

The table below presents an estimate of the potential effects of changes in the key assumptions for the defined benefit plans. The following estimates are based on facts and circumstances as of 31 December 2012. Actual results may materially deviate from these estimates.

	Discount rate		Rate of compensation increase		Social security base amount		Expected rate of pension increase	
(in NOK billion)	0.5%	-0.5%	0.5%	-0.5%	0.5%	-0.5%	0.5%	-0.5%
Changes in:								
Projected benefit obligation at 31 December 2012	(5.6)	6.5	4.0	(3.6)	(1.3)	1.3	3.3	(3.0)
Service cost 2013	(0.4)	0.5	0.4	(0.4)	(0.1)	0.1	0.2	(0.2)

The sensitivity of the financial results to each of the key assumptions has been estimated based on the assumption that all other factors would remain unchanged. The estimated effects on the financial result would differ from those that would actually appear in the financial statements because the financial statements would also reflect the relationship between these assumptions.

Pension assets

The plan assets related to the defined benefit plans were measured at fair value at 31 December 2012 and 2011. The long-term expected return on pension assets is based on long-term risk-free interest rate adjusted for the expected long-term risk premium for the respective investment classes. A risk free interest rate (the 10 year Norwegian Government bond has been extrapolated by use of a yield curve from another currency with long-term observable interest rates) is applied as a starting point for calculation of return on plan assets. The expected money market return is calculated by subtracting the expected term premium from bond yields. Based on historical data, equities and real estate are expected to provide a long-term return above that of the money market's.

Real estate properties owned by Statoil Pension amounted to NOK 2.1 billion and NOK 1.9 billion of total pension assets at 31 December 2012 and 2011, respectively, and are rented to Statoil companies.

Statoil Pension invests in both financial assets and real estate. The expected rate of return on real estate is estimated to be between the rate of return on equity securities and debt securities. The table below presents the portfolio weighting and expected rate of return of the finance portfolio as approved by the Board of Statoil Pension for 2013. The portfolio weight during a year will depend on the risk capacity.

(in %)	Pension assets on investments classes 2012	2011	Portfolio weight *		Expected rate of return
Equity securities	38.8	29.0	40.0	(+/-5)	x + 4
Bonds	41.5	43.7	45.0	(+/-5)	x
Money market instruments	15.0	23.0	15.0	(+/-15)	x - 0.2
Real estate	3.9	4.0			
Other assets	0.8	0.3			
Total	100.0	100.0	100.0		

* The interval in brackets expresses the scope of tactical deviation by Statoil Kapitalforvaltning ASA (the asset manager).
The X in the table above represents the long-term rate of return on debt securities.

The expected company contribution related to 2013 amounts to approximately NOK 2.0 billion.

21 Provisions

(in NOK million)	Provisions
Non-current portion at 31 December 2011	1,235
Long term interest bearing provisions reported as bonds, bank loans and finance lease liabilities	24
Current portion at 31 December 2011 reported as trade and other payables	1,857
Provisions at 31 December 2011	3,116
New or increased provisions	2,483
Unused amounts reversed	(761)
Amounts charged against provisions	(2,117)
Currency translation	(105)
Provisions at 31 December 2012	2,616
Current portion at 31 December 2012 reported as trade and other payables	1,292
Non-current portion at 31 December 2012	1,324

22 Trade and other payables

(in NOK million)	At 31 December 2012	2011
Trade payables	13,422	20,004
Non-trade payables, accrued expenses and provisions	8,557	8,913
Associated companies and other related parties payables	9,015	10,634
Trade and other payables	30,994	39,551

23 Bonds, bank loans, commercial papers and collateral liabilities

(in NOK million)	At 31 December 2012	2011
Collateral liabilities	12,397	10,843
Current portion of bonds and bank loans	5,202	3,107
Current portion of finance lease	212	229
Bonds, bank loans, commercial papers and collateral liabilities	17,811	14,179
Weighted average interest rate (%)	1.01	1.22

Collateral liabilities relate to cash received as security for a portion of Statoil ASA's credit exposure.

As of 31 December 2012 and 2011, Statoil had no current amount drawn under any committed revolving credit facility.

24 Leases

Statoil ASA leases certain assets, notably vessels and office buildings.

In 2012, net rental expense was NOK 2.2 billion (NOK 1.9 billion in 2011) of which minimum lease payments were NOK 2.3 billion (NOK 1.9 billion in 2011). Contingent rents expensed and sublease amounts received were immaterial both years.

The information in the table below shows future minimum lease payments under non-cancellable leases at 31 December 2012. Amounts related to finance leases include future minimum lease payments for assets recognised in the financial statements at year-end 2012.

			Finance leases		
(in NOK million)	Operating leases	Operating sublease	Minimum lease payments	Discount element	Net present value minimum lease payments
2013	2,052	(141)	293	(13)	280
2014	1,594	(141)	293	(25)	268
2015	1,562	(141)	293	(36)	257
2016	1,480	(141)	293	(48)	245
2017	1,325	(141)	293	(58)	235
Thereafter	9,528	(1,134)	2,340	(791)	1,549
Total future minimum lease payments	17,541	(1,839)	3,805	(971)	2,834

In 2010 Statoil ASA entered into a long term time charter agreement with Teekay for offshore loading and transport in the North Sea. The contract covers the life time of applicable producing fields and at year end 2012 includes five crude tankers. The contract's estimated nominal amount is approximately NOK 5 billion at year end 2012, and is accounted for as operating lease.

As of 2012, operating leases include future minimum lease payments of NOK 4.7 billion related to the lease of two office buildings located in Bergen and owned by Statoil Pension, one of which is currently under construction. These operational lease commitments to a related party extend in time to the year 2034. NOK 3.8 billion of the total is payable after 2017.

Statoil ASA leases three LNG vessels on behalf of Statoil and the State's direct financial interest (SDFI). Statoil ASA accounts for the combined Statoil and SDFI share of these agreements as finance leases in the Balance sheet, and further accounts for the SDFI related portion as operating sub-leases. The finance leases included in the Balance sheet reflect the original lease term of 20 years from 2006. In addition, Statoil has the option to extend the leases for two additional periods of five years each.

