



## Statoil ASA

*(incorporated with limited liability in the Kingdom of Norway)*

Notes issued under the programme may be unconditionally and irrevocably guaranteed by

## Statoil Petroleum AS

*(incorporated with limited liability in the Kingdom of Norway)*

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### €20,000,000,000 Euro Medium Term Note Programme

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On 21 March 1997, Statoil ASA entered into a Euro Medium Term Note Programme (the **Programme**) and issued an Offering Circular on that date describing the Programme. The Programme has been subsequently amended and updated. This Offering Circular supersedes any previous dated offering circulars. Any Notes (as defined below) issued under the Programme on or after the date of this Offering Circular are issued subject to the provisions described herein. This does not affect any Notes issued prior to the date hereof.

Under this Programme, Statoil ASA (the **Issuer**) may from time to time issue notes (the **Notes**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below). The Notes may be issued in bearer form or in uncertificated book entry form (**VPS Notes**) settled through the Norwegian Central Securities Depository, *Verdipapirsentralen* ASA (the **VPS**). The maximum aggregate nominal amount of all Notes from time to time outstanding will not exceed €20,000,000,000 (or its equivalent in other currencies calculated as described herein).

The payments of all amounts due in respect of the Notes issued by the Issuer may be unconditionally and irrevocably guaranteed by Statoil Petroleum AS (the **Guarantor**).

The Notes may be issued on a continuing basis to one or more of the Dealers specified on page 6 and any additional Dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis (each a **Dealer** and together the **Dealers**). References in this Offering Circular to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe for such Notes.

**An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see "Risk Factors".**

Application has been made to the Financial Conduct Authority in its capacity as competent authority (the **UK Listing Authority**) for Notes issued under the Programme during the period of 12 months from the date of this Offering Circular to be admitted to the official list of the UK Listing Authority (the **Official List**) and to the London Stock Exchange plc (the **London Stock Exchange**) for such Notes to be admitted to trading on the London Stock Exchange's regulated market.

References in this Offering Circular to Notes being **listed** (and all related references) shall mean that such Notes have been admitted to trading on the London Stock Exchange's regulated market and have been admitted to the Official List. VPS Notes may be listed on the Oslo Børs's regulated market and, in this case, **listed** (and all related references) shall be construed accordingly. Each of the London Stock Exchange's regulated market and the Oslo Børs's regulated market is a regulated market for the purposes of Directive 2004/39/EC (the **Markets in Financial Instruments Directive**).

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "*Terms and Conditions of the Notes other than VPS Notes*" and "*Terms and Conditions of the VPS Notes*") of Notes will be set out in a Final Terms document (the **Final Terms**) which will be delivered to the UK Listing Authority and the London Stock Exchange.

Copies of Final Terms will be available from the registered office of the Issuer and from the specified office set out below of each of the Paying Agents. In addition, copies of each Final Terms will be available on the website of the London Stock Exchange through a regulatory information service.

The Programme provides that Notes may be listed on such other or further stock exchange(s) as may be agreed between the Issuer, the Guarantor and the relevant Dealer.

The Issuer has been rated Aa3 (stable) by Moody's Investors Service Ltd (**Moody's**) and A+ (stable) by Standard & Poor's Credit Market Services Europe Limited (**S&P**). The Programme has been rated Aa3 by Moody's and A+ by S&P to the extent that Notes issued by the Issuer are unconditionally and irrevocably guaranteed by the Guarantor. Notes issued pursuant to the Programme may be rated or unrated. Where an issue of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. The rating of certain Series of Notes to be issued under the Programme may be specified in the applicable Final Terms. For the purposes of the credit ratings included and referred to in this Offering Circular, both Moody's and S&P are established in the European Union and are registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**).

### Arranger BNP PARIBAS Dealers

Barclays  
BNP PARIBAS  
Citigroup  
Danske Bank  
DNB Bank  
Handelsbanken Capital Markets  
J.P. Morgan  
Mizuho Securities  
Nordea  
SEB

BofA Merrill Lynch  
CIBC Capital Markets  
Credit Suisse  
Deutsche Bank  
Goldman Sachs International  
HSBC  
Jyske Bank A/S  
Morgan Stanley  
Santander Global Corporate Banking  
Société Générale Corporate & Investment Banking  
Swedbank AB

***This Offering Circular comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive. The Prospectus Directive means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU, and includes any relevant implementing measures in a relevant Member State of the European Economic Area).***

***The Issuer and the Guarantor (the Responsible Persons) accept responsibility for the information contained in this Offering Circular and the Final Terms for each Tranche of Notes issued under the Programme. To the best of the knowledge of the Issuer and the Guarantor (having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.***

***This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "Documents Incorporated by Reference" below). This Offering Circular shall be read and construed on the basis that such documents are so incorporated and form part of this Offering Circular. Each investor contemplating purchasing any Notes should review the documents incorporated by reference.***

***The Issuer and the Guarantor confirm that any information sourced from a third party has been accurately reproduced and that, so far as the Issuer and the Guarantor are aware and are able to ascertain, no facts have been omitted which would render the reproduced information inaccurate or misleading.***

***The Dealers have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained in this Offering Circular or any other information provided by the Issuer or the Guarantor in connection with the Programme or the Notes or their distribution.***

***No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor or any of the Dealers.***

***Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation or constituting an invitation or offer by the Issuer, the Guarantor, the Paying Agents or any of the Dealers that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and/or the Guarantor. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer by or on behalf of the Issuer, the Guarantor or any of the Dealers to any person to subscribe for or to purchase any Notes.***

***The delivery of this Offering Circular does not at any time imply that the information contained herein concerning the Issuer and/or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection***

**with the Programme or any Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer or the Guarantor during the life of the Programme.**

**The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer and the Dealers do not represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. No Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations and the Dealers have represented that all offers and sales by them will be made on the same terms. Persons into whose possession this Offering Circular or any Notes come must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom, France and Norway) and Japan (see "Subscription and Sale" below).**

**The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the Securities Act) and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to or for the account or benefit of U.S. persons (see "Subscription and Sale" below).**

**The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:**

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;**
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;**
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;**
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and**
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.**

**Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk based capital or similar rules.**

**Notes denominated in NOK may not be offered, sold or delivered in Norway or to or for the benefit of persons domiciled in Norway, unless in compliance with the regulations relating to the offer of VPS Notes including the registration in the VPS of such VPS Notes.**

**All references in this Offering Circular to "NOK" refer to Norwegian Kroner, those to "U.S. dollars", "US\$", "USD" and "\$" refer to United States dollars, those to "Sterling" and "£" refer to pounds Sterling, and those to "euro" and "€" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.**

**In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) acting as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.**

**IMPORTANT – EEA RETAIL INVESTORS – If the Final Terms in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes, from 1 January 2018 are not intended to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (EEA). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (MiFID II); (ii) a customer within the meaning of Directive 2002/92/EC (IMD), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the Prospectus Directive). Consequently no key information document required by Regulation (EU) No 1286/2014 (the PRIIPs Regulation) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.**

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## DESCRIPTION OF THE PROGRAMME

*The following description does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. Words and expressions defined in "Form of the Notes", "Terms and Conditions of the Notes other than VPS Notes" and "Terms and Conditions of the VPS Notes" below shall have the same meanings in this description.*

<b>Issuer:</b>	Statoil ASA
<b>Guarantor:</b>	Notes issued under the Programme may be guaranteed by Statoil Petroleum AS
<b>Risk Factors:</b>	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. There are also certain factors that may affect the Guarantor's ability to fulfil its obligations under the Guarantee. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme (see " <i>Risk Factors</i> ").
<b>Description:</b>	Euro Medium Term Note Programme
<b>Arranger:</b>	BNP Paribas
<b>Dealers:</b>	Banco Santander, S.A. Barclays Bank PLC BNP Paribas CIBC World Markets plc Citigroup Global Markets Limited Credit Suisse Securities (Europe) Limited Danske Bank A/S Deutsche Bank AG, London Branch DNB Bank ASA Goldman Sachs International HSBC Bank plc J.P. Morgan Securities plc Jyske Bank A/S Merrill Lynch International Mizuho International plc Morgan Stanley & Co. International plc Nordea Bank AB (publ) Skandinaviska Enskilda Banken AB (publ) Société Générale Svenska Handelsbanken AB (publ) Swedbank AB (publ)
<b>Certain Restrictions:</b>	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions

or reporting requirements from time to time (see "*Subscription and Sale*" below).

<b>Notes with a maturity of less than one year:</b>	Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purpose of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent (see " <i>Subscription and Sale</i> " below).
<b>Issuing and Principal Paying Agent:</b>	The Bank of New York Mellon
<b>Paying Agent:</b>	The Bank of New York Mellon SA/NV, Luxembourg Branch
<b>VPS Agent:</b>	DNB Bank ASA, Verdipapirservice
<b>VPS Trustee:</b>	Nordic Trustee ASA
<b>Size:</b>	Up to €20,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer and the Guarantor may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
<b>Distribution:</b>	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
<b>Currencies:</b>	Subject to any applicable legal or regulatory restrictions, Notes will be denominated in such currencies as may be agreed between the Issuer and the relevant Dealer, including, without limitation, Australian dollars, Canadian dollars, Danish kroner, euro, Hong Kong dollars, Japanese yen, New Zealand dollars, Norwegian kroner, South African rand, Sterling, Swedish kronor, Swiss francs and United States dollars (as indicated in the applicable Final Terms).
<b>Maturities:</b>	Such maturities as may be agreed between the Issuer and the relevant Dealer and as indicated in the applicable Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
<b>Issue Price:</b>	Notes may be issued at an issue price which is at par or at a discount to, or premium over, par.
<b>Form of Notes:</b>	The Notes will be in bearer form or, in the case of VPS Notes, uncertificated book entry form, as specified in the Final Terms. Each Tranche of Notes (other than VPS Notes) will initially be represented by a temporary global Note which will be deposited on the relevant Issue Date with, in the case of Notes issued in new global note form, a common safekeeper, or, in the case of

Notes not issued in new global note form, a common depository for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**) and/or any other agreed clearance system and which will be exchangeable, upon request, as described therein for either a permanent global Note or definitive Notes (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Final Terms), in each case not earlier than 40 days after the completion of distribution of all Notes upon certification of non-U.S. beneficial ownership as required by U.S. Treasury regulations. A permanent global Note will be exchangeable, unless otherwise specified in the applicable Final Terms, upon request as described therein, in whole but not in part for definitive Notes upon (i) not less than 60 days' written notice to the Agent or (ii) only upon the occurrence of an Exchange Event as described in "*Form of the Notes*" below. Any interest in a global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg and/or any other agreed clearance system, as appropriate.

VPS Notes will not be evidenced by any physical note or document of title. Entitlements to VPS Notes will be evidenced by the crediting of VPS Notes to accounts with the VPS. VPS Notes will not be exchangeable for Notes in bearer form and vice versa. See "*Form of the Notes*" below.

**Fixed Rate Notes:**

Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer (as indicated in the applicable Final Terms) and on redemption, and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer and indicated in the applicable Final Terms.

**Floating Rate Notes:**

Floating Rate Notes will bear interest at a rate determined either:

- (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or
- (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service,

as indicated in the applicable Final Terms.

The Margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.

Floating Rate Notes may also have a maximum interest rate, a

minimum interest rate, or both, as indicated in the applicable Final Terms.

Interest on Floating Rate Notes in respect of each Interest Period, as selected prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates specified in, or determined pursuant to, the applicable Final Terms and will be calculated on the basis of such Day Count Fraction as is indicated in the applicable Final Terms.

**Zero Coupon Notes:** Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest other than in the case of late payment.

**Redemption:** The Final Terms relating to each Tranche of Notes will indicate either that the Notes of such Tranche:

- (i) cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default); or
- (ii) will be redeemable at the option of the Issuer (**Issuer Call**) and/or the Noteholders (**Investor Put**) upon giving not less than 15 nor more than 30 days' irrevocable notice (or such other notice period (if any) as is indicated in the applicable Final Terms) to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such terms as are indicated in the applicable Final Terms.

Notes issued on terms that they must be redeemed before their first anniversary may be subject to restrictions on their denomination and distribution, see "*Certain Restrictions — Notes with a maturity of less than one year*" above.

**Make-Whole Redemption:** If the Make-Whole Redemption is specified as applicable in the Final Terms, the Issuer will have the option to redeem the Notes, in whole or in part, at any time or from time to time, prior to their stated maturity, at the Make-Whole Redemption Amount.

**Denomination of Notes:** The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, and save that the minimum denomination of each Note will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

**Taxation:** All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed within Norway, subject as provided in "*Terms and Conditions of the Notes other than VPS Notes — Taxation*" and "*Terms and*

*Conditions of the VPS Notes — Taxation*".

- Negative Pledge:** The terms of the Notes will contain a negative pledge provision, as further described in "*Terms and Conditions of the Notes other than VPS Notes — Negative Pledge*" and "*Terms and Conditions of the VPS Notes — Negative Pledge*".
- Cross Default:** The terms of the Notes will contain a cross-default provision as further described in "*Terms and Conditions of the Notes other than VPS Notes — Events of Default*" and "*Terms and Conditions of the VPS Notes — Events of Default*".
- Status of the Notes:** The Notes will constitute, subject to the provisions of Condition 3 of the Terms and Conditions of the Notes other than VPS Notes and Condition 3 of the Terms and Conditions of the VPS Notes, unsecured and unsubordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable legislation and subject as provided above, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
- Guarantee:** The Final Terms may provide that Notes will be unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor under such guarantee will be direct, unconditional and subject to the provisions of unsecured obligations of the Guarantor and will rank *pari passu* and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Guarantor from time to time outstanding.
- Substitution:** The terms of the Notes will contain a provision permitting the substitution, without the consent of Noteholders, of a subsidiary of the Issuer as principal debtor in respect of the relevant Series of Notes, subject to satisfaction of further conditions, as further described in "*Terms and Conditions of the Notes other than VPS Notes — Substitution*" and "*Terms and Conditions of the VPS Notes — Substitution*".
- Rating:** Notes issued pursuant to the Programme may be rated or unrated. Where an issue of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. The rating of certain Series of Notes to be issued under the Programme may be specified in the applicable Final Terms.
- Listing:** Application has been made to the UK Listing Authority for Notes (other than VPS Notes) issued under the Programme up to the expiry of 12 months from the date of this Offering Circular to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock

Exchange's regulated market.