Property, plant and equipment include the following amounts for leases that have been capitalised at 31 December 2012 and 2011.

(in NOK million)	At 31 December 2012	2011
Vessels	3,688	3,970
Accumulated depreciation	(1,205)	(1,096)
Capitalised amount	2,483	2,874

25 Other commitments and contingencies

Other long-term commitments
Statoil ASA has entered into various long-term agreements for pipeline transportation as well as terminal use, processing, storage and entry/exit capacity commitments and commitments related to specific purchase agreements. The agreements ensure the rights to the capacity or volumes in question, but also impose on the company the obligation to pay for the agreed-upon service or commodity, irrespective of actual use. The contracts' terms vary, with duration of up to 30 years.

Take-or-pay contracts for the purchase of commodity quantities are only included in the table below if their contractually agreed pricing is of a nature that will or may deviate from the obtainable market prices for the commodity at the time of delivery.

Obligations payable by Statoil ASA to entities accounted for using the equity method are included gross in the tables below. For assets (e.g. pipelines) that the company accounts for by recognising its share of assets, liabilities, income and expenses (capacity costs) on a line-by-line basis in the financial statements, the amounts in the table include the net commitment payable by Statoil ASA (i.e. gross commitment less Statoil ASA' ownership share).

Nominal minimum commitments at 31 December 2012:

(in NOK million)	
2013	10,177
2014	9,684
2015	10,154
2016	10,392
2017	10,436
Thereafter	65,215
Total	116,058

Guarantees
Statoil ASA has provided parent company guarantees covering liabilities of subsidiaries with operations in Algeria, Angola, Azerbaijan, Brazil, Canada, Colombia, Cuba, the Faroe Islands, Germany, India, Iran, Ireland, Libya, Mozambique, the Netherlands, Nigeria, Norway, Sweden, United Kingdom, the United States of America and Venezuela. The company has also counter-guaranteed certain bank guarantees covering liabilities of subsidiaries in Angola, Belgium, Brazil, Canada, Colombia, Greenland, Indonesia, Mozambique, the Netherlands, Norway, Switzerland, United Kingdom and the United States of Amercia.

Contingencies
Statoil ASA is the participant in certain entities ("DAs") in which the company has unlimited responsibility for its proportionate share of such entities' liabilities, if any, and also participates in certain companies ("ANSs") in which the participants in addition have joint and several liability. For further details, refer to note 13 *Investments in subsidiaries and other equity accounted investments*.

During 2012 the major part of the financial exposure related to gas sales contracts' price review claims, for which arbitration previously had been requested, was settled on commercial terms with no significant impact on the financial statements.

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

26 Related parties

The Norwegian State is the majority shareholder of Statoil ASA and also holds major investments in other Norwegian companies. This ownership structure means that Statoil ASA participates in transactions with many parties that are under a common ownership structure and therefore meet the definition of a related party. All transactions are considered to be on an arm's length basis.

Total purchases of oil and natural gas liquids from the Norwegian State amounted to NOK 96.6 billion and NOK 95.5 billion in 2012 and 2011, respectively. Purchases of natural gas regarding Tjelbergodden methanol plant from the Norwegian State amounted to NOK 0.4 billion and NOK 0.4 billion in 2012 and 2011, respectively. The major part included in the line item Payables to equity accounted investments and other related parties in note 22 *Trade and other payables*, are amounts payable to the Norwegian State for these purchases.

In relation to its ordinary business operations such as pipeline transport, gas storage and processing of petroleum products, Statoil ASA also has regular transactions with certain entities in which Statoil ASA has ownership interests. Such transactions are carried out on an arm's length basis, and are included within the applicable captions in the Statements of income.

Stavanger, 11 March 2013

THE BOARD OF DIRECTORS OF STATOIL ASA

SVEIN RENNEMO
CHAIR

GRACE REKSTEN SKAUGEN
DEPUTY CHAIR

LILL-HEIDI BAKKERUD

BJØRN TORE GODAL

ROY FRANKLIN

LADY BARBARA JUDGE

EINAR ARNE IVERSEN

MARIA JOHANNA OUDEMAN

MORTEN SVAAN

JAKOB STAUSHOLM

BØRGE BRENDE

HELGE LUND
PRESIDENT AND CEO

Report of KPMG on the financial statements of Statoil ASA

To the general meeting of shareholders of Statoil ASA

INDEPENDENT AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of Statoil ASA, which comprise the financial statements of the parent company Statoil ASA and the Consolidated financial statements of Statoil ASA and its subsidiaries. The parent company's financial statements comprise the balance sheet as at 31 December 2012, the income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. The Consolidated financial statements comprise the balance sheet as at 31 December 2012, and the statement of income, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

The board of directors and chief executive officer's responsibility for the financial statements
The board of directors and chief executive officer are responsible for the preparation and fair presentation of the parent company financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway and for the Consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as the board of directors and chief executive officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the separate financial statements
In our opinion, the parent company's financial statements are prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of Statoil ASA as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the Consolidated financial statements
In our opinion, the Consolidated financial statements are prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of Statoil ASA and its subsidiaries as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on other legal and regulatory requirements

Opinion on the board of directors' report and the statement on corporate governance
Based on our audit of the financial statements as described above, it is our opinion that the information presented in the board of directors' report and the statement on corporate governance concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on accounting registration and documentation
Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Stavanger, 11 March 2013
KPMG AS

Arne Frogner
State Authorized Public Accountant (Norway)

Egbert Eeftink

(Translation has been made for information purposes only)

HSE accounting

HSE accounting represents a key element of our HSE performance management. This involves recording, monitoring, assessment and reporting of relevant data.

HSE performance indicators have been established to provide information on historical trends. The intention is to document quantitative developments over time and to use the information in decision-making aimed at systematic learning and improvement.

The HSE data is compiled by the business areas and reported to the corporate executive committee and the board of directors on a quarterly basis. This includes reporting at the corporate level on our key performance indicators, namely total recordable injury frequency (TRIF), serious incident frequency (SIF) and accidental oil spills (number and volume). In addition, the business areas prepare more specific HSE statistics and analyses that are used to inform their own performance management.

The reporting boundaries for our HSE accounting are outlined in the "About the report" article in the *Annual report 2012* available on Statoil.com.

Health and working environment

Statoil genuinely strives to ensure a healthy working environment for its people.

Risk-based health surveillance
Improving the process of risk-based health surveillance in Statoil has been a cornerstone for improving management of risk for exposed groups in 2012. This involved the establishment of a risk-based matrix for group health surveillance to identify risk-exposed individuals that includes precise criteria for inclusion. Securing a well-functioning practice for risk-based health surveillance is a prerequisite for both targeting risk-mitigating actions at group level and towards specific exposures at our facilities.

Work-related illness
Systematic surveillance is also a key mechanism for the identification of work-related illness cases. Work-related illness (WRI) is a key indicator used in Statoil to inform health and working environment aspects of HSE performance management. We analyse and follow up WRI cases registered for our employees. A work-related illness is an illness that is or may be caused by the work or the conditions at the workplace.

Analysis of the data collated by Statoil for work-related illness indicates that the two most significant case types are hearing reduction due to noise exposure and musculo-skeletal disorders. This analysis has been used to inform the focus of activities for 2012.

For musculo-skeletal disorders the risk assessment tool ErgoRisk has been used to assess potentially harmful manual operations at selected locations in 2012, and the follow-up of workplace ergonomics has also been undertaken at selected office locations.

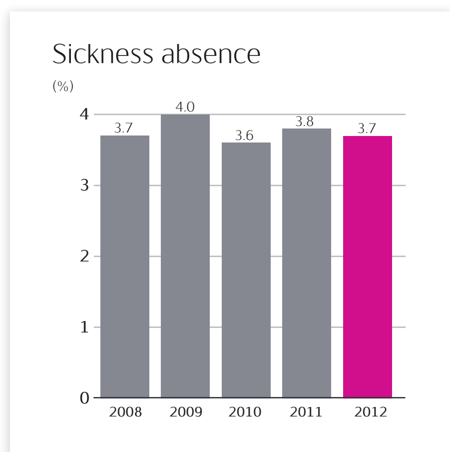
Noise
In 2012, the focus on noise issues in design in construction and production was strengthened within the company. This will continue to be a key focus area in 2013, when attention will also be given to collaboration with contractors to reduce the noise burden. Specific activities in 2012 addressing the reduction of the risk of noise-induced hearing damage included the continuation of ongoing projects to identify, assess and manage noise at Statoil's offshore installations on the Norwegian continental shelf (NCS).

Statoil continued to make the experiences, tools and knowledge we have developed available to the oil and gas industry via the tripartite Noise Project, initiated by the Norwegian Petroleum Safety Authority (PSA) and the Safety Forum and chaired by the Norwegian Oil and Gas Association. In particular, a noise calculator developed in Statoil was made available to the oil and gas industry in 2012. Statoil also continued the funding of two noise research projects on hearing protection and noise exposure.

Chemical exposure
Activities in 2012 related to the management of health risks from chemical exposure included the establishment of a register for individuals exposed to carcinoogenic, mutagenic and reprotoxic (CRM) chemicals. This was undertaken in collaboration with the Norwegian Labour Inspection Authority. A campaign towards contractors to increase knowledge of chemical risk management process was also run during 2012.

Psychosocial working environment
The psychosocial working environment continued to be a key focus area in 2012. Workload and psychosocial risks were followed up across the company, and the broad implementation of a psychosocial risk indicator (PRI) was undertaken. The PRI provides information that enables Statoil to identify and implement actions to prevent psychosocial issues.

Additional programmes and workshops were developed with the objective of training management teams in how to handle employee workload. Statoil continued our participation in 2012 in a project funded by the European Commission to develop a framework for psychosocial risk management at the workplace (PRIMA-EF). We also continued sharing our internal experiences with the World Health Organisation (WHO), in connection with the WHO initiative to develop a global framework for healthy workplaces.



Sickness absence

Definition: The total number of sickness absence hours as a percentage of planned working hours (Statoil ASA employees) (1).

Developments: Sickness absence decreased from 3.8% in 2011 to 3.7% in 2012 (1).

(1) In the fourth-quarter report, Statoil reported a sickness absence of 3.6%. Due to delayed registration within the 2012 sickness absense cases, the figure has been amended to 3.7%.

Safety and security

Safety management focus areas are informed by analysing our own incidents and those of the wider oil and gas industry. Our security risk picture is developing nationally and internationally in line with our increased global presence and footprint.

Safety performance management

Our focus on analysing our own incidents along with those of the wider oil and gas industry ensures a dynamic approach to safety performance management.

For 2012 the key focus areas for safety performance management were:

- Major accident hazard risk management (for more information, see the *HSE and climate* article in the section *Policy and principles*)
- Key root causes of incidents
    - Well control incidents
    - Oil and gas leaks
    - Weaknesses in technical safety barrier performance
    - Preventative maintenance measures
- Falling objects
- Security risk management

Further development and implementation of the "HSE culture and learning" programme, which addresses the follow-up actions from the Gullfaks C incident in 2010, was also a priority area in 2012, as described in the *HSE and climate* article under *Policy and principles*.

We analyse data to assess the effectiveness of the measures we take and work to improve our knowledge of how accidents may develop by identifying the root causes. Evaluation of the root causes may be used as the basis for further improvement initiatives.

Safety indicators

Statoil uses SIF (serious incident frequency) as a key performance indicator (KPI) to monitor HSE performance. This KPI combines both actual consequences of incidents and the potential for incidents to develop into serious or major accidents.

In 2012, Statoil progressed work internally and with authorities and industry organisations such as the International Association of Oil and Gas Producers on identifying potential leading indicators for our safety performance that give an early warning of an increasing risk. In conjunction with this work, Statoil undertook monitoring of the following during 2012: well control incidents, oil and gas leaks, weaknesses in technical safety barrier performance, and preventative maintenance activities.