Applications may be made to list VPS Notes and admit VPS Notes to trading on the regulated market of the Oslo Børs. Any such applications will be in accordance with applicable laws and regulations governing the listing of VPS Notes on the Oslo Børs from time to time.

**Governing Law:**

The Notes (other than VPS Notes) and any non-contractual obligations arising out of or in connection with such Notes will be governed by, and construed in accordance with, English law.

The VPS Notes (save for Conditions 1, 2, 11 and 13 of the Terms and Conditions of the VPS Notes) and any non-contractual obligations arising out of or in connection with such Notes will be governed by, and shall be construed in accordance with, English law. Conditions 1, 2, 11 and 13 of the Terms and Conditions of the VPS Notes will be governed by and construed in accordance with Norwegian law.

The VPS Notes must comply with the Norwegian Securities Register Act of 5 July 2002 no. 64, as amended from time to time, and the holders of VPS Notes will be entitled to the rights and subject to the obligations and liabilities which arise under this act and any related regulations and legislation.

The registration of VPS Notes in the VPS as well as the recording and transfer of ownership to, and other interests in, VPS Notes will be governed by, and construed in accordance with, Norwegian law.

**Selling Restrictions:**

There are selling restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom, France and Norway) and Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes. See "*Subscription and Sale*" below.

Category 2 restrictions set out in Regulation S under the United States Securities Act of 1933, as amended apply to the Notes. The Notes (other than VPS Notes) will be issued in compliance with the TEFRA D rules.

## RISK FACTORS

*In purchasing Notes, investors assume the risk that the Issuer and the Guarantor may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in the Issuer and the Guarantor becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer and the Guarantor may not be aware of all relevant factors and certain factors which they currently deem not to be material may become material as a result of the occurrence of events outside the Issuer's and the Guarantor's control. The Issuer and the Guarantor have identified in this Offering Circular a number of factors which could materially adversely affect their businesses and ability to make payments due under the Notes and believe that the factors described below represent the principal risks inherent in investing in the Notes issued under the Programme.*

*In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.*

*The Guarantor is a wholly owned subsidiary of the Issuer and engaged in entirely the same business as the Issuer. The risk factors mentioned in this Offering Circular apply to the Guarantor unless the context requires otherwise.*

### **Factors that may affect the Issuer's ability to fulfil its obligation under Notes issued under the Programme and the Guarantor's ability to fulfil its obligations under the Guarantee**

*A prolonged period of low oil and/or natural gas prices would have a material adverse effect on Statoil.*

The prices of oil and natural gas have fluctuated greatly in response to changes in many factors. Statoil has experienced a situation where oil and natural gas prices declined substantially compared to levels seen over the last few years. There are several reasons for this decline, but fundamental market forces beyond the control of Statoil or other similar market participants have impacted and can continue to impact oil and natural gas prices in the future. Recently, as a consequence of agreements within Opec and also between Opec and some non-Opec countries, oil prices have increased due to expectations of an earlier tightening of market balances. However, the uncertainty about future developments still prevails.

Generally, Statoil does not and will not have control over the factors that affect the prices of oil and natural gas. These factors include:

- economic and political developments in resource-producing regions;
- global and regional supply and demand;
- the ability of the Organisation of the Petroleum Exporting Countries (**Opec**) and/or other producing nations to influence global production levels and prices;
- prices of alternative fuels that affect the prices realised under Statoil's long-term gas sales contracts;

- government regulations and actions; including changes in energy and climate policies;
- global economic conditions;
- war or other international conflicts;
- changes in population growth and consumer preferences;
- the price and availability of new technology; and
- weather conditions.

It is impossible to predict future price movements for oil and/or natural gas with certainty. A prolonged period of low oil and natural gas prices will adversely affect Statoil's business, the results of operations, financial condition, liquidity and Statoil's ability to finance planned capital expenditure, including possible reductions in capital expenditures which could lead to reduced reserve replacement. In addition to the adverse effect on revenues, margins and profitability from any fall in oil and natural gas prices, a prolonged period of low prices or other indicators could, if deemed to have longer term impact, lead to further reviews for impairment of the group's oil and natural gas properties. Such reviews would reflect the management's view of long-term oil and natural gas prices and could result in a charge for impairment that could have a significant effect on the results of Statoil's operations in the period in which it occurs. Changes in management's view on long-term oil and/or natural gas prices or further material reductions in oil, gas and/or product prices could have an adverse impact on the economic viability of projects that are planned or in development.

*Statoil's crude oil and natural gas reserves are only estimates and Statoil's future production, revenues and expenditures with respect to its reserves may differ materially from these estimates.*

The reliability of proved reserve estimates depends on:

- the quality and quantity of Statoil's geological, technical and economic data;
- the production performance of Statoil's reservoirs;
- extensive engineering judgments; and
- whether the prevailing tax rules and other government regulations, contracts and oil, gas and other prices will remain the same as on the date estimates are made.

Proved reserves are calculated based on the U.S. Securities and Exchange Commission (**SEC**) requirements and may therefore differ substantially from Statoil's view on expected reserves.

Many of the factors, assumptions and variables involved in estimating reserves are beyond Statoil's control and may prove to be incorrect over time. The results of drilling, testing and production after the date of the estimates may require substantial upward or downward revisions in Statoil's reserve data. The prices used for proved reserves are defined by the SEC and are calculated based on a 12 month un-weighted arithmetic average of the first-day-of-the-month price for each month during the reporting year, leading to a forward price strongly linked to last year's price environment. Fluctuations in oil and gas prices will have a direct impact on Statoil's proved reserves. For fields governed by production sharing

agreements (**PSAs**), a lower price may lead to higher entitlement to the production and increased reserves for those fields. Adversely, a lower price environment may also lead to lower activity resulting in reduced reserves. For PSAs these two effects may to some degree offset each other. In addition a low price environment may result in earlier shutdown due to uneconomic production. This will affect both PSAs and fields with concession types of agreement.

*Statoil is engaged in global exploration activities that involve a number of technical, commercial and country specific risks.*

General risks are technical risks related to Statoil's ability to conduct its seismic and drilling operations in a safe and efficient manner and to encounter commercially productive oil and gas reservoirs and commercial risks related to Statoil's ability to secure access to new acreage in an uncertain global competitive and political environment and competent personnel to perform exploration activities and mature resources along the value-chain. Country specific risks are related to security threats and compliance with and understanding of local laws or license agreements. These risks may adversely affect Statoil's current operations and financial results, and its long-term replacement of reserves.

*If Statoil fails to acquire or discover and develop additional reserves, its reserves and production will decline materially from their current levels.*

Successful implementation of Statoil's group strategy for value growth is critically dependent on sustaining its long-term reserve replacement. If upstream resources are not progressed to proved reserves in a timely manner, Statoil's reserve base and thereby future production will gradually decline and future revenue will be reduced.

Statoil's future production is highly dependent on its success in acquiring or finding and developing additional reserves adding value. If unsuccessful, future total proved reserves and production will decline.

If the low price environment continues for a substantial time, this may result in undeveloped acreage not being considered economically viable and consequently discovered resources not being matured to reserves. This may also lead to exploration areas not being explored for new resources and subsequently not being matured for development resulting in less future proved reserves.

In a number of resource-rich countries, national oil companies control a significant proportion of oil and gas reserves that remain to be developed. To the extent that national oil companies choose to develop their oil and gas resources without the participation of international oil companies, or if Statoil is unable to develop partnerships with national oil companies, its ability to find and acquire or develop additional reserves will be more limited.

*Statoil is exposed to a wide range of health, safety and environmental risks that could result in significant losses.*

Exploration, development, production, processing and transportation related to oil and natural gas, as well as development and operation of renewable energy production, can be hazardous. Technical integrity failures, operational failures, natural disasters or other occurrences can result in: loss of life, oil spills, gas leaks, loss of containment of hazardous materials, water contamination, blowouts, cratering, fires and equipment failure, among other things.

The risks associated with Statoil's activities are affected by the difficult geographies, climate zones and environmentally sensitive regions in which Statoil operates. All modes of transportation of hydrocarbons — including road, rail, sea or pipeline — are particularly susceptible to a loss of containment of hydrocarbons and other hazardous materials, and, given the high volumes involved, these could represent a significant risk to people and the environment. Offshore operations and transportation are subject to marine perils, including severe storms and other adverse weather conditions and vessel collisions. Onshore operations and transportation are subject to adverse weather conditions and accidents. Both onshore and offshore operations and transportation are subject to interruptions, restrictions or termination by government authorities based on safety, environmental or other considerations.

*Policy and regulatory change due to rising climate change concerns, and the physical effects of climate change, could impact Statoil's business and related costs.*

The transition to a low-carbon energy future poses fundamental strategic challenges for the oil and gas industry.

Statoil monitors and assesses risks related to climate change, whether political, regulatory, market or physical, including reputation impact.

Statoil expects and is preparing for policy and regulatory changes targeted at reducing greenhouse gas emissions. This could impact Statoil's financial outlook, whether directly through changes in taxation and regulation, or indirectly through changes in consumer behaviour.

There is continuing uncertainty over climate policy developments in various jurisdictions, and hence the long-term implications to costs and constraints. Statoil expects greenhouse gas emission costs to increase from current levels beyond 2020 and to have a wider geographical range than today.

Climate related policy changes may also reduce access to prospective geographical areas for exploration and production in the future.

Regulatory changes encouraging the development of low-carbon energy technologies such as renewable energy or other potentially disruptive technologies, could impact the demand for oil and gas. As an example, development of battery technologies could allow more intermittent renewables to be used in the power sector. This could impact Statoil's gas sales, particularly if subsidies of renewable energy in Europe were to increase.

Statoil has analysed the sensitivity of its project portfolio (equity production and expected production from accessed exploration acreage) against the assumptions regarding commodity and carbon prices in the International Energy Agency's (IEA) energy scenarios, as laid out in their "World Economic Outlook 2016" report. The analysis demonstrated that the IEA's "450 ppm scenario", which is at large compatible with a global warming of maximum of two degrees Celsius with more than 50% probability, could have a positive impact of approximately 6% on Statoil's net present value compared to Statoil's internal planning assumptions as of December 2016. This assessment is based on Statoil's and the IEA's assumptions which may not be accurate and which are likely to develop over time as new information becomes available. Accordingly, there can be no assurance that the assessment, which is presented in Statoil ASA's 2016 Sustainability report, is a reliable indicator of the actual impact of climate change on Statoil.

Changes in physical climate parameters could impact Statoil's operations, for example, through restrained water availability, rising sea levels, changes in sea currents and increasing frequency of extreme weather events.

*Statoil is exposed to risks as a result of its hydraulic fracturing usage.*

Statoil's U.S. operations use hydraulic fracturing which is subject to a range of applicable federal, state and local laws, including those discussed under the heading "*Legal and Regulatory Risks*". Fracturing is an important and common practice that is used to stimulate production of crude oil and/or natural gas from dense subsurface rock formations. Statoil's hydraulic fracturing and fluid handling operations are designed and operated to minimise the risk, if any, of subsurface migration of hydraulic fracturing fluids and spillage or mishandling of hydraulic fracturing fluids, however, a proven case of subsurface migration of hydraulic fracturing fluids or a case of spillage or mishandling of hydraulic fracturing fluids during these activities could potentially subject Statoil to civil and/or criminal liability and the possibility of substantial costs, including environmental remediation, depending on the circumstances of the underground migration, spillage or mishandling, the nature and scope of the underground migration, spillage or mishandling, and the applicable laws and regulations.

In addition, various states and local governments have implemented, or are considering, increased regulatory oversight of hydraulic fracturing through additional permit requirements, operational restrictions, disclosure requirements and temporary or permanent bans. New or further changes in laws and regulations imposing reporting obligations on, or otherwise banning or limiting, the hydraulic fracturing process could make it more difficult to complete oil and natural gas wells in shale formations, cause operational delays, increase costs of regulatory compliance or in exploration and production, which could adversely affect Statoil's U.S. onshore business and the demand for fracturing services.

*Statoil is exposed to security threats that could have a materially adverse effect on Statoil's results of operations and financial condition.*

Security threats such as acts of terrorism and cyber-attacks against Statoil's production and exploration facilities, offices, pipelines, means of transportation or computer systems or breaches of Statoil's security system, could result in losses. No assurances can be made that such attacks will not occur in the future and adversely impact its operations. Failure to manage the foregoing risks could result in injury or loss of life, damage to the environment, damage to or the destruction of wells and production facilities, pipelines and other property. Statoil could face, among other things, regulatory action, legal liability, damage to its reputation, a significant reduction in revenues, an increase in costs, a shutdown of operations and a loss of its investments in affected areas.

*Statoil's crisis management systems may prove inadequate.*

Statoil has plans and capability to deal with crises and emergencies at every level of its operations (i.e., plant fires, terror, well instability etc.). If Statoil does not respond or is perceived not to have responded in an appropriate manner to either an external or internal crisis, or if its plans to carry on or recover operations following a disruption or incident are not effected quickly enough, its business, operations and reputation could be severely affected. Inability to restore or replace critical capacity to an agreed level within an agreed time frame could prolong the impact of any disruption and could severely affect Statoil's business and operations.

*Statoil encounters competition from other oil and gas companies in all areas of its operations.*

Statoil may experience increased competition from larger players with stronger financial resources and smaller ones with increased agility and flexibility. Gaining access to commercial resources via licence acquisition, exploration, or development of existing assets is key to ensuring the long-term economic viability of the business and failure to address this could negatively impact future performance.

Technology is a key competitive advantage in Statoil's industry and its competition may be able to invest more in developing or acquiring intellectual property rights to technology that Statoil may require to remain competitive. Should Statoil's innovation and digitalisation lag behind the industry, its performance could be impeded.

*Statoil's development projects and production activities involve many uncertainties and operating risks that can prevent Statoil from realising profits and cause substantial losses.*

Oil and gas projects may be curtailed, delayed or cancelled for many reasons, including equipment shortages or failures, natural hazards, unexpected drilling conditions or reservoir characteristics, irregularities in geological formations, accidents, mechanical and technical difficulties or challenges due to new technology. This is particularly relevant because of the physical environments in which some of Statoil's projects are situated. Many of Statoil's development and production projects are located in deep waters or other harsh environments, or have challenging field characteristics. In U.S. onshore, low regional prices may cause certain areas to be unprofitable and the company may curtail production until prices recover. There is therefore a risk that prolonged low oil and gas prices, combined with the relatively high levels of tax and government take in several jurisdictions, could erode the profitability of some of Statoil's projects.