Well control incidents

Statoil has run a programme of initiatives in recent years aimed at improving risk management of well control incidents. These initiatives include well construction.

Our performance data for 2012 indicates a significant reduction in the number of well control incidents since 2010, despite a corresponding high level of production and exploration drilling activities. The number of well control incidents was reduced from 8 in 2010 to 0 in 2011, and then increased to 1 in 2012.

Oil and gas leaks

A variety of initiatives have been implemented to strengthen our oil and gas leak performance. These include initiatives addressing our ability to maintain primary containment and providing training in routines for working on pressurised systems.

Our performance data for 2012 indicates a reduction in the number of recorded serious oil and gas leaks from 15 in 2011 to 8 in 2012.

Technical safety barriers and preventative maintenance

We recognise that the integrity of technical safety barriers is essential for managing major accident risk. We have implemented the technical integrity management programme (TIMP) across the majority of Statoil-operated facilities. This system gives an up-to-date, comprehensive, systematic and easily accessible overview of plant integrity for operators, engineers and management teams.

Independent technical safety condition verifications are performed approximately every five years on each facility. They are used to verify that the regular TIMP integrity assessments reflect the operating status and that plant integrity is maintained at an appropriate level. In Norway, the Petroleum Safety Authority issues an annual report on the condition of technical safety barriers for all operators on the NCS, including Statoil. The report launched in 2012 confirmed that the barrier performance on the NCS was at an acceptable level, and is improving.

Falling objects

Analysis of our SIF data for 2012 indicates that falling objects represent approximately half of the incidents reported. As such incidents have the potential to cause serious injury or fatality, Statoil recognises that continued attention must be maintained on such incidents in the years to come. At the start of 2012, some parts of the company experienced a worrying increase in the number of incidents involving falling objects. Renewed initiatives were carried out at various levels in the organisation.

Security

Statoil's security risk picture is developing both nationally and internationally, with our increased global presence and footprint. In the wake of the 22 July 2011 terror attacks in Norway, Statoil's capability and capacity to respond to serious security incidents was evaluated by a team of internal security and emergency response specialists. The review concluded that the organisation had a robust and capable emergency response organisation, but also pointed to areas for improvements. Follow-up activities have been executed throughout 2012, with focus on management system adjustments, analysis of political- and security-related intelligence, strengthening of physical security measures, and mitigation of potential personnel and information-related vulnerabilities.

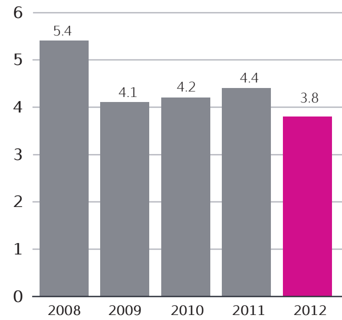
On 16 January 2013, Statoil, together with our partners BP and Sonatrach, was hit by a terror attack on the In Amenas gas production facility in Algeria. Five esteemed and dear Statoil colleagues lost their lives in the attack. Twelve of our employees managed to escape to safety. Analysis and follow-up of this incident will be a key security priority in 2013.

Corporate key performance indicators

In 2012, our operations accounted for 138.7 million work hours (including contractors). These work hours form the basis for the frequency indicators for our HSE accounting.

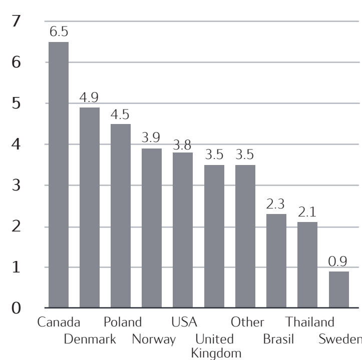
Fatalities

During 2012 there were no fatalities recorded among our employees and contractors. See "serious incident frequency" below.



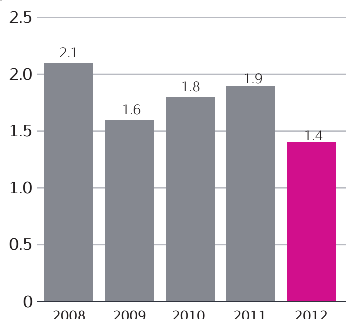
Total recordable injury frequency (TRIF)
Definition: Number of fatal accidents, lost-time injuries, injuries involving substitute work and medical treatment injuries per million hours worked.

Developments: The number of total recordable injuries per million work hours (TRIF) decreased from 4.4 in 2011 to 3.8 in 2012. A further breakdown shows a contractor TRIF for 2012 of 4.3 compared with 5.1 in 2011, and Statoil employee TRIF for 2012 at 2.7 compared with 3.3 in 2011.



Total recordable injury frequency per country
Definition: Number of fatal accidents, lost-time injuries, injuries involving substitute work and medical treatment injuries per million hours worked per country. Countries having less than 1 million work hours in 2012 are included in the category "Other".

Developments: Total recordable injury frequency per country varied across our portfolio, with our Canadian operations registering the highest TRIF. The main contributor to the Canadian TRIF is our winter drilling activities.

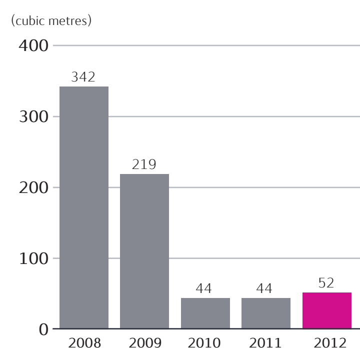


Lost-time injury frequency
Definition: The number of fatalities and lost-time injuries per million hours worked.

Developments: The lost-time injury frequency (including Statoil employees and contractors) decreased from 1.9 in 2011 to 1.4 in 2012. The frequency for Statoil employees decreased from 1.9 in 2011 to 1.4 in 2012, and for contractors from 1.9 in 2011 to 1.4 in 2012.

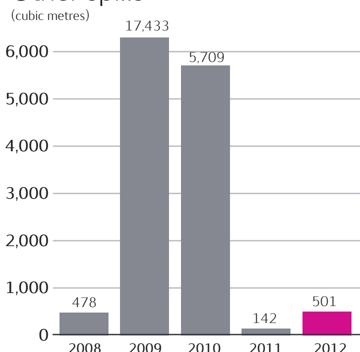
Serious incident frequency (SIF)
Definition: The number of serious incidents (including near misses) per million hours worked. An incident is an event or chain of events that has caused or could have caused injury, illness and/or damage to/loss of property, the environment or a third party. Matrices for categorisation have been established, in which all undesirable incidents are categorised according to the degree of seriousness. This forms the basis for follow-up in the form of notification, investigation, reporting, analysis, experience transfer and improvement.

Developments: The serious incident frequency (including Statoil employees and contractors) decreased from 1.1 in 2011 to 1.0 in 2012. There were no fatalities in 2012. Analysis of our SIF data for 2012 indicates that falling objects represent approximately half of the incidents reported (see "Falling objects" above).



Oil spills
Definition: Unintentional oil spills to the natural environment from Statoil operations (in cubic metres). All unintentional oil spills reaching the natural environment from Statoil operations are included in this figure.

Developments: The number of unintentional oil spills was 306 in 2012, compared to 376 in 2011. The volume of spills increased from 44 cubic metres in 2011 to 52 cubic metres in 2012. The major driver behind the recorded reduction in the number of spills in 2012 was the exclusion of data for Statoil Fuel and Retail (SFR) from 1 July 2012, due to the sale of this company (30 June 2012). SFR data accounted for a high frequency of low-volume spills. The main contributors to the overall volume for 2012 were two incidents in our Bakken operations, with a combined total recorded volume of 21 cubic metres.



Other spills
Definition: Other unintentional spills to the natural environment from Statoil operations (in cubic metres). All unintentional spills of chemicals, produced water, ballast water and polluted water reaching the natural environment from Statoil operations are included. Note that previously published 2011 figures have been updated due to system error that caused the exclusion of monoethylene glycol (MEG) spills from our 2011 accounts. Figures at the corporate level from 2009 are verified by external auditors.

Developments: The number of other unintentional spills was 180 in 2012, compared with 149 in 2011. The volume of spills in 2012 was 501 cubic metres compared with 142 cubic metres in 2011. Several spills of aqueous fire-fighting foam (AFFF) influenced the performance in 2012. We have initiated a focus campaign to address such spills in 2013.

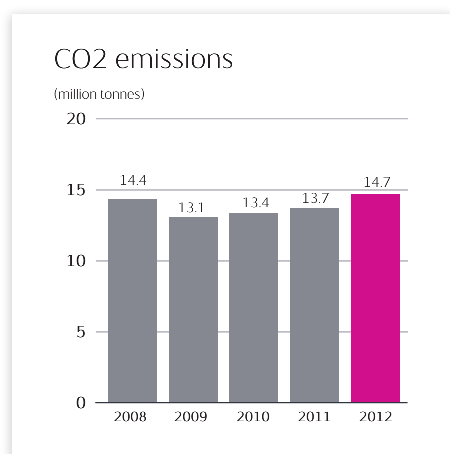
Environment and climate

We have five principle perspectives for the management of our environmental performance - consultative risk and impact management, pollution prevention, sustainable resource use, protection of the natural environment and climate change mitigation.

The Statoil-operated activities that had the most significant impact on our overall environmental performance in 2012 were the manufacturing and processing plants in Denmark and Norway, our offshore production installations on the Norwegian continental shelf (NCS) and in Brazil, our onshore oil sands operations in Canada, and our shale operations in the US.

2012 was the first full year of production reported for both the Bakken onshore shale activities in the US and the Leismer oil sands operations in Canada. The impact of this on our corporate environmental performance is discussed in the analysis related to the relevant environmental performance indicators below.

Corporate key environmental performance indicators
Our key environmental and climate performance and activities in 2012 are outlined below. We collate and analyse environmental data for our planned operations. See *About the report* for more information about reporting boundaries.



CO2 emissions
Definition: Total emissions of carbon dioxide (CO_2) in million tonnes from Statoil-operated activities. Carbon dioxide emissions include carbon dioxide from energy and heat production, flaring (including well testing/well work-over), rest emissions from carbon dioxide capture and treatment plants, and process emissions.

Developments: Emissions of CO_2 increased from 13.7 million tonnes in 2011 to 14.7 million tonnes in 2012. Power generation represents approximately 90% of the total CO_2 emissions.

A net increase in production volumes in 2012 explained approximately 600,000 tonnes of the increase, whereas the newly acquired shale activities in Bakken in the US made the most significant single contribution - accounting for approximately 400,000 tonnes.

The most significant net increase in CO_2 emissions linked to increased production was the 156,000 tonnes of CO_2 from our NCS operations. This net increase was a result of both increases and decreases in production level across the facilities. The facilities contributing to the greatest increases were Snøhvit and Gullfaks, contributing to a combined 240,000 tonnes increase in CO_2 emissions. Counter to these increases, approximately half of our remaining NCS assets showed a decrease in CO_2 emissions with corresponding decreases in production compared to 2011. The Sleipner asset showed the most significant decrease (approximately 60,000 tonnes).

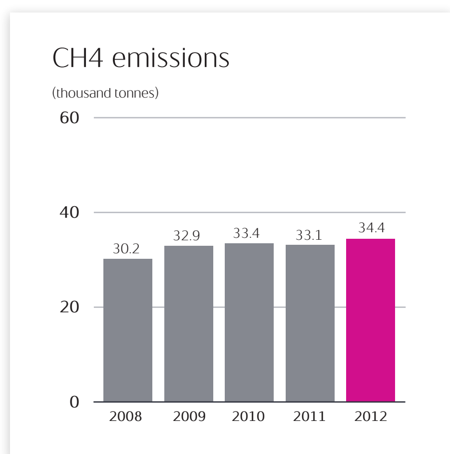
The emissions from our manufacturing and processing facilities increased. The most significant contributor to the increase was the Mongstad facility, where a recalibration of the exhaust gas emission measurements increased CO_2 emissions by 184,000 tonnes.