*Statoil faces challenges in achieving its strategic objective of successfully exploiting profitable growth opportunities.*

Statoil intends to continue to nurture attractive commercial opportunities in order to sustain future growth. This may involve acquisition of new businesses or properties to expand the existing portfolio or to move into new markets. This challenge will grow as global competition for access to new opportunities rises.

Statoil's ability to increase this optionality depends on several factors; including the ability to:

- maintain and impart Statoil's zero-harm safety culture;
- identify suitable opportunities;
- negotiate favourable terms;
- develop new market opportunities or acquire properties or businesses in an agile and efficient way;
- effectively integrate acquired properties or businesses into Statoil's operations;
- arrange financing, if necessary; and
- comply with legal regulations.

Statoil anticipates significant investments and costs as it cultivates business opportunities in new and existing markets and this process may incur or assume unanticipated liabilities, losses or costs associated with assets or businesses acquired. Failure by Statoil to successfully pursue and exploit new business opportunities could result in financial losses and inhibit growth. New projects may have different risk profiles than Statoil's existing portfolio. These and other effects of such acquisitions could result in Statoil having to revise its forecasts either or both with respect to unit production costs and production.

In addition, the pursuit of acquisitions or new business opportunities could divert financial and management resources away from Statoil's day-to-day operations to the integration of acquired operations or properties. Statoil may require additional debt or equity financing to undertake or consummate future acquisitions or projects, and such financing may not be available on terms satisfactory to Statoil, if at all, and it may, in the case of equity, be dilutive to Statoil's earnings per share.

*The profitability of Statoil's oil and gas production may be affected by limited transportation infrastructure when a field is in a remote location.*

Statoil's ability to exploit economically any discovered petroleum resources beyond its proved reserves will depend, among other factors, on the availability of the infrastructure required to transport oil and gas to potential buyers at a commercially acceptable price. Oil is transported by vessels, rail or pipelines to refineries, and natural gas is usually transported by pipeline or by vessels (for liquid natural gas) to processing plants and end users. Statoil may not be successful in its efforts to secure transportation and markets for all of its potential production.

*Statoil is exposed to security threats on its information systems and digital infrastructure that could harm its assets and operations.*

Statoil's security barriers are intended to protect its information systems and digital infrastructure from being compromised by unauthorised parties. Failure to maintain and develop these barriers may affect the confidentiality, integrity and availability of its information systems and digital infrastructure, including those critical to Statoil's operations. Threats to Statoil's information systems could result in significant financial damage to Statoil. Threats to Statoil's industrial control systems are not limited by geography as Statoil's digital infrastructure is accessible globally, and incidents in the industry in recent years have shown that parties who are able to circumvent barriers aimed at securing industrial control systems are capable and willing to perform attacks that destroy, disrupt or otherwise compromise operations. Such attacks could result in material losses or loss of life with consequent financial implications.

*Some of Statoil's international interests are located in regions where political, social and economic instability could adversely impact Statoil's business.*

Statoil has assets and operations located in diverse regions globally where potentially negative economic, social, and political developments could occur. These political risks and security threats require continuous monitoring. Adverse and hostile actions against Statoil's staff, its facilities, its transportation systems and its digital infrastructure (cybersecurity) may cause harm to people and disrupt Statoil's operations and further business opportunities in these or other regions, lead to a decline in production and otherwise adversely affect Statoil's business. This could have a materially adverse effect on Statoil's operations' results and its financial condition.

*Statoil's operations are subject to dynamic political and legal factors in the countries in which it operates.*

Statoil has assets in a number of countries with emerging or transitioning economies that, in part or in whole, lack well-functioning and reliable legal systems, where the enforcement of contractual rights is uncertain or where the governmental and regulatory framework is subject to unexpected change. Statoil's exploration and production activities in these countries are often undertaken together with national oil companies and are subject to a significant degree of state control. In recent years, governments and national oil companies in some regions have begun to exercise greater authority and to impose more stringent conditions on companies engaged in exploration and production activities. Intervention by governments in such countries can take a wide variety of forms, including:

- restrictions on exploration, production, imports and exports;
- the awarding or denial of exploration and production interests;
- the imposition of specific seismic and/or drilling obligations;
- price and exchange controls;
- tax or royalty increases, including retroactive claims;
- nationalisation or expropriation of Statoil's assets;
- unilateral cancellation or modification of Statoil's licence or contractual rights;
- the renegotiation of contracts;
- payment delays; and
- currency exchange restrictions or currency devaluation.

The likelihood of these occurrences and their overall effect on Statoil vary greatly from country to country and are hard to predict. If such risks materialise, they could cause Statoil to incur material costs and/or cause Statoil's production to decrease, potentially having a materially adverse effect on Statoil's operations or financial condition.

*Statoil is exposed to potentially adverse changes in the tax regimes of each jurisdiction in which Statoil operates.*

Statoil has business operations in many countries around the world. Changes in the tax laws of the countries in which Statoil operates could have a material adverse effect on its liquidity and results of operations.

*Statoil faces foreign exchange risks that could adversely affect the results of Statoil's operations.*

Statoil's business faces foreign exchange risks and this is managed with USD as the base currency. Statoil has a large percentage of its revenues and cash receipts denominated in USD and sales of gas and refined products are mainly denominated in EUR and GBP. Further, Statoil pays a large portion of its income taxes, and a share of its operating expenses and capital expenditures, in NOK. The majority of Statoil's long term debt has USD exposure.

*Statoil is exposed to risks relating to trading and supply activities.*

Statoil is engaged in substantial trading and commercial activities in the physical markets. Statoil also uses financial instruments such as futures, options, over-the-counter (OTC) forward contracts, market swaps and contracts for differences related to crude oil, petroleum products, natural gas and electricity in order to manage price volatility. Statoil also uses financial instruments to manage foreign exchange and interest rate risk. Trading activities involve elements of forecasting, and Statoil bears the risk of market movements, the risk of losses if prices develop contrary to expectations, and the risk of default by counterparties.

*Non-compliance with anti-bribery, anti-corruption and other applicable laws, including failure to meet Statoil's ethical requirements, exposes Statoil to legal liability and damage to its reputation, business and shareholder value.*

Statoil has activities in countries which present corruption risks and which may have weak legal institutions, lack of control and transparency. In addition, governments play a significant role in the oil and gas sector, through ownership of resources, participation, licensing and local content which leads to a high level of interaction with public officials. Statoil is, through its international activities, subject to anti-corruption and bribery laws in multiple jurisdictions, including the Norwegian Penal code, the U.S. Foreign Corrupt Practices Act and the UK Bribery Act. A violation of any applicable anti-corruption and bribery laws could expose Statoil to investigations from multiple authorities, and any violations of laws may lead to criminal and/or civil liability with substantial fines. Incidents of non-compliance with applicable anti-corruption and bribery laws and regulations and the Statoil Code of Conduct could be damaging to Statoil's reputation, competitiveness and shareholder value.

*Statoil's insurance coverage may not provide adequate protection.*

Statoil maintains insurance coverage that includes coverage for physical damage to its oil and gas properties, third-party liability, workers' compensation and employers' liability, general liability, sudden pollution and other coverage. Statoil's insurance coverage includes deductibles that must be met prior to recovery. Statoil's external insurance is subject to caps, exclusions and limitations, and there is no assurance that such coverage will adequately protect Statoil against liability from all potential consequences and damages.

*Statoil's future performance depends on efficient operations and the ability to develop and deploy new technologies and new products.*

Statoil's ability to remain efficient, to develop and adapt to new technology, to seek profitable renewable energy and other low-carbon energy solutions, are key success factors for future business. There is a possibility of Statoil not being able to define and implement the necessary changes due to the organisation's capability, external competition or underestimated cost of implementing new technology. Any of these factors may have an adverse effect on Statoil's future business goals.

*Statoil may fail to secure the right level of workforce competence and capacity over the short and medium term.*

The uncertainty of the future of the oil industry in light of reduced oil and natural gas prices and climate policy changes, creates a risk in ensuring a robust workforce through industry cycles. The oil industry is a long term business and needs to take a long term perspective on workforce capacity and competence. Given the current extensive change agenda there is a risk that Statoil will fail to secure the right level of workforce competence and capacity.

*Statoil's activities may be affected by international sanctions and trade restrictions.*

Statoil, like other major international energy companies, has a geographically diverse portfolio of reserves and operational sites, which may expose its business and financial affairs to political and economic risks, including operations in areas subject to international restrictions and sanctions.

Legislation and rules governing sanctions and trade restrictions are complex and constantly evolving. Moreover, changes in these laws and regulations can be unpredictable and happen swiftly. In addition, Statoil's business will constantly be subject to change. Accordingly, it should be understood that the below description does not reflect all parts of Statoil's business where sanctions and trade restrictions are relevant, and that Statoil in the future could decide to take part in additional business activity where such laws and regulations are particularly relevant. While Statoil remains committed to doing business in compliance with all applicable sanctions and trade restrictions, there can be no assurance that no Statoil entity, officer, director, employee or agent is not in violation of such laws. Any such violation could result in substantial civil and/or criminal penalties and might materially adversely affect Statoil's business and results of operations or financial condition.

Statoil holds an interest in several different oil and gas projects in Russia both onshore and offshore. The majority of these projects result from a strategic cooperation with Rosneft Oil Company (**Rosneft**) initiated in 2012, some of these projects are located Arctic offshore and/or deepwater. In each of these projects, Rosneft holds the majority interest, while Statoil holds a minority interest.

Sanctions imposed by Norway, the EU and the USA target, among others, Russia's financial and energy sectors, including certain companies such as Rosneft and various affiliates, and specific activities related to oil exploration and production in the Arctic offshore area, and in deepwater or shale formation projects. Accordingly, aspects of the sanctions targeting Russia also affect Statoil's business activity in the country. The continued progress of Statoil's projects in Russia is, in part, dependent on various government authorisations and also the future development of sanctions and trade controls. Statoil continues to pursue its Russia business within the limitations of existing sanctions and trade controls. However, due to possible future developments, there is no certainty that the projects can be progressed and concluded as initially planned.

### ***Legal and regulatory risks***

*Compliance with health, safety and environmental laws and regulations that apply to Statoil's operations could materially increase its costs. The enactment of such laws and regulations in the future is uncertain.*

Statoil incurs, and expects to continue to incur, substantial capital, operating, maintenance and remediation costs relating to compliance with increasingly complex laws and regulations for the protection of the environment and human health and safety, including:

- higher price on greenhouse gas emissions;
- costs of preventing, controlling, eliminating or reducing certain types of emissions to air and discharges to the sea;
- remediation of environmental contamination and adverse impacts caused by Statoil's activities; and
- compensation of costs related to persons and/or entities claiming damages as a result of Statoil's activities.

Statoil's activity is increasingly subject to statutory strict liability in respect of losses or damage suffered as a result of pollution caused by spills or discharges of petroleum from petroleum facilities.

Compliance with laws, regulations and obligations relating to climate change and other environmental regulations could result in substantial capital expenditure, reduced profitability as a result of changes in operating costs, and adverse effects on revenue generation and strategic growth opportunities. Statoil regularly assesses how changes in regulations, including introduction of stringent climate policies, may impact the oil price, the costs of developing new oil and gas assets, and the demand for oil and gas.

Statoil's operations in Norway are subject to emissions taxes as well as emissions allowances granted for Statoil's larger European operations under the EU Emissions Trading System (**EU ETS**). The agreed strengthening of the European Union's emission trading scheme may result in higher costs for installations at the Norwegian continental shelf (**NCS**) as the price of the EU ETS emissions allowances is expected to increase significantly towards 2030.

The Paris Agreement on climate change entered into force in November 2016. Norway, collectively with the European Union, intends to deliver 40% reductions in greenhouse gas emissions by 2030. The national targets are intended to be strengthened every five years. Additionally, Norway has set an ambition to achieve close to net zero emissions by 2050. The implications for the industry are not clear, however requirements to reduce emissions could result in increased costs.

Statoil's investments in North American onshore producing assets will be subject to evolving regulations that could affect these operations and their profitability (see also the risks related to hydraulic fracturing above). In the United States, the U.S. Environmental Protection Agency (**EPA**) has taken steps to regulate greenhouse gas emissions under the Clean Air Act, including methane emissions from upstream oil and gas production. In 2016, the EPA finalised new source performance standards for methane emissions and began a process of information collection to inform further methane-related rulemaking. Statoil could incur higher operating costs in order to comply with any such new regulations and data gathering requirements.

*Statoil is exposed to risk of supervision, review and sanctions for violations of regulatory laws at the supranational and national level. These include, among others, competition and antitrust laws and financial and trading regulations.*

Statoil's products are marketed and traded worldwide and therefore subject to competition and antitrust laws at the supranational and national level in multiple jurisdictions. Statoil is exposed to investigations from competition and antitrust authorities, and violations of the applicable laws and regulations may lead to substantial fines.

Statoil is also exposed to financial review from financial supervisory authorities, such as the Norwegian Financial Supervisory Authority (**FSA**) and the U.S. Securities and Exchange Commission (the **SEC**). Reviews performed by these authorities could result in changes to previous accounts and future accounting policies.

Statoil is listed on both the Oslo Børs and New York Stock Exchange (**NYSE**), and is registered with the SEC. Statoil is required to comply with the continuing obligations of these regulatory authorities, and violation of these obligations may result in imposition of fines or other sanctions.

The Norwegian Petroleum Supervisor (**PSA**) supervises all aspects of Statoil's operations, from exploration drilling through development and operation, to cessation and removal. Its regulatory authority covers the whole NCS as well as petroleum-related plants on land in Norway. Statoil is exposed to supervision from PSA, and as its business grows internationally other regulators, and such supervision could result in audit reports, orders and investigations.

*The formation of a competitive internal gas market within the European Union (EU) and the general liberalisation of European gas markets could adversely affect Statoil's business.*

The continuing liberalisation of EU gas markets following legislative instruments rolled out in 2011 and the implementation of these legislative instruments by member states, could affect Statoil's market position or result in a reduction in prices in Statoil's gas sales contracts. Statoil's exposure to hub gas prices has increased and correspondingly increased Statoil's exposure to price volatility. Statoil continually monitors its contractual obligations and makes efforts to negotiate the most competitive pricing and other conditions available in the market.

The EU-wide quantity of carbon allowances issued each year under the Emission Trading Scheme (**ETS**) for greenhouse gas emission allowances began to decrease in a linear manner in 2013. The ETS can have a positive or negative impact on Statoil, depending on the price of carbon, which will consequently have an impact on the development of gas-fired power generation in the EU. Until now, the carbon price has been too low to replace coal with gas fired generation capacity. This effect has been worsened by heavy subsidising of renewables, which has caused gas fired power plants to shut down. Current EU climate and energy policies do not address this problem, but there is a tendency towards more market based subsidies in the new guidelines on environment and energy aid.

*Political and economic policies of the Norwegian State could affect Statoil's business.*

The Norwegian State plays an active role in the management of NCS hydrocarbon resources. In addition to its direct participation in petroleum activities through the State's direct financial interest (**SDFI**) and its indirect impact through legislation, such as tax and environmental laws and regulations, the Norwegian State, among other things, awards licences for exploration, production and transportation, approves exploration and development projects and applications for production rates for individual fields and may, if important public interests are at stake, also instruct Statoil and other oil companies to reduce petroleum production. Furthermore, in the production licences in which the SDFI holds an interest, the Norwegian State has the power to direct petroleum licences' actions in certain circumstances.

If the Norwegian State were to take additional action under its activities on the NCS or to change laws, regulations, policies or practices relating to the oil and gas industry, Statoil's NCS exploration, development and production activities and the results of its operations could be affected.

### ***Risks related to state ownership***

*The interests of Statoil's majority shareholder, the Norwegian State, may not always be aligned with the interests of Statoil's other shareholders, and this may affect Statoil's decisions relating to the NCS.*

The Norwegian Parliament, known as the Storting, and the Norwegian State have resolved that the Norwegian State's shares in Statoil and the SDFI's interest in NCS licences must be managed in accordance with a coordinated ownership strategy for the Norwegian State's oil

and gas interests. Under this strategy, the Norwegian State has required Statoil to continue to market the Norwegian State's oil and gas together with Statoil's own oil and gas as a single economic unit.

Pursuant to this coordinated ownership strategy, the Norwegian State requires Statoil, in its activities on the NCS, to take account of the Norwegian State's interests in all decisions that may affect the development and marketing of Statoil's own and the Norwegian State's oil and gas.

The Norwegian State directly held 67 per cent. of Statoil's ordinary shares as of 31 December 2016. Based on the Norwegian Public Limited Companies Act, the Norwegian State effectively has the power to influence the outcome of any vote of shareholders due to the percentage of Statoil's shares it owns, including amending its articles of association and electing all non-employee members of the corporate assembly. The employees are entitled to be represented by up to one-third of the members of the board of directors and one third of the corporate assembly.

The corporate assembly is responsible for electing Statoil's board of directors. It also makes recommendations to the general meeting concerning the board of directors' proposals relating to the company's annual accounts, balance sheet, allocation of profit and coverage of loss. The interests of the Norwegian State in deciding these and other matters and the factors it considers when casting its votes, especially under the coordinated ownership strategy for the SDFI and Statoil's shares held by the Norwegian State, could be different from the interests of Statoil's other shareholders.

If the Norwegian State's coordinated ownership strategy is not implemented and pursued in the future, then Statoil's mandate to continue to sell the Norwegian State's oil and gas together with its own oil and gas as a single economic unit is likely to be prejudiced. Loss of the mandate to sell the SDFI's oil and gas could have an adverse effect on Statoil's position in the markets in which it operates.

For further information about the mandate to sell the Norwegian State's oil and gas, see the section "Statoil Overview – Business and Strategy of Statoil".

**Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme**

***Because the Notes are unsecured, the right to receive payments may be adversely affected***

The Notes will be unsecured. The Notes are not subordinated to any of the Issuer's other debt obligations and therefore will rank equally with all of its other unsecured and unsubordinated indebtedness. As of 31 December 2016, Statoil had no secured indebtedness outstanding. If the Issuer defaults on the Notes or the Guarantor defaults on the Guarantee, or in the event of bankruptcy, liquidation or reorganisation, then, to the extent that the Issuer or the Guarantor has granted security over its assets, the assets that secure these debts will be used to satisfy the obligations under that secured debt before the Issuer or the Guarantor could make payment on the Notes. If there is not enough collateral to satisfy the obligations of the secured debt, then the remaining amounts on the secured debt would share equally with all unsubordinated unsecured indebtedness.

### ***Risks related to the structure of a particular issue of Notes***

A range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common of such features.

#### *Notes subject to optional redemption by the Issuer.*

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

#### *Variable rate Notes with a multiplier or other leverage factor.*

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

#### *Inverse Floating Rate Notes.*

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

#### *Fixed/Floating Rate Notes.*

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

#### *Notes issued at a substantial discount or premium.*

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than

do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

### ***Risks related to Notes generally***

Set out below is a brief description of certain risks relating to the Notes generally.

#### *Modification, waivers and substitution.*

The Terms and Conditions of the Notes other than VPS Notes and the VPS Trustee Agreement contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The VPS Trustee Agreement provides that the VPS Trustee may, without the consent of the holders of VPS Notes, make certain modifications to the Terms and Conditions of the VPS Notes or the VPS Trustee Agreement without the prior consent or sanction of such holders of VPS Notes, as further detailed in the Terms and Conditions of the VPS Notes and the VPS Trustee Agreement. The VPS Trustee may notify the holders of VPS Notes of a proposal to effect such modification and the holders of VPS Notes then have at least five Business Days to protest. If a protest is made, then the relevant modification will not be made. If there is no protest, then the relevant modification will be binding on the holders of VPS Notes.

#### *Withholding Tax White Paper/Potential Issuer Redemption for Tax Reasons.*

Under present domestic legislation, Norway does not levy withholding tax on outbound interest payments. However, in October 2015 the Norwegian government issued a white paper describing a tax reform for the period 2016-2018, which includes introduction of withholding tax on interest payments from Norway. According to the white paper, introduction of withholding tax on interest payments will be subject to a public hearing before any changes in legislation are made. It is expected that a hearing will take place in the near future.

Norway has entered into several tax treaties where Norway partly or wholly has waived the right to levy withholding tax on outbound interest payments. However, some of these tax treaty regulations may be amended in the near future by way of both treaty parties entering into the Multilateral Convention (also named the multilateral instrument) developed by OECD to implement tax treaty related measures to prevent base erosion and profit shifting.

In the event of the withholding tax being implemented in the manner currently contemplated by the white paper the payments of interest in respect of an issue of Notes would be subject to withholding tax, unless an applicable tax treaty provides relief from such withholding tax. Withholding taxation will require the Issuer to gross up the payments in accordance with (but subject to the exceptions set out therein) Condition 7. If the Issuer has or will become obliged to pay additional amounts as provided in Condition 7, the Issuer may (subject to the conditions set out therein) exercise its right to redeem the Notes at the Early Redemption Amount pursuant to Condition 6.

### *Change of law.*

The Terms and Conditions of the Notes other than VPS Notes are based on English law in effect as at the date of this Offering Circular.

The Terms and Conditions of the VPS Notes (save for Conditions 1, 2, 11 and 13 of the Terms and Conditions of the VPS Notes) are based on English law; Conditions 1, 2, 11 and 13 of the Terms and Conditions of the VPS Notes are governed by Norwegian law, in each case as in effect as at the date of this Offering Circular.

No assurance can be given as to the impact of any possible judicial decision or change to English or Norwegian law or administrative practice after the date of this Offering Circular.

### *Trading in the clearing systems.*

In relation to any issue of Notes which have a minimum denomination and are tradeable in the clearing systems in amounts above such minimum denomination which are smaller than it, should definitive Notes be required to be issued, a holder who does not have an integral multiple of the minimum denomination in his account with the relevant clearing system at the relevant time may not receive all of his entitlement in the form of definitive Notes unless and until such time as his holding becomes an integral multiple of the minimum denomination.

*Because the Global Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer and payment.*

Notes (other than VPS Notes) issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depository or common safekeeper for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

While the Notes are represented by one or more Global Notes the Issuer will discharge its payment obligations under the Notes by making payments to the common depository or common safekeeper for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes will not have a direct right under the Global Notes to take enforcement action against the Issuer in the event of a default under the relevant Notes but will have to rely upon their rights under the Deed of Covenant.

### ***Risks related to the market generally***

Set out below is a description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk.

*The secondary market generally.*

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

*Exchange rate risks and exchange controls.*

The Issuer will pay principal and interest on the Notes and the Guarantor will make any payments under the Guarantee in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

*Interest rate risks.*

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

*Credit ratings may not reflect all risks.*

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. Purchasers of the Notes rely on the creditworthiness of the Issuer and, if applicable, the Guarantor and no other person. Investment in the Notes involves the risk that subsequent changes in actual or perceived creditworthiness of Statoil may adversely affect the market value of the securities.

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**) from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in

accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended).

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Offering Circular and have been approved by the UK Listing Authority or filed with it shall be incorporated in, and form part of, this Offering Circular:

- (a) the reports of the auditor and the consolidated audited annual financial statements for the financial years ended 31 December 2016 and 31 December 2015 of Statoil ASA contained on pages 119-189 (inclusive) of Statoil ASA's Annual Report and Form 20-F for the year ended 31 December 2016 which were prepared under International Financial Reporting Standards as issued by the International Accounting Standards Board and International Financial Reporting Standards as adopted by the EU;
- (b) the management's report and the auditor's report on Statoil ASA's internal controls over financial reporting as at 31 December 2016 contained on pages 103 and 190, respectively, of Statoil ASA's Annual Report and Form 20-F for the year ended 31 December 2016;
- (c) the unaudited condensed consolidated interim financial statements of Statoil ASA for the period ended 31 March 2017 – 1st quarter 2017 contained on pages 8 to 18 (inclusive) of Statoil ASA's Financial statements and review – 1st quarter 2017 which were prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as issued by the International Accounting Standards Board and as adopted by the EU;
- (d) the reports of the auditor and the non-consolidated audited annual financial statements for the financial years ended 31 December 2016 and 31 December 2015 of Statoil Petroleum AS which were prepared in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway;
- (e) the Terms and Conditions of the Notes set out on pages 43 to 64 (inclusive) of the Offering Circular dated 1 June 2011;
- (f) the Terms and Conditions of the Notes set out on pages 43 to 64 (inclusive) of the Offering Circular dated 14 May 2012;
- (g) the Terms and Conditions of the Notes set out on pages 42 to 66 (inclusive) of the Offering Circular dated 15 August 2013;
- (h) the Terms and Conditions of the Notes set out on pages 42 to 68 (inclusive) of the Offering Circular dated 5 December 2013;
- (i) the Terms and Conditions of the Notes set out on pages 45 to 71 (inclusive) of the Offering Circular dated 9 February 2015;
- (j) the Terms and Conditions of the Notes other than VPS Notes set out on pages 48 to 74 (inclusive) and the Terms and Conditions of the VPS Notes set out on pages 75 to 98 (inclusive) of the Offering Circular dated 5 February 2016; and

- (k) the Terms and Conditions of the Notes other than VPS Notes set out on pages 46 to 72 (inclusive) and the Terms and Conditions of the VPS Notes set out on pages 73 to 96 (inclusive) of the Offering Circular dated 28 October 2016.

Following the publication of this Offering Circular a supplement may be prepared by the Issuer and approved by the UK Listing Authority in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Offering Circular or in a document which is incorporated by reference in this Offering Circular (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Circular.

Copies of documents incorporated by reference in this Offering Circular are available for viewing on the website of the Issuer (<https://www.statoil.com/content/dam/statoil/documents/annual-reports/2016/statoil-2016-annualreport-20-F.pdf.pdf>, <https://www.statoil.com/content/dam/statoil/documents/quarterly-reports/2017/q1-2017/statoil-financial-statements-and-review-q1-2017.pdf>, <https://www.statoil.com/content/dam/statoil/documents/debt-and-credit-ir/statoil-petroleum-2016.pdf> and <https://www.statoil.com/en/investors/our-debt-and-credit-ratings.html>) and can be obtained from the registered offices of the Issuer and the Guarantor and from the specified offices of the Paying Agents for the time being in London and Luxembourg.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Offering Circular shall not form part of this Offering Circular.

The Issuer and the Guarantor will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Offering Circular which is capable of affecting the assessment of any Notes, prepare a supplement to this Offering Circular or publish a new Offering Circular for use in connection with any subsequent issue of Notes. The Issuer and the Guarantor have undertaken to the Dealers in the Programme Agreement (as defined in "*Subscription and Sale*") that they will each comply with section 87G of the Financial Services and Markets Act 2000.

Certain information contained in the documents listed above has not been incorporated by reference in this Offering Circular. Such information is either (i) not considered by the Issuer to be relevant for prospective investors in the Notes to be issued under the Programme or (ii) is covered elsewhere in this Offering Circular.

## FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons and/or talons attached or, in the case of VPS Notes, uncertificated book entry form.

### **Bearer Notes**

Each Tranche of Notes other than VPS Notes will be in bearer form and will be initially issued in the form of a temporary global note (a **Temporary Global Note**) which will:

- (i) if the Global Notes are intended to be issued in new global note (**NGN**) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**); and
- (ii) if the Global Notes are not intended to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche to a common depository (the **Common Depository**) for, Euroclear and Clearstream, Luxembourg.

Where the Global Notes issued in respect of any Tranche are in NGN form, the relevant clearing system(s) will be notified whether or not such Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

Whilst any Note is represented by a Temporary Global Note, payments of principal and interest (if any) due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Note if the Temporary Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Agent. Any reference in this section "*Form of the Notes*" to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearance system approved by the Issuer and the Agent.

On and after the date (the **Exchange Date**) which is the later of (i) 40 days after the Temporary Global Note is issued and (ii) 40 days after the completion of distribution of all the Notes is certified to the Agent (the **Distribution Compliance Period**), interests in any Temporary Global Note issued will be exchangeable (free of charge) upon a request as described therein either for interests in a permanent global Note without interest coupons or talons (a **Permanent Global Note**) or for definitive Notes in bearer form with, where applicable, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Final Terms) in each case against certification of beneficial ownership as described in the second sentence of the immediately preceding paragraph unless such

certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest or principal due on or after the Exchange Date unless upon due certification exchange of the Temporary Global Note is improperly withheld or refused. Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Notes other than VPS Notes*" below) the Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a temporary common code and ISIN by Euroclear and Clearstream, Luxembourg which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the Distribution Compliance Period applicable to the Notes of such Tranche.