Emissions from our international operations increased in 2012 due to increased production, mainly at Leismer in Canada, where an increase in steam generation resulted in an increase of approximately 88,000 tonnes of CO_2.

Key activities in 2012:
In 2012, we were engaged in the following key ongoing initiatives for CO_2 emissions reduction across the company:

- *CO2 emissions reduction indicator:* The establishment of a new corporate CO_2 emissions reduction indicator that measures tonnes of CO_2 reduction achieved through targeted projects implemented for Statoil-operated assets. The intention is that this indicator will be used in the future to measure progress towards our 2020 business segment-based carbon intensity targets (see above).
- *Energy efficiency projects:* In 2012, we continued to focus on initiatives to improve energy efficiency in our operations, including implementation of energy efficiency plans for each of our installations on the Norwegian continental shelf (NCS) to fulfill our Konkraft 2020 target. This will involve the implementation of NCS energy efficiency projects that correspond to a total of 800,000 tonnes of CO_2. By the end of 2012, Statoil had achieved CO_2 reductions of 520,000 tonnes towards the target. Looking forward, we expect that energy efficiency plans for our subsea operations on Åsgard and Gullfaks will be important contributors to the Konkraft 2020 target.
- *Joint R&D work with the Heavy Oil Technology Centre in Canada and our heavy oil group in Norway*: The R&D work focuses on developing the technical solutions to achieve our CO_2 intensity reduction targets of 25% by 2020 and 40% by 2025, respectively, for our oil sands operations, as described in the *Canadian oil sands* case study.
- *Energy-efficient shipping transportation*: In 2012, these efforts specifically included the establishment of the carbon pact with Mærsk, and the signing of charter contracts for newbuild, energy-efficient ships to support our future NCS activities (see *HSE and climate*).
- *Flaring reduction initiatives*, see *Methane emissions* and *Emissions from flaring* below.

Statoil's **2020 carbon intensity targets** per business segment were established and communicated externally in 2011. For more information about the targets, see the *Our approach/HSE and climate* article and the Climate landing page at Statoil.com.



Methane (CH4) emissions

Definition: Total emissions of methane (CH4) in thousand tonnes from Statoil-operated activities. CH4 emissions include CH4 from energy and heat production at own plants, flaring (including well testing/well work-over), cold venting, diffuse emissions, and storage and loading of crude oil. Figures at the corporate level from 2009 are verified by external auditors.

2012 performance: Methane emissions increased from 33,100 tonnes in 2011 to 34,400 tonnes in 2012. The new onshore shale activities in Bakken made the most significant single contribution towards this increase (2,600 tonnes associated with flaring).

Key activities in 2012

In 2012, we continued our partnership in the *Global Methane Initiative (GMI)* and the development of a methane strategy, including clear goals for company performance regarding methane emissions.

For more information about flaring reduction initiatives, see "Emissions from flaring" below.

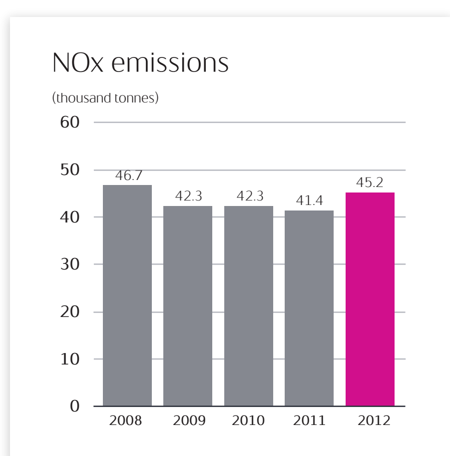
Emissions from flaring

The principle sources of emissions to air in Statoil-operated activities are power generation, flaring and venting. Company-wide carbon dioxide emissions from flaring increased from 1.2 million tonnes in 2011 to 1.4 million tonnes in 2012. The addition of the Bakken shale activities made the most significant single contribution towards this increase.

For our Bakken operations, specific focus has been given to flaring reduction, with the development of the Bakken flaring reduction roadmap in 2012. This will deliver both energy efficiency and flaring reduction improvements (see the *Shale gas and tight oil* case study).

Key activities in 2012:

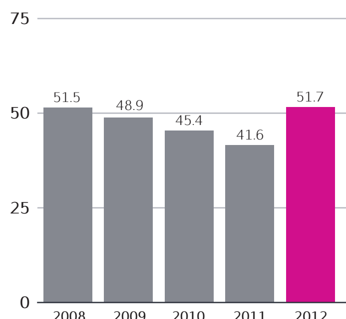
- *Flaring intensity target:* The establishment in 2012 of a maximum flaring intensity target of 2 tonnes of gas flared per 1000 tonnes of hydrocarbon produced (barrel of oil equivalent). The flaring target is based on the operational control principle. We will in the future report annually on our performance against this target. We are currently meeting our flaring target, but as the company expands internationally we expect it to be challenging to maintain a low flaring level.
- *The Bakken flaring reduction roadmap:* Measures implemented in our Bakken asset (see the *Shale gas and tight oil* case study).
- *The World Bank Global Gas Flaring Reduction (GGFR) initiative*: Continued participation as a funding partner.



NOx emissions

Definition: Total emissions of nitrogen oxides (NOx) in thousand tonnes from Statoil-operated activities. Nitrogen oxide emissions include nitrogen oxides from energy and heat production at our own plants, the transportation of products, flaring (included well testing/well work-over) and treatment plants.

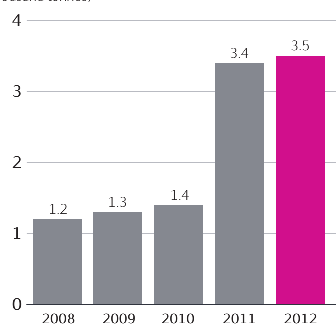
2012 performance: NOx emissions increased from 41,400 tonnes in 2011 to 45,200 tonnes in 2012. This increase was largely due to the use of diesel in our newly acquired Bakken shale facilities.