Payments of principal and interest (if any) on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Global Note if the Permanent Global Note is not intended to be issued in NGN form) without any requirement for certification.

The applicable Final Terms will specify that, a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, interest coupons and talons attached upon either (a) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Agent as described therein or (b) only the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 9 of the Terms and Conditions of the Notes other than VPS Notes) has occurred and is continuing or (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for a continuous period of 14 days (other than by reason of holiday statutory or otherwise) or have announced an intention permanently to cease business, or have in fact done so and no successor clearing system is available. The Issuer will promptly give notice to the Noteholders in accordance with Condition 13 of the Terms and Conditions of the Notes other than VPS Notes if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global note) may give notice to the Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Agent. Global Notes and definitive Notes will be issued pursuant to the Agency Agreement.

The exchange of a Permanent Global Note for definitive Notes upon notice from Euroclear and/or Clearstream (acting on the instructions of any holder) or at any time at the request of the Issuer should not be expressed to be applicable in the applicable Final Terms if the Notes are issued with a minimum Specified Denomination such as €100,000 (or its equivalent in another currency) plus one or more higher integral multiples of another smaller amount such as €1,000 (or its equivalent in another currency). Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for definitive Notes.

The following legend will appear on all Notes (other than Temporary Global Notes), receipts and interest coupons relating to such Notes where TEFRA D is specified in the applicable Final Terms:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS,

INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(J) AND 1287(A) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of Notes or interest coupons.

A Note may be accelerated automatically by the holder thereof in certain circumstances described in "*Terms and Conditions of the Notes other than VPS Notes — Events of Default*". In such circumstances, where any Note is still represented by a Global Note and the global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the terms of such Global Note then from 8.00 p.m. (London time) on such day, holders of interests in such Global Note credited to their accounts with Euroclear and Clearstream, Luxembourg will become entitled to proceed directly against the Issuer or (in the case of Notes having the benefit of the Guarantee) the Guarantor on the basis of statements of account provided with Euroclear and Clearstream, Luxembourg, on and subject to the terms of a deed of covenant (such Deed of Covenant, as modified and/or restated and/or supplemented from time to time, the **Deed of Covenant**) dated 5 February 2016, executed by the Issuer.

### **VPS Notes**

Each Tranche of VPS Notes will be issued in uncertificated and dematerialised book entry form. Legal title to the VPS Notes will be evidenced by book entries in the records of the VPS. On the issue of such VPS Notes, the Issuer will send a letter to the VPS Trustee, with copies sent to the Agent and the VPS Agent (the **VPS Letter**), which letter will set out the terms of the relevant issue of VPS Notes in the form of a Final Terms supplement attached thereto. On delivery of a copy of such VPS Letter including the relevant Final Terms to the VPS and notification to the VPS of the subscribers and their VPS account details by the relevant Dealer, the account operator acting on behalf of the Issuer will credit each subscribing account holder with the VPS with a nominal amount of VPS Notes equal to the nominal amount thereof for which it has subscribed and paid.

Settlement of sale and purchase transactions in respect of VPS Notes in the VPS will take place two Oslo business days after the date of the relevant transaction. Transfers of interests in the relevant VPS Notes will only take place in accordance with the rules and procedures for the time being of the VPS.

VPS Notes may not be exchanged for bearer Notes and vice versa.

The VPS Notes must comply with the Norwegian Securities Register Act of 5 July 2002 no. 64, as amended from time to time, and the holders of VPS Notes will be entitled to the rights and subject to the obligations and liabilities which arise under this act and any related regulations and legislation.

The registration of VPS Notes in the VPS as well as the recording and transfer of ownership to, and other interests in, VPS Notes will be governed by, and construed in accordance with, Norwegian law.

**General**

Any reference herein to Euroclear and/or Clearstream, Luxembourg and/or VPS shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

## FORM OF FINAL TERMS

The Final Terms applicable to each Tranche of Notes will be in the following form and will contain such information as is applicable in respect of such Notes:

**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS –** The Notes[, from 1 January 2018,]<sup>1</sup> are not intended to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (**MiFID II**); (ii) a customer within the meaning of Directive 2002/92/EC (**IMD**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the **Prospectus Directive**). Consequently no key information document required by Regulation (EU) No 1286/2014 (the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]<sup>2</sup>

[Date]

### STATOIL ASA

#### [Guaranteed by STATOIL PETROLEUM AS]

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
Issued pursuant to the €20,000,000,000  
Euro Medium Term Note Programme

#### PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the [Terms and Conditions of the Notes other than VPS Notes][Terms and Conditions of the VPS Notes] set forth in the Offering Circular dated 5 May 2017 [and the supplement[s] to it dated [Date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular. Full information on the Issuer[, the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. The Offering Circular is available for viewing during normal business hours at and copies may be obtained from the registered offices of the Issuer [and the Guarantor] and from the specified office of each of the Paying Agents. In addition, the Offering Circular has been published on the website of the London Stock Exchange through a regulatory information service (<http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>).]

[Terms used herein shall be deemed to be defined as such for the purposes of the [Terms and Conditions of the Notes other than VPS Notes][Terms and Conditions of the VPS Notes]

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<sup>1</sup> This date reference should not be included in Final Terms for offers concluded on or after 1 January 2018.

<sup>2</sup> Legend to be included on front of the Final Terms (i) for offers concluded on or after 1 January 2018 if the Notes potentially constitute “packaged” products and no key information document will be prepared or the issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be “Applicable” (ii) for offers concluded before 1 January 2018 at the option of the parties.

(the **Conditions**) set forth in an Offering Circular dated [ ], which Conditions are incorporated by reference in the Offering Circular dated 5 May 2017. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular dated 5 May 2017 [and the supplement[s] to it dated [Date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. Full information on the Issuer[, the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular dated 5 May 2017. Copies of such Offering Circulars are available for viewing during normal business hours at and copies may be obtained from the registered offices of the Issuer [and the Guarantor] and from the specified office of each of the Paying Agents. In addition, the Offering Circular has been published on the website of the London Stock Exchange through a regulatory information service (<http://www.londonstockexchange.com/exchange/news/market-news/marketnews-home.html>).]

- |    |        |   |  |
|----|--------|---|--|
| 1. | (i)    | <b>Issuer:</b>  | Statoil ASA  |
|    | [(ii)] | <b>[Guarantor:</b>  | Statoil Petroleum AS]  |
| 2. | (i)    | <b>Series Number:</b>   | [ ]  |
|    | (ii)   | <b>Tranche Number:</b>  | [ ]  |
|    | (iii)  | <b>Date on which the Notes will be consolidated and form a single Series:</b> | The Notes will be consolidated and form a single Series with [ ] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 22 below , which is expected to occur on or about [ ]][Not Applicable] |
| 3. |        | <b>Specified Currency or Currencies:</b>                                      | [ ]  |
| 4. |        | <b>Aggregate Nominal Amount:</b>  |  |
|    | (i)    | <b>Series:</b>  | [ ]  |
|    | (ii)   | <b>Tranche:</b>   | [ ]  |
| 5. |        | <b>Issue Price:</b>   | [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [ ]]   |
| 6. | (i)    | <b>Specified Denominations:</b>   | [ ]  |
|    | (ii)   | <b>Calculation Amount:</b>  | [ ]  |
| 7. | [(i)]  | <b>Issue Date [and Interest Commencement Date]:</b>                           | [ ]  |
|    | [(ii)] | <b>Interest Commencement Date (if different from the Issue Date):</b>         | [ ]  |

8. **Maturity Date:** [ ]
9. **Interest Basis:** [[ ] per cent. Fixed Rate]  
[[LIBOR/EURIBOR/NIBOR/STIBOR] +/-  
[ ] per cent.  
Floating Rate]  
[Zero Coupon]  
(see paragraph [14]/[15]/[16] below)
10. **Redemption/Payment Basis:** Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [100] per cent. of their nominal amount
11. **Change of Interest Basis or Redemption/Payment Basis:** [ ] [Not Applicable]
12. **Put/Call Options:** [Investor Put]  
[Issuer Call]  
[Make-Whole Redemption]  
[(see paragraph [17]/[18]/[21] below)]
13. **Date [Board] approval for issuance of Notes [and Guarantee] obtained:** [ ] [Not Applicable]

#### Provisions Relating to Interest (if any) Payable

14. **Fixed Rate Note Provisions:** [Applicable/Not Applicable]
- (i) **Rate[(s)] of Interest:** [ ] per cent. per annum (payable [annually/semi-annually/quarterly/monthly] in arrear)
- (ii) **Interest Payment Date(s):** [[ ] in each year up to including the Maturity Date]
- (iii) **Fixed Coupon Amount[(s)]:** [ ] per Calculation Amount
- (iv) **Broken Amount[(s)]:** [[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]]  
[Not Applicable]
- (v) **Day Count Fraction:** [Actual/Actual (ICMA)]  
[30/360]
- (vi) **Determination Date(s):** [[ ] in each year] [Not Applicable]
15. **Floating Rate Note Provisions:** [Applicable/Not Applicable]
- (i) **Specified Period** [ ] [, subject to adjustment in accordance

- (s)/Specified Interest Payment Dates:** with the Business Day Convention set out in (ii) below /, not subject to adjustment, as the Business Day Convention in (ii) below is specified to be Not Applicable]
- (ii) Business Day Convention:** [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention] [Not Applicable]
- (iii) Additional Business Centre(s):** [ ]
- (iv) Manner in which the Rate of Interest and Interest Amount are to be determined:** [Screen Rate Determination/ISDA Determination]
- (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):** [ ]
- (vi) Screen Rate Determination:**
- **Reference Rate:** [[ ] month [ ] LIBOR/EURIBOR/NIBOR/STIBOR]
  - **Interest Determination Date(s):** [ ]
  - **Relevant Screen Page:** [ ]
- (vii) ISDA Determination:**
- **Floating Rate Option:** [ ]
  - **Designated Maturity:** [ ]
  - **Reset Dates:** [ ]
- (viii) Linear Interpolation:** [Not Applicable/Applicable - the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation]
- (ix) Margin(s):** [+/-] [ ] per cent. per annum
- (x) Minimum Rate of Interest:** [ ] per cent. per annum/ [Not Applicable]
- (xi) Maximum Rate of Interest:** [ ] per cent. per annum/ [Not Applicable]

(xii)	<b>Day Count Fraction:</b>	[Actual/Actual (ISDA)][Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360][360/360][Bond Basis] [30E/360][Eurobond Basis] [30E/360 (ISDA)]
16.	<b>Zero Coupon Note Provisions:</b>	[Applicable/Not Applicable]
(i)	<b>Accrual Yield:</b>	[ ] per cent. per annum
(ii)	<b>Reference Price:</b>	[ ]
(iii)	<b>Day Count Fraction:</b>	[30/360] [Actual/360] [Actual/365]

#### Provisions Relating to Redemption

17.	<b>Issuer Call:</b>	[Applicable/Not Applicable]
(i)	<b>Optional Redemption Date(s):</b>	[ ]
(ii)	<b>Optional Redemption Amount(s):</b>	[ ] per Calculation Amount
(iii)	<b>If redeemable in part:</b>	[Applicable/Not Applicable]
(a)	<b>Minimum Redemption Amount:</b>	[ ]
(b)	<b>Higher Redemption Amount:</b>	[ ]
18.	<b>Investor Put:</b>	[Applicable/Not Applicable]
(i)	<b>Optional Redemption Date(s):</b>	[ ]
(ii)	<b>Optional Redemption Amount(s):</b>	[ ] per Calculation Amount
19.	<b>Final Redemption Amount:</b>	[ ] per Calculation Amount
20.	<b>Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default:</b>	[ ] per Calculation Amount
21.	<b>Make-Whole Redemption:</b>	[Applicable/Not Applicable]
(i)	<b>Make-Whole Redemption Date(s):</b>	[ ]

- (ii) **Make-Whole Redemption Margin:** [[ ] basis points/Not Applicable]
- (iii) **Reference Bond:** [CA Selected Bond/[ ]]
- (iv) **Quotation Time:** [5.00 p.m. [Brussels/London/[ ]] time/Not Applicable]
- (v) **Reference Rate Determination Date:** [The [ ] Business Day preceding the relevant Make-Whole Redemption Date/Not Applicable]
- (vi) **If redeemable in part:** [Applicable/Not Applicable]
  - (a) **Minimum Redemption Amount:** [ ]
  - (b) **Maximum Redemption Amount:** [ ]
- (vii) **Notice periods (if other than as set out in the [Terms and Conditions of the Notes other than VPS Notes][Terms and Conditions of the VPS Notes]):** [ ]

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

### 22. Form of Notes:

- (i) **Form:**
  - [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for definitive Notes upon [not less than 60 days' notice] [only upon the occurrence of an Exchange Event]]
  - [Temporary Global Note exchangeable for definitive Notes on and after the Exchange Date]
  - [VPS Notes issued in uncertificated book entry form]
- (ii) **New Global Notes:** [Yes/No]
  - (If VPS Notes, must be "No")*

23. **Additional Financial Centre(s):** [ ] [Not Applicable]

24. **U.S. Selling Restrictions:** [Reg. S Compliance Category 2; TEFRA D/TEFRA C/TEFRA Not Applicable]

Signed on behalf of the Issuer

By: .....

Duly authorised

[Signed on behalf of the Guarantor:

By: .....

Duly authorised]

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Listing and admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the [London][Oslo] Stock Exchange's regulated market [and listed on the Official List of the UK Listing Authority] with effect from [ ].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the [London][Oslo] Stock Exchange's regulated market [and listed on the Official List of the UK Listing Authority] with effect from [ ].]
- (ii) Estimate of total expenses related to admission to trading: [ ]

### 2. RATINGS

- Ratings: [The Notes [have been][are expected to be] rated]:  
[Moody's: [ ]]  
[S&P: [ ]]  
  
[Not Applicable]

### 3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to [ ] (the [Dealer[s]/Manager[s]]) no person involved in the issue of the Notes has an interest material to the offer. [Manager[s]/Dealer[s]] and [its/their] affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and the Guarantor and their affiliates in the ordinary course of business.]

### 4. YIELD (*Fixed Rate Notes only*)

Indication of yield: [ ] per cent.

### 5. OPERATIONAL INFORMATION

- (i) ISIN Code: [ ]
- (ii) Common Code: [ ]
- (iii) Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream, Banking, société anonyme and the [ ] [Not Applicable]

VPS and the relevant identification number(s):

(iv) Delivery: Delivery [against/free of] payment

(v) Names and addresses of additional Paying Agent(s) (if any): [ ] [Not Applicable]

**6. Use of Proceeds** [ ]

**7. Distribution**

(i) Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]

*(If the offer of the Notes is concluded prior to 1 January 2018, or on and after that date the Notes clearly do not constitute “packaged” products, “Not Applicable” should be specified. If the offer of the Notes will be concluded on or after 1 January 2018 and the Notes may constitute “packaged” products and no key information document will be prepared, “Applicable” should be specified.)*

## TERMS AND CONDITIONS OF THE NOTES OTHER THAN VPS NOTES

*The following are the Terms and Conditions of the Notes other than VPS Notes which will be incorporated by reference into each global Note and each definitive Note, in the latter case only if permitted by the relevant stock exchange or listing authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each temporary global Note, permanent global Note and definitive Note. Reference should be made to "Form of Final Terms" above for a description of the content of Final Terms which will include certain terms used in the following Terms and Conditions or specify which of such terms are to apply in relation to the relevant Notes.*

This Note is one of a Series (as defined below) of Notes issued by Statoil ASA (the **Issuer**) pursuant to the Agency Agreement (as defined below).

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

- (i) in relation to any Notes represented by a global Note, units of each Specified Denomination in the Specified Currency;
- (ii) definitive Notes issued in exchange for a global Note; and
- (iii) any global Note.

The Notes and the Coupons (as defined below) also have the benefit of an amended and restated Agency Agreement (such Agency Agreement, as modified and/or restated and/or supplemented from time to time, the **Agency Agreement**) dated 5 May 2017 and made among the Issuer, Statoil Petroleum AS (the **Guarantor**), The Bank of New York Mellon as issuing and principal paying agent and agent bank (the **Agent**, which expression shall include any successor agent specified in the applicable Final Terms) and the other paying agents named therein (together with the Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents).

If so indicated in the applicable Final Terms, the Notes will have the benefit of the deed of guarantee executed by the Guarantor (such deed as modified and/or restated and/or supplemented from time to time, the **Guarantee**) dated 5 February 2016.

Interest bearing definitive Notes have interest coupons (**Coupons**) and in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note and complete these Terms and Conditions. References to the **applicable Final Terms** are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

Any reference to **Noteholders** shall mean the holders of the Notes, and shall, in relation to any Notes represented by a global Note, be construed as provided below. Any reference

herein to **Couponholders** shall mean the holders of any Coupons, and shall, unless the context otherwise requires, include the holders of any Talons.

As used herein, **Tranche** means all Notes with the same Issue Date and which are subject to the same Final Terms and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

The Noteholders and the Couponholders are entitled to the benefit of the Deed of Covenant (such Deed of Covenant, as modified and/or restated and/or supplemented from time to time, the **Deed of Covenant**) dated 5 February 2016 and made by the Issuer. The original of the Deed of Covenant is held by a common depository on behalf of Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Copies of the Agency Agreement and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Agent and the other Paying Agents. When the Notes are to be admitted to trading on the regulated market of the London Stock Exchange plc, the applicable Final Terms will be published on the website of the London Stock Exchange plc through a regulatory information service. The applicable Final Terms will, during normal business hours, be available for viewing at and copies may be obtained from the registered office of the Issuer and from the specified office of each of the Paying Agents by a Noteholder upon such Noteholder producing evidence satisfactory to the relevant Paying Agent as to identity. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement and the applicable Final Terms which are applicable to them.

Words and expressions defined in the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

## 1. Form, Denomination and Title

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the currency (the **Specified Currency**) and the denominations (the **Specified Denomination(s)**) specified in the applicable Final Terms. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

Definitive Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Terms and Conditions are not applicable.

Subject as set out below, title to the Notes and Coupons will pass by delivery. The Issuer, the Guarantor, and any Paying Agent may deem and treat the bearer of any Note or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a global Note held on behalf of Euroclear Bank S.A./N.V. (**Euroclear**) and/or Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**) each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor (in the case of Notes having the benefit of the Guarantee), the Agent and any other Paying Agent as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant global Note shall be treated by the Issuer, the Guarantor (in the case of Notes having the benefit of the Guarantee), the Agent and any other Paying Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly. Notes which are represented by a global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear or of Clearstream, Luxembourg, as the case may be.

## **2. Status of the Notes and the Guarantee**

### **(a) Status of the Notes**

The Notes and the relative Coupons (if any) constitute (subject to Condition 3) unsecured and unsubordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the relative Coupons (if any) shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 3, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

### **(b) Status of Guarantee**

The obligations of the Guarantor under the Guarantee constitute (subject to Condition 3 below) unsecured and unsubordinated obligations of the Guarantor and shall at all times rank *pari passu* and without any preference among themselves and (with the exception of obligations in respect of national and local taxes and certain other statutory exceptions and subject as aforesaid) at least equally with all its other present and future unsecured and unsubordinated obligations.

## **3. Negative Pledge**

### **(a) So long as any Note or Coupon remains outstanding (as defined in the Agency Agreement):**

- (i)** the Issuer and (in the case of Notes having the benefit of the Guarantee) the Guarantor will not create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest (**Security**) upon the whole or any part of its undertaking, assets or revenues present or future to secure any of its Relevant Debt, or any guarantee of or indemnity in respect of any Relevant Debt of any other person; or

- (ii) the Issuer and (in the case of Notes having the benefit of the Guarantee) the Guarantor will procure that no other person creates or permits to subsist any Security upon the whole or any part of the undertaking, assets or revenues present or future of that other person to secure any of the Issuer's or Guarantor's (in the case of Notes having the benefit of the Guarantee) Relevant Debt, or any guarantee of or indemnity in respect of any of the Issuer's or Guarantor's (in the case of Notes having the benefit of the Guarantee) Relevant Debt; or
- (iii) the Issuer and (in the case of Notes having the benefit of the Guarantee) the Guarantor will procure that no other person gives any guarantee of, or indemnity in respect of, any of its Relevant Debt,

unless, at the same time or prior thereto, the Issuer's obligations under the Notes and Coupons or (in the case of Notes having the benefit of the Guarantee) the Guarantor's obligations under the Guarantee (if any):

- (aa) are secured equally and rateably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be; or
- (ab) have the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders.

(b) For the purposes of this Condition:

**Relevant Debt** means any present or future indebtedness in the form of, or represented by, bonds, notes, debentures, loan stock or other securities which are for the time being, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market.

#### 4. Interest

(a) *Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest payable in arrear on the Interest Payment Date(s) in each year and on the Maturity Date if that does not fall on an Interest Payment Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount(s) so specified.

As used in these Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where a Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note; or
- (B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

In these Conditions, **Day Count Fraction** means, in respect of the calculation of an amount of interest in accordance with this Condition 4(a):

- (i) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms:
  - (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the Accrual Period) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
  - (b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; and
    - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if "30/360" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these conditions:

**Determination Period** means each period from (and including) a Determination Date to but excluding the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing

on the first Determination Date prior to, and ending on the first Determination Date following after, such date); and

**sub-unit** means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

(b) *Interest on Floating Rate Notes*

(i) *Interest Payment Dates*

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (A) the Specified Interest Payment Date(s) (each an Interest Payment Date) in each year specified in the applicable Final Terms; or
- (B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each an "Interest Payment Date") which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression, shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day convention specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 4(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls in the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In this Condition, **Business Day** means a day which is:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in any Additional Business Centre (other than TARGET2 System) specified in the applicable Final Terms;
- (B) if TARGET2 System is specified as an Additional Business Centre in the applicable Final Terms, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open; and
- (C) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is New Zealand dollars shall be Auckland) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

(ii) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (A), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions as amended and updated as at the Issue Date of the first Tranche of the Notes, published by the International Swaps and Derivatives Association, Inc. (the **ISDA Definitions**) and under which:

- (1) the Floating Rate Option is as specified in the applicable Final Terms;
- (2) the Designated Maturity is a period specified in the applicable Final Terms; and
- (3) the relevant Reset Date is the day specified in the applicable Final Terms.

For the purposes of this sub-paragraph (A), (i) **Floating Rate, Calculation Agent, Floating Rate Option, Designated Maturity and Reset Date** have the meanings given to those terms in the ISDA Definitions, (ii) the definition of **Banking Day** in the ISDA Definitions shall be amended to insert after the words "are open for" in the second line, the word "general" and (iii) **Euro-zone** means the region comprised of Member States of the European Union that adopt the single currency in accordance with the Treaty.

*(B) Screen Rate Determination for Floating Rate Notes*

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR or EURIBOR or NIBOR or STIBOR, in each case for the relevant currency and/or period, all as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at the Specified Time on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of Condition 4(b)(ii)(B)(1), no such offered quotation appears or, in the case of Condition 4(b)(ii)(B)(2), fewer than three such offered quotations appear, in each case as at the time specified in Condition 4(b)(ii)(B) the Agent shall request each of the Reference Banks to provide the Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of such offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Agent with such offered quotations as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the Norwegian inter-bank market (if the Reference Rate is NIBOR) or the Stockholm inter-bank market (if the Reference Rate is STIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is

LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the Norwegian inter-bank market (if the Reference Rate is NIBOR) or the Stockholm inter-bank market (if the Reference Rate is STIBOR) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period).

**Reference Banks** means, in the case of Condition 4(b)(ii)(B)(1) above, those banks whose offered rates were used to determine such quotation when such quotation last appeared on the Relevant Screen Page and, in the case of Condition 4(b)(ii)(B)(2) above, those banks whose offered quotations last appeared on the Relevant Screen Page when no fewer than three such offered quotations appeared.

**Specified Time** means 11.00 a.m. (London time) if the Reference Rate is LIBOR, 11.00 a.m. (Brussels time) if the Reference Rate is EURIBOR, 11.00 a.m. (Stockholm time) if the Reference Rate is STIBOR or 12.00 noon (Oslo time) if the Reference Rate is NIBOR.

*(iii) Minimum and/or Maximum Rate of Interest*

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest. If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

*(iv) Determination of Rate of Interest and Calculation of Interest Amounts*

The Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or
- (B) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

**Day Count Fraction** means, in respect of the calculation of an amount of interest in accordance with this Condition 4:

- (i) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if "Actual/365 (Sterling)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{DayCountFraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- (vi) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{DayCountFraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D<sub>2</sub> will be 30;

- (vii) if "30E/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{DayCountFraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31 and D<sub>2</sub> will be 30.

(v) *Linear Interpolation*

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

**Designated Maturity** means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(vi) *Notification of Rate of Interest and Interest Amounts*

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 13 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 13. For the purposes of this paragraph, the expression "London Business Day" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(vii) *Certificates to be Final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(b) by the Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor (in the case of Notes having the benefit of the Guarantee), the Agent, the other Paying Agents and all Noteholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Guarantor (in the case of Notes having the benefit of the Guarantee), the Noteholders or the Couponholders shall attach to the Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) *Accrual of Interest*

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (i) the date on which all amounts due in respect of such Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 13.

## **5. Payments**

### *(a) Method of Payment*

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by transfer to an account in the relevant Specified Currency maintained by the payee with, or at the option of the payee by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is New Zealand dollars, shall be Auckland); and
- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7.

### *(b) Presentation of definitive Notes and Coupons*

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive form should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached)

shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

*(c) Payments in respect of global Notes*

Payments of principal and interest (if any) in respect of Notes represented by any global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes or otherwise in the manner specified in the relevant global Note, where applicable against presentation or surrender, as the case may be, of such global Note at the specified office of any Paying Agent outside the United States.

A record of each payment made against presentation or surrender of such global Note, distinguishing between any payment of principal and any payment of interest, will be made on such global Note either by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

*(d) General provisions applicable to payments*

The holder of a global Note shall be the only person entitled to receive payments in respect of Notes represented by such global Note and the Issuer or, as the case may be, the Guarantor will be discharged by payment to, or to the order of, the holder of such global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer or, as the case may be, the Guarantor to, or to the order of, the holder of such global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the Guarantor (in the case of Notes having the benefit of the Guarantee), adverse tax consequences to the Issuer and the Guarantor (in the case of Notes having the benefit of the Guarantee).

(e) *Payment Day*

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 8) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
  - (a) in the case of Notes in definitive form only, the relevant place of presentation;
  - (b) each Additional Financial Centre (other than TARGET2 System) specified in the applicable Final Terms;.
- (ii) if TARGET2 System is specified as an Additional Financial Centre in the applicable Final Terms, a day on which the TARGET2 System is open; and
- (iii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is New Zealand dollars shall be Auckland) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

(f) *Interpretation of Principal and Interest*

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 7;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) the Make-Whole Redemption Amount(s) (if any) of the Notes;
- (vi) in relation to Zero Coupon Notes, the Amortised Face Amount; and
- (vii) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7.

## **6. Redemption and Purchase**

### *(a) At Maturity*

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

### *(b) Redemption for Tax Reasons*

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), if:

- (i) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 or (in the case of Notes having the benefit of the Guarantee) the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Norway or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first Tranche of the Notes; and
- (ii) such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor (in the case of Notes having the benefit of the Guarantee) taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days (or, in the case of Floating Rate Notes, a number of days which is equal to the aggregate of the number of days falling within the then current interest period applicable to the Floating Rate Notes plus 60 days) prior to the earliest date on which the Issuer or, as the case may be, the Guarantor (in the case of Notes having the benefit of the Guarantee) would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition 6(b), the Issuer shall deliver to the Agent a certificate signed by two directors of the Issuer or, as the case may be, two directors of the Guarantor (in the case of Notes having the benefit of the Guarantee) stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the Guarantor (in the case of Notes having the benefit of the Guarantee) has or will become obliged to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this Condition 6(b) will be redeemed at their Early Redemption Amount referred to in paragraph (f) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

### *(c) Redemption at the Option of the Issuer (Issuer Call)*

If Issuer Call is specified in the applicable Final Terms, the Issuer shall, having given:

- (i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 13; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Agent;

(which notices shall be irrevocable), redeem all or, if so specified in the applicable Final Terms, some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than a Higher Redemption Amount in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) in the case of Redeemed Notes represented by a global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 13 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 13 at least 15 days prior to the Selection Date.