Non-methane volatile organic compounds (nmVOC)

Definition: Total quantity of non-methane volatile organic compounds (nmVOC) in thousand tonnes released to the atmosphere from Statoil-operated activities. Includes emissions of nmVOC from energy and heat production, transportation of products, flaring (including well testing/well work-over), cold venting, diffuse emission sources, storage and loading of crude oil and products, along with nmVOC recovery plant rest emissions. Figures at the corporate level from 2011 are verified by external auditors.

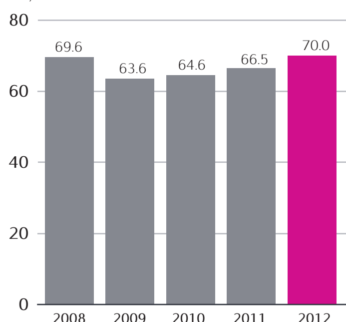
2012 performance: Emissions of nmVOC increased from 41,600 tonnes in 2011 to 51,700 tonnes in 2012. Bakken accounts for the most significant contribution towards this increase (8,500 tonnes). The remaining emission increases are associated with our manufacturing and processing facilities.



SOx emissions

Definition: Total volume of sulphur oxides (SOx) in thousand tonnes released to the atmosphere from Statoil-operated activities. Includes emissions of SOx from energy and heat production and flaring (including well testing/well work-over). Figures at corporate level from 2011 are verified by external auditors.

2012 performance: Emissions of sulphur oxides showed a slight increase from 3,400 tonnes in 2011 to 3,500 tonnes in 2012, due the addition of the new onshore shale activities in the US (Bakken) and higher production activities at the Peregrino field in Brazil. The main reason for the stepwise increase in SOx emissions from 2010 relates to the addition of Peregrino, where diesel is used as an energy source. Statoil achieved SOx emissions decreases across several of our other assets, the most significant of which is from our manufacturing and processing facility in Denmark (Kalundborg).



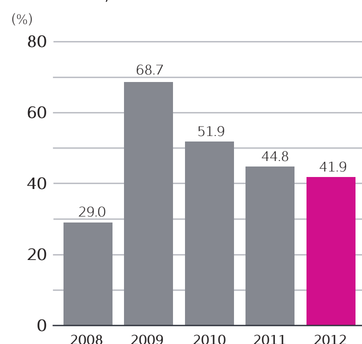
Energy consumption

Definition: Total energy consumption in TWh for Statoil-operated activities. Energy consumption includes energy from power and heat production based on combustion, unused energy from flaring (including well testing/well work-over and venting), energy sold/delivered to third parties and gross energy (heat and electricity) imported from contractors.

2012 performance: Total energy consumption increased from 66.5 TWh in 2011 to 70 TWh in 2012. Energy consumption increased across all business areas. The most significant contributions were from the addition of Bakken and increases related to production at the NCS.

Key activities in 2012:

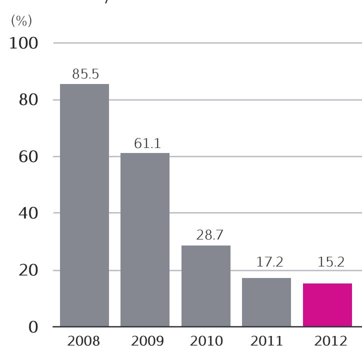
In 2012, we were engaged in energy efficiency initiatives in our operations and focus on energy-efficient transportation and shipping, as described under CO2 emissions.



Non-hazardous waste recovery

Definition: The recovery rate for non-hazardous waste comprises non-hazardous waste from Statoil-operated activities and represents the amount of non-hazardous waste for recovery as a proportion of the total quantity of non-hazardous waste. The quantity of non-hazardous waste for recovery is the total quantity of non-hazardous waste from the plant's operations that has been delivered for reuse, recycled or incinerated with energy recovery.

2012 performance: The non-hazardous waste recovery rate decreased from 44.8% in 2011 to 41.9% in 2012. Waste generated at the Bakken facility is not included in the 2012 waste recovery figures.



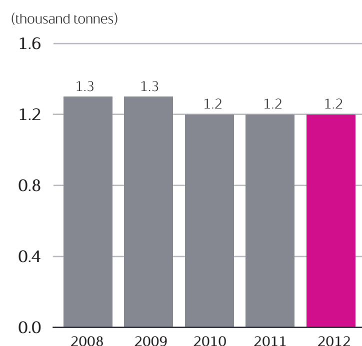
Hazardous waste recovery

Definition: The hazardous waste recovery rate comprises hazardous waste from Statoil-operated activities and represents the amount of hazardous waste for recovery as a proportion of the total quantity of hazardous waste. The quantity of hazardous waste for recovery is the total quantity of hazardous waste from the plant's operations that has been delivered for reuse, recycled or incinerated with energy recovery (the total amount of hazardous waste, excluding hazardous waste, sent to an approved deposition facility). The figures at the corporate level have been verified by external auditors since 2009.

2012 performance: The hazardous waste recovery rate has decreased from 17.2% in 2011 to 15.2% in 2012. The overall reduction in the recovery rate over the past five years is a consequence of Statoil's decision to re-classify the discharge to sea of treated water from onshore processing of hazardous wastes as disposal rather than recovery. Waste generated at our Bakken facility is not included in 2012 waste recovery figures.

Oil-field waste

The Bakken operations generated approximately 250,000 tonnes of so-called non-hazardous oil field waste (NOW) in 2012. [1] This represented approximately 48% of the total combined volume of hazardous waste and non-hazardous waste generated by the company in 2012 and thereby contributed to a significant increase in total waste volumes.



Discharges of oil to water

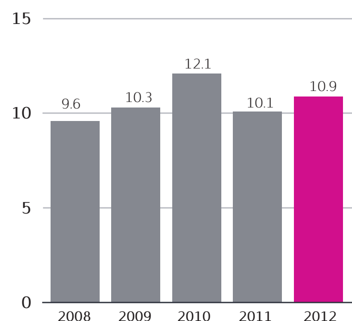
Definition: Regular discharges of oil to water in thousand tonnes represent the total amount of oil via regulated or controlled discharges to water environment (both fresh water recipients and sea) from Statoil-operated activities. [2]

2012 performance: The amount of regular discharges of oil to water remained at a stable level and was the same in 2012 as in 2011 (1,200 tonnes).