(d) *Make-Whole Redemption*

If Make-Whole Redemption is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than 30 nor more than 60 days' notice (or such other notice period as may be specified in the applicable Final Terms) to the Noteholders in accordance with Condition 13 (which notice shall be irrevocable and shall specify the date fixed for redemption (the **Make-Whole Redemption Date**)), redeem all or (if redemption in part is specified as being applicable in the applicable Final Terms) some only of the Notes then outstanding on any Make-Whole Redemption Date and at the Make-Whole Redemption Amount together, if appropriate, with interest accrued to (but excluding) the relevant Make-Whole Redemption Date. If redemption in part is specified as being applicable in the applicable Final Terms, any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount in each case as may be specified in the applicable Final Terms.

In the case of a partial redemption of Notes, the Redeemed Notes will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), in the case of Redeemed Notes represented by a Global Note, on a Selection Date not more than 30 days prior to the Make-Whole Redemption Date. In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 13 not less than 15 days prior to the Make-Whole Redemption Date. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection

Date to (and including) the Make-Whole Redemption Date pursuant to this paragraph (d) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 13 at least 15 days prior to the Selection Date.

In this Condition 6(d), **Make-Whole Redemption Amount** means (A) the outstanding principal amount of the relevant Note or (B) if higher, the sum, as determined by the Calculation Agent, of the present values of the remaining scheduled payments of principal and interest on the Notes to be redeemed (not including any portion of such payments of interest accrued to the date of redemption) discounted to the Make-Whole Redemption Date on an annual basis at the Reference Rate plus the Make-Whole Redemption Margin specified in the applicable Final Terms, where:

**CA Selected Bond** means a government security or securities (which, if the Specified Currency is euro, will be a German Bundesobligationen) selected by the Calculation Agent as having a maturity comparable to the remaining term of the Notes to be redeemed that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Notes;

**Calculation Agent** means an independent investment, merchant or commercial bank or financial institution selected by the Issuer for the purposes of calculating the Make-Whole Redemption Amount, and notified to the Noteholders in accordance with Condition 13;

**Reference Bond** means (A) if CA Selected Bond is specified in the applicable Final Terms, the relevant CA Selected Bond or (B) if CA Selected Bond is not specified in the applicable Final Terms, the security specified in the applicable Final Terms, provided that if the Calculation Agent advises the Issuer that, for reasons of illiquidity or otherwise, the relevant security specified is not appropriate for such purpose, such other central bank or government security as the Calculation Agent may, with the advice of Reference Market Makers, determine to be appropriate;

**Reference Bond Price** means (i) the average of three Reference Market Maker Quotations for the relevant Make-Whole Redemption Date, after excluding the highest and lowest Reference Market Maker Quotations, (ii) if the Calculation Agent obtains fewer than three, but more than one, such Reference Market Maker Quotations, the average of all such quotations, or (iii) if only one such Reference Market Maker Quotation is obtained, the amount of the Reference Market Maker Quotation so obtained;

**Reference Market Maker Quotations** means, with respect to each Reference Market Maker and any Make-Whole Redemption Date, the average, as determined by the Calculation Agent, of the bid and asked prices for the Reference Bond (expressed in each case as a percentage of its principal amount) quoted in writing to the Calculation Agent at the Quotation Time specified in the applicable Final Terms on the Reference Rate Determination Day specified in the applicable Final Terms;

**Reference Market Makers** means three brokers or market makers of securities such as the Reference Bond selected by the Calculation Agent or such other three persons operating in the market for securities such as the Reference Bond as are selected by the Calculation Agent in consultation with the Issuer; and

**Reference Rate** means, with respect to any Make-Whole Redemption Date, the rate per annum equal to the equivalent yield to maturity of the Reference Bond, calculated using a price for the Reference Bond (expressed as a percentage of its principal amount) equal to the Reference Bond Price for such Make-Whole Redemption Date. The Reference Rate will

be calculated on the Reference Rate Determination Day specified in the applicable Final Terms.

*(e) Redemption at the Option of the Noteholders (Investor Put)*

If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 13 not less than 15 nor more than 30 days' notice the Issuer will, upon the expiry of such notice, redeem, in whole (but not in part), such Note on the Optional Redemption Date and at the Optional Redemption Amount specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

If this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must deliver such Note at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, accompanied by a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a **Put Notice**) and in which the holder must specify a bank account (or, if payment is by cheque, an address) to which payment is to be made under this Condition accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Note pursuant to this paragraph shall be irrevocable except where prior to the due date of redemption an Event of Default shall have occurred and be continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this paragraph and instead to declare such Note forthwith due and payable pursuant to Condition 9.

*(f) Early Redemption Amounts*

For the purpose of paragraph (b) above and Condition 9, the Notes will be redeemed at the Early Redemption Amount calculated as follows:

- (i) in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (ii) in the case of Notes (other than Zero Coupon Notes) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the Final Terms, at their nominal amount; or
- (iii) in the case of Zero Coupon Notes, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (\text{I} + \text{AY})^y$$

where:

**RP** means the Reference Price;

**AY** means the Accrual Yield expressed as a decimal; and

**y** is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360 day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360 (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

*(g) Purchases*

The Issuer or the Guarantor (in the case of Notes having the benefit of the Guarantee) may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer or the Guarantor (in the case of Notes having the benefit of the Guarantee), surrendered to any Paying Agent for cancellation.

*(h) Cancellation*

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and the Notes purchased and cancelled pursuant to paragraph (g) above (together with all unmatured Coupons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

*(i) Late payment on Zero Coupon Notes*

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c), (d) or (e) above or upon its becoming due and repayable as provided in Condition 9 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (f)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

- (ii) five days after the date on which the full amount of the moneys payable has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 13.

## 7. Taxation

All payments of principal and interest in respect of the Notes and Coupons by the Issuer or (in the case of Notes having the benefit of the Guarantee) the Guarantor shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Kingdom of Norway or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In such event, the Issuer or, as the case may be, the Guarantor (in the case of Notes having the benefit of the Guarantee) shall pay such additional amounts as will result in receipt by the holders of the Notes or Coupons of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note or Coupon:

- (a) presented for payment in the Kingdom of Norway; or
- (b) the holder of which is liable for such taxes duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with the Kingdom of Norway other than the mere holding of such Note or Coupon; or
- (c) presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment on such thirtieth day.

In addition, any amounts to be paid on the Notes will be paid net of any deduction or withholding imposed or required pursuant to sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (or any regulations thereunder or official interpretations thereof) (**FATCA**) or any intergovernmental agreement with the United States to implement FATCA (**IGA**) (or any law implementing such an intergovernmental agreement), and no additional amounts will be required to be paid on account of any such deduction or withholding.

**Relevant Date** means whichever is the later of (i) the date on which such payment first becomes due and (ii) if the full amount payable has not been received by the Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 13.

## 8. Prescription

The Notes and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5(b) or any Talon which would be void pursuant to Condition 5(b).

## 9. Events of Default

If any one or more of the following events (each an **Event of Default**) shall occur and is continuing:

- (a) the Issuer or (in the case of Notes having the benefit of the Guarantee) the Guarantor fails to pay any principal or interest on any of the Notes when due and such failure continues, in the case of interest, for a period of 30 days; or
- (b) the Issuer or (in the case of Notes having the benefit of the Guarantee) the Guarantor does not perform or comply with any one or more of its other obligations in the Notes which default is incapable of remedy or is not remedied within 90 days after notice of such default shall have been given to the Agent at its specified office by any Noteholder; or
- (c)
  - (i) there shall have been accelerated because of default the maturity of any other present or future indebtedness in respect of moneys borrowed or raised of the Issuer or (in the case of Notes having the benefit of the Guarantee) the Guarantor; or
  - (ii) any such indebtedness is not paid at final maturity (as extended by any applicable grace period); or
  - (iii) the Issuer or (in the case of Notes having the benefit of the Guarantee) the Guarantor fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised,

provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(c) have occurred equals or exceeds US\$50,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this Condition 9(c) operates);

- (d) the Issuer or (in the case of Notes having the benefit of the Guarantee) the Guarantor is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or (in the case of Notes having the benefit of the Guarantee) the Guarantor; or
- (e) an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer, the Guarantor or any Principal Subsidiary, or the Issuer or (in the case of Notes having the benefit of the Guarantee) the Guarantor ceases or threatens to cease to carry on all or substantially all of its business or operations, except:
  - (i) in the case of an Asset Transfer, provided that the Subsidiary to which the undertaking of assets are transferred, unconditionally and irrevocably guarantees the obligations of the Issuer under the Notes and Coupons pursuant to a guarantee in the form of a deed poll to be dated on or about the date of the Asset Transfer in the form substantially the same as the Guarantee; or

- (ii) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation:
  - (a) on terms approved by an Extraordinary Resolution of the Noteholders; or
  - (b) in the case of a Principal Subsidiary, whereby the undertaking and assets of the Principal Subsidiary are transferred to or otherwise vested in the Issuer or (in the case of Notes having the benefit of the Guarantee) the Guarantor (as the case may be) or another of their Subsidiaries; or
- (f) if the Guarantee ceases to be, or is claimed by the Issuer or the Guarantor not to be, in full force and effect; or
- (g) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in (d) to (f) above,

then any Note may, by notice given in writing to the Agent at its specified office by the holder be declared immediately due and payable whereupon it shall become immediately due and payable at the Early Redemption Amount (as described in Condition 6(f)), together with accrued interest (if any) to the date of repayment, without further formality unless such Event of Default shall have been remedied prior to the receipt of such notice by the Agent.

As used herein:

**Asset Transfer** means, at any particular time, any transfer or transfers by the Issuer or the Guarantor of all or a material part of the business or operations of the Issuer or, as the case may be, the Guarantor to a Subsidiary of the Issuer;

**Principal Subsidiary** means at any particular time, a Subsidiary whose total assets represent not less than 10 per cent of the consolidated total assets of the Issuer and its consolidated Subsidiaries as shown by the latest consolidated balance sheet of the Issuer; and

**Subsidiary** means, at any particular time, a company of which the Issuer or (in the case of Notes having the benefit of the Guarantee) the Guarantor directly or indirectly owns or controls at least a majority of the outstanding voting stock giving power to elect a majority of the Board of Directors of such company.

## **10. Replacement of Notes, Coupons and Talons**

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent or any Replacement Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

## **11. Agent and Paying Agents**

The names of the initial Agent and the other initial Paying Agents and their initial specified offices are set out below.

The Issuer and the Guarantor (in the case of Notes having the benefit of the Guarantee) is entitled to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

- (i) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;
- (ii) there will at all times be a Paying Agent with a specified office outside Norway; and
- (iii) there will at all times be an Agent.

In addition, the Issuer and the Guarantor (in the case of Notes having the benefit of the Guarantee) shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the final paragraph of Condition 5(d). Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly by the issuer in accordance with Condition 13.

## **12. Exchange of Talons**

On and after the Interest Payment Date, on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 8.

## **13. Notices**

All notices regarding the Notes shall be published in a leading English language daily newspaper of general circulation in London. It is expected that such publication will be made in the Financial Times or any other daily newspaper in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in both newspapers, on the date of the first publication in both such newspapers.

Until such time as any definitive Notes are issued, there may (provided that, in the case of Notes listed on any stock exchange or admitted to trading by another relevant authority, such stock exchange or relevant authority permits), so long as the global Note(s) is or are held in its/their entirety on behalf of Euroclear and Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the holders of the Notes. Any such notice shall be deemed to have been given to the holders of the Notes on the second day after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

Notices to be given by any holder of the Notes shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a global Note, such notice may be given by any holder of a Note to the Agent via Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

#### 14. Meetings of Noteholders, Modification and Waiver

The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions. Such a meeting may be convened by Noteholders holding not less than 10 per cent in nominal principal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Notes or the dates on which interest is payable in respect of the Notes, (ii) to reduce or cancel the principal amount of interest on the Notes, (iii) to change the currency of payment of the Notes or the Coupons, (iv) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, or (v) to modify or cancel the obligations of the Guarantor under the Guarantee, in which case the necessary quorum will be two or more persons holding or representing not less than 75 per cent, or at any adjourned meeting not less than 25 per cent, in principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Agent, the Issuer and (in the case of Notes having the benefit of the Guarantee) the Guarantor may agree, without the consent of the Noteholders or Couponholders, to:

- (i) any modification (except as mentioned above) of the Agency Agreement which is not prejudicial to the interests of the Noteholders; or
- (ii) any modification of the Notes, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law of the jurisdiction in which the Issuer is incorporated.

Any such modification shall be binding on the Noteholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 13 as soon as practicable thereafter.

#### 15. Substitution

The Issuer, or any previously substituted company, may at any time, without the consent of the Noteholders or the Couponholders, substitute for itself as principal debtor under the Notes and the Coupons a company (the **Substitute**) as principal debtor under the Notes or Coupons in the manner specified in Schedule 6 to the Agency Agreement, provided that no payment in respect of the Notes or the Coupons is at the relevant time overdue. The substitution shall be made by a deed poll (the **Deed Poll**), to be substantially in the form exhibited to the Agency Agreement, and may take place only if:

- (i) the Substitute shall, by means of the Deed Poll, agree to indemnify each Noteholder and Couponholder against any tax, duty, assessment or governmental charge which is imposed on it by (or by any authority in or of) the jurisdiction of the country of the Substitute's residence for tax purposes and/or, if different, of its incorporation with respect to any Note or Coupon and which would not have been so imposed had the

substitution not been made, as well as against any tax, duty, assessment or governmental charge, and any cost or expense, relating to the substitution;

- (ii) the obligations of the Substitute under the Deed Poll, the Notes and the Coupons shall be unconditionally and irrevocably guaranteed by the Issuer by means of the Deed Poll;
- (iii) all action, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Deed Poll, the Notes and Coupons represent valid, legally binding and enforceable obligations of the Substitute and in the case of the Deed Poll of the Issuer have been taken, fulfilled and done and are in full force and effect;
- (iv) the Substitute shall have become party to the Agency Agreement, with any appropriate consequential amendments, as if it had been an original party to it;
- (v) each stock exchange or listing authority which has the Notes listed on such stock exchange shall have confirmed that following the proposed substitution of the Substitute the Notes would continue to be listed on such stock exchange;
- (vi) legal opinions addressed to the Noteholders shall have been delivered to them (care of the Agent) from a lawyer or firm of lawyers with a leading securities practice in each jurisdiction referred to in (i) above and in England as to the fulfilment of the preceding conditions of this Condition 15 and the other matters specified in the Deed Poll; and
- (vii) the Issuer shall have given at least 14 days' prior notice of such substitution to the Noteholders, stating that copies, or, pending execution, the agreed text, of all documents in relation to the substitution which are referred to above, or which might otherwise reasonably be regarded as material to Noteholders, will be available for inspection at the specified office of each of the Paying Agents. References in Condition 9 to obligations under the Notes shall be deemed to include obligations under the Deed Poll, and the events listed in Condition 9, shall be deemed to include that guarantee not being (or being claimed by the guarantor not to be) in full force and effect and the provisions of Condition 9(c) to 9(f) inclusive shall be deemed to apply in addition to the guarantor.