The principle source of discharges of oil to water is the residual oil in produced water discharged to sea from our offshore installations on the NCS. This makes up approximately 99% of the total volume discharged.

Key activities in 2012:

We have an ongoing R&D programme focused on reducing the volume of residual oil in our produced water discharges (see the *HSE and climate* article).



Fresh water consumption

Definition: The total consumption of fresh water - including water from public installations, wells (included reservoirs), lakes, streams, rivers and fresh water that is bought - from Statoil-operated activities in million cubic metres. Fresh water produced from salt water on facilities/installations is not included. [2]

2012 performance: Overall fresh water consumption increased from 10.1 million cubic metres in 2011 to 10.9 million cubic metres in 2012.

Our manufacturing and processing operations in Denmark and Norway represent the most significant contributor to our overall fresh water consumption, representing approximately 70% of the total corporate-wide fresh water consumption during 2012. The fresh water consumption target level for these operations has remained stable over the past five years. A target has been set to not exceed the current level of consumption. This target has been set based on the understanding that fresh water resources are abundant where these facilities are located.

Our onshore operations in the US and Canada together represent the second-most significant contributor to our overall fresh water consumption. The addition of our shale operations in Bakken contributed an additional approximately 1.6 million cubic metres of fresh water consumption in 2012. The associated fracking activities generate the greatest fresh water demand.

For our oil sands operations, the total fresh water consumption for 2012 was approximately 0.49 million cubic metres. Approximately 74% of this fresh water (0.36 million cubic metres) was used in the bitumen production at our Leismer facility. The remaining fresh water was used in our drilling activities and in the camp. The fresh water consumption at the Leismer facility was reduced by approximately 11% compared to 2011. Further information about our oil sands operations will be available in the *2012 Oil Sands Report*.

Key activities in 2012:

- Oil sands operations: We continued our R&D programme aimed at delivering on our long-term target of a 45% reduction in water intensity over 10 years (from 2010). Water intensity is defined as the barrels of fresh water used per barrel of bitumen produced. This programme includes installations of equipment that recover more process water - thereby reducing the fresh water requirements. Performance improvements achieved in 2012 that contributed to water intensity reduction included increased produced water recycling efficiency (rising from 80% in 2011 to 87% in 2012). See the *HSE and climate* article and the *2012 Oil Sands Report* for more information.
- Shale activities: We initiated an evaluation of water treatment and re-use technologies that can minimise the amount of water used in our hydraulic fracturing activities. This has included research into substituting fresh water with produced water and the development of gel systems (see the *HSE and climate* article).
- We monitored the water use risk of the areas we operated using the Global Water Tool.

Protecting the environment - biodiversity and ecosystem services

We are concerned with valuing and protecting biodiversity and protecting ecosystem services through responsible sustainable use of land and natural resources.

In 2012, we conducted a 3D seismic survey in our offshore license area bordering the Quirimbas National Park in Mozambique. No other Statoil-operated activities during 2012 were carried out inside or bordering on protected areas or locations listed in accordance with the International Conservation Union's (IUCN) classification system.

We actively use environmental monitoring in our efforts to protect the environment. Key monitoring activities undertaken during 2012 for our offshore activities on the NCS and Brazil included:

- The piloting of an integrated environmental monitoring concept that has been developed in collaboration with Kongsberg Maritime, Kongsberg Oil and Gas Technologies, IBM and Det Norske Veritas
- Undertaking sensor-based monitoring of cold-water coral structures at our Hyme field during the drilling of production wells
- The continuation of the monitoring of calcareous habitats at out Peregrino field off the coast of Brazil
- The installation of the infrastructure for a permanent ocean observatory to be installed in 2013. This will monitor natural marine processes off the coast of the northern Norway region of Vesterålen

During 2012 we continued with our study of the Kittiwake breeding colony (a Norwegian Red List critically endangered species) established at our Snøhvit liquefied natural gas (LNG) plant at Melkøya in northern Norway. We contracted the Norwegian Institute of Nature Research to undertake this study.

Statoil received two awards in 2012 for supporting pioneering research on the woodland caribou, designated as "endangered" under Canada's Species at Risk Act and Alberta's Wildlife Act (see the *Canadian Oil Sands* article).

We also continued with our site reclamation activities for our Canadian oil sands operations. This has included the planting of 267,000 seedlings. Statoil also continued its participation in the Oil Sands Leadership Initiative's (OSLI) Land Stewardship Working Group (see the 2012 *Oil Sands Report*). [3]

[1] The waste generated from Bakken (approximately 250,000 tonnes) has been excluded from the waste recovery estimates. This is due to both the uncertainty of the recovery rates for this waste stream and to misalignment between the legal classification of these wastes as non-hazardous oil field wastes, and the internal Statoil classification of hazardous and non-hazardous wastes, respectively. We aim to resolve these issues in time for our 2013 reporting.
[2] Figures at the corporate level from 2011 are verified by external auditors.
[3] Expected to be launched at Statoil.com on 8 April 2013.

Recommendation of the corporate assembly

Resolution:
At its meeting of 21 March 2013 the corporate assembly discussed the 2012 annual accounts of Statoil ASA and the Statoil group, and the board of directors' proposal for the allocation of net income.

The corporate assembly recommends that the annual accounts and the allocation of net income proposed by the board of directors are approved.

Oslo, 21 March 2013

Olaug Svarva
Chair of the corporate assembly

Corporate assembly
Olaug Svarva, Idar Kreutzer, Karin Aslaksen, Greger Mannsverk, Steinar Olsen, Ingvald Strømmen, Rune Bjerke, Tore Ulstein, Live Haukvik Aker, Tor Oscar Bolstad, Barbro Hætta, Siri Kalvig, Oddbjørn Viken, Eldfrid Irene Hognestad, Stig Lægreid, Per Martin Labråthen, Anne K. S. Horneland and Jan-Eirik Feste.

STATOIL ASA
BOX 8500
NO-4035 STAVANGER
NORWAY
TELEPHONE: +47 51 99 00 00

www.statoil.com