## **16. Further Issues**

The Issuer shall be at liberty from time to time without the consent of the Noteholders or Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

## **17. Contracts (Rights of Third Parties) Act 1999**

A person who is not a Noteholder has no right under the Contracts (Rights of Third Parties) Act 1999 (the Act) to enforce any term of the Notes, but this does not affect any right or remedy of a third party which exists or is available apart from the Act.

## 18. Governing Law and Submission to Jurisdiction

- (a) The Agency Agreement, the Guarantee, the Notes and the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Guarantee, the Notes and the Coupons are governed by, and shall be construed in accordance with, English law.
- (b) Subject to paragraph (c) below, the courts of England are to have jurisdiction to settle any disputes (including a dispute relating to any non-contractual obligations) which may arise out of or in connection with the Guarantee, the Notes or the Coupons and accordingly any legal action or proceedings arising out of or in connection with the Guarantee, the Notes or the Coupons (**Proceedings**) may be brought in such courts. Each of the Issuer and the Guarantor irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in any such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.
- (c) This paragraph (c) is for the benefit of each of the Noteholders and Couponholders only. To the extent permitted by applicable law, each of the Noteholders and Couponholders may take Proceedings against the Issuer and/or the Guarantor in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.
- (d) Each of the Issuer and the Guarantor irrevocably appoints Statoil (U.K.) Limited at its registered office in England for the time being at One Kingdom Street, Paddington Central, London W2 6BD to receive service of process in any Proceedings in England based on any of the Notes or Coupons. If for any reason the Issuer or Guarantor does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Noteholders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

## TERMS AND CONDITIONS OF THE VPS NOTES

*The following are the Terms and Conditions of the VPS Notes. VPS Notes will not be evidenced by any physical note or document of title other than a statement of account made by the VPS. Ownership of VPS Notes will be recorded and transfer effected only through the book entry system and register maintained by the VPS. Reference should be made to "Form of Final Terms" above for a description of the content of Final Terms which will include certain terms used in the following Terms and Conditions of the VPS Notes or specify which of such terms are to apply in relation to the relevant VPS Notes.*

This VPS Note is one of a Series (as defined below) of VPS Notes issued by Statoil ASA (the **Issuer**) and each VPS Note will be issued in accordance with and subject to the trust agreement (such trust agreement as modified and/or supplemented and/or restated from time to time, the **VPS Trustee Agreement**) dated 5 May 2017 made between the Issuer and Nordic Trustee ASA (the **VPS Trustee**, which expression shall include any successor as VPS Trustee). Nordic Trustee ASA will also act as calculation agent in respect of VPS Notes (the **Calculation Agent**, which expression shall include any successor or alternative Calculation Agent that may be appointed).

References herein to the **VPS Notes** shall be references to the VPS Notes of this Series and shall mean notes settled through the Norwegian Central Securities Depository, *Verdipapirsentralen ASA* (the **VPS**).

The VPS Notes also have the benefit of an agency agreement (such agency agreement, as amended and/or modified and/or restated and/or supplemented from time to time, the **VPS Agency Agreement**) dated 12 September 2013 and made among the Issuer and DNB Bank ASA as VPS Agent (the **VPS Agent**, which expression shall include any successor VPS Agent).

If so indicated in the applicable Final Terms, the VPS Notes will have the benefit of the deed of guarantee executed by Statoil Petroleum AS (the **Guarantor**) (such deed as modified and/or restated and/or supplemented from time to time, the **Guarantee**) dated 5 February 2016.

The final terms for this VPS Note (or the relevant provisions thereof) are set out in Part A of the Final Terms prepared in connection with this VPS Note and complete these Terms and Conditions of the VPS Notes (the **VPS Conditions**). References to the **applicable Final Terms** are to Part A of the Final Terms (or the relevant provisions thereof) prepared in connection with this VPS Note.

The VPS Trustee acts for the benefit of the holders for the time being of the VPS Notes (the **VPS Noteholders** or the **holders of VPS Notes**), in accordance with the provisions of the VPS Trustee Agreement and these VPS Conditions.

Each Tranche of VPS Notes will be created and held in uncertificated book entry form in accounts with the VPS. The VPS Agent will act as agent of the Issuer in respect of all dealings with the VPS in respect of VPS Notes as detailed in the VPS Agency Agreement.

As used herein, **Tranche** means all VPS Notes with the same Issue Date and which are subject to the same Final Terms and **Series** means a Tranche of VPS Notes together with any further Tranche or Tranches of VPS Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or

Issue Prices. For the avoidance of doubt, a Tranche that comprises VPS Notes may not also comprise Notes in bearer form or Notes in registered form, though it may comprise Notes of different denominations.

Copies of the VPS Agency Agreement and the VPS Trustee Agreement are available for inspection during normal business hours at the specified office of the VPS Agent and at the registered office for the time being of the VPS Trustee at the date hereof at Haakon VII Gate 1, 0161, Oslo, Norway. If the VPS Notes are to be admitted to trading on the regulated market of the Oslo Stock Exchange the applicable Final Terms will be published on the website of the Oslo Stock Exchange ([www.oslobors.no](http://www.oslobors.no)).

The VPS Noteholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the VPS Agency Agreement, the VPS Trustee Agreement and the applicable Final Terms which are applicable to them.

Words and expressions defined in the VPS Agency Agreement, the VPS Trustee Agreement or used in the applicable Final Terms shall have the same meanings where used in these VPS Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the VPS Trustee Agreement and the VPS Agency Agreement, the VPS Trustee Agreement will prevail, and in the event of inconsistency between the VPS Trustee Agreement or the VPS Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

## **1. Form, Denomination and Title**

The VPS Notes are in uncertificated book-entry form in the currency (the **Specified Currency**) and the denominations (the **Specified Denomination(s)**) specified in the applicable Final Terms. VPS Notes of one Specified Denomination may not be exchanged for VPS Notes of another Specified Denomination. VPS Notes will be registered with a separate securities identification code in the VPS.

This VPS Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

The holder of a VPS Note will be the person evidenced as such by a book entry in the records of the VPS. The Issuer and the VPS Trustee may rely on a certificate of the VPS or one issued on behalf of the VPS by an account-carrying institution as to a particular person being a VPS Noteholder.

Title to the VPS Notes will pass by registration in the VPS between the direct or indirect accountholders at the VPS in accordance with the Norwegian Securities Register Act of 5 July 2002 no. 64 and the rules and procedures of the VPS that are in force from time to time. Where a nominee is so evidenced, it shall be treated by the Issuer as the holder of the relevant VPS Note. Each person who is for the time being shown in the records of the VPS as the holder of a particular nominal amount of VPS Notes shall be treated by the Issuer, the VPS Trustee and the VPS Agent as the holder of such nominal amount of such VPS Notes for all purposes.

VPS Notes will be transferable only in accordance with the Norwegian Securities Register Act of 5 July 2002 no. 64 and the rules and procedures for the time being of the VPS. The registration of VPS Notes in the VPS as well as the recording and transfer of ownership to, and other interests in, VPS Notes will be governed by, and construed in accordance with, Norwegian law.

## 2. Status of the VPS Notes and the Guarantee

### (a) Status of the VPS Notes

The VPS Notes constitute (subject to Condition 3) unsecured and unsubordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the VPS Notes shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 3, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

### (b) Status of Guarantee

The obligations of the Guarantor under the Guarantee constitute (subject to Condition 3 below) unsecured and unsubordinated obligations of the Guarantor and shall at all times rank *pari passu* and without any preference among themselves and (with the exception of obligations in respect of national and local taxes and certain other statutory exceptions and subject as aforesaid) at least equally with all its other present and future unsecured and unsubordinated obligations.

## 3. Negative Pledge

### (a) So long as any VPS Note remains outstanding (as defined below):

- (i) the Issuer and (in the case of VPS Notes having the benefit of the Guarantee) the Guarantor will not create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest (**Security**) upon the whole or any part of its undertaking, assets or revenues present or future to secure any of its Relevant Debt, or any guarantee of or indemnity in respect of any Relevant Debt of any other person; or
- (ii) the Issuer and (in the case of VPS Notes having the benefit of the Guarantee) the Guarantor will procure that no other person creates or permits to subsist any Security upon the whole or any part of the undertaking, assets or revenues present or future of that other person to secure any of the Issuer's or Guarantor's (in the case of VPS Notes having the benefit of the Guarantee) Relevant Debt, or any guarantee of or indemnity in respect of any of the Issuer's or Guarantor's (in the case of VPS Notes having the benefit of the Guarantee) Relevant Debt; or
- (iii) the Issuer and (in the case of VPS Notes having the benefit of the Guarantee) the Guarantor will procure that no other person gives any guarantee of, or indemnity in respect of, any of its Relevant Debt,

unless, at the same time or prior thereto, the Issuer's obligations under the VPS Notes or (in the case of VPS Notes having the benefit of the Guarantee) the Guarantor's obligations under the Guarantee (if any):

- (aa) are secured equally and rateably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be; or

- (ab) have the benefit of such other security, guarantee, indemnity or other arrangement as the VPS Noteholders may approve (in accordance with the meeting provisions in the VPS Trustee Agreement).

- (b) For the purposes of this Condition:

**outstanding** means, in relation to the VPS Notes of any Series, all the VPS Notes issued other than (a) those which have been redeemed in full in accordance with these VPS Conditions, (b) those in respect of which the date for redemption in accordance with these VPS Conditions has occurred and the redemption moneys wherefor (including all interest (if any) accrued thereon to the date for such redemption and any interest (if any) payable under these VPS Conditions after such date) have been duly paid to or to the order of the VPS Agent as provided herein (and, where appropriate, notice has been given to the VPS Noteholders of the relevant Series in accordance with Condition 10) and remain available for payment of the relevant VPS Notes, (c) those which have become void under these VPS Conditions and (d) those which have been purchased and cancelled as provided in these VPS Conditions.

**Relevant Debt** means any present or future indebtedness in the form of, or represented by, bonds, notes, debentures, loan stock or other securities which are for the time being, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market.

#### 4. Interest

- (a) *Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest payable in arrear on the Interest Payment Date(s) in each year and on the Maturity Date if that does not fall on an Interest Payment Date.

Except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount(s) so specified.

As used in these VPS Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If interest is required to be calculated for a period other than a Fixed Interest Period, such interest shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

In these VPS Conditions, **Day Count Fraction** means, in respect of the calculation of an amount of interest in accordance with this Condition 4(a):

- (i) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms:

- (a) in the case of VPS Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the Accrual Period) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
- (b) in the case of VPS Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
  - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; and
  - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if "30/360" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months and, in the case of an incomplete month, the actual number of days elapsed) divided by 360.

In these conditions:

**Determination Period** means each period from (and including) a Determination Date to but excluding the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date following after, such date); and

**sub-unit** means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

(b) *Interest on Floating Rate Notes*

(i) *Interest Payment Dates*

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (A) the Specified Interest Payment Date(s) (each an Interest Payment Date) in each year specified in the applicable Final Terms; or
- (B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each an "Interest Payment Date") which falls the number of

months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression, shall, in these VPS Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day convention specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 4(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls in the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In this VPS Condition, **Business Day** means a day which is:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in any Additional Business Centre (other than TARGET2 System) specified in the applicable Final Terms;
- (B) if TARGET2 System is specified as an Additional Business Centre in the applicable Final Terms, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open; and
- (C) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is New Zealand dollars shall be

Auckland) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

(ii) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (A), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions as amended and updated as at the Issue Date of the first Tranche of the VPS Notes, published by the International Swaps and Derivatives Association, Inc. (the **ISDA Definitions**) and under which:

- (1) the Floating Rate Option is as specified in the applicable Final Terms;
- (2) the Designated Maturity is a period specified in the applicable Final Terms; and
- (3) the relevant Reset Date is the day specified in the applicable Final Terms.

For the purposes of this sub-paragraph (A), (i) **Floating Rate, Calculation Agent, Floating Rate Option, Designated Maturity and Reset Date** have the meanings given to those terms in the ISDA Definitions, (ii) the definition of **Banking Day** in the ISDA Definitions shall be amended to insert after the words "are open for" in the second line, the word "general" and (iii) **Euro-zone** means the region comprised of Member States of the European Union that adopt the single currency in accordance with the Treaty.

(B) *Screen Rate Determination for Floating Rate Notes*

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR or EURIBOR or NIBOR or STIBOR, in each case for the relevant currency and/or period, all as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at the Specified Time on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation,

one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of Condition 4(b)(ii)(B)(1), no such offered quotation appears or, in the case of Condition 4(b)(ii)(B)(2), fewer than three such offered quotations appear, in each case as at the time specified in Condition 4(b)(ii)(B) the Calculation Agent shall request each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of such offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Calculation Agent with such offered quotations as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the Norwegian inter-bank market (if the Reference Rate is NIBOR) or the Stockholm inter-bank market (if the Reference Rate is STIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the Norwegian inter-bank market (if the Reference Rate is NIBOR) or the Stockholm inter-bank market (if the Reference Rate is STIBOR) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period).

**Reference Banks** means, in the case of Condition 4(b)(ii)(B)(1) above, those banks whose offered rates were used to determine such quotation when such quotation last appeared on the Relevant Screen Page and, in the case of Condition 4(b)(ii)(B)(2) above, those banks whose offered quotations last appeared on the Relevant Screen Page when no fewer than three such offered quotations appeared.

**Specified Time** means 11.00 a.m. (London time) if the Reference Rate is LIBOR, 11.00 a.m. (Brussels time) if the Reference Rate is EURIBOR, 11.00 a.m. (Stockholm time) if the Reference Rate is STIBOR or 12.00 noon (Oslo time) if the Reference Rate is NIBOR.

*(iii) Minimum and/or Maximum Rate of Interest*

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest. If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

*(iv) Determination of Rate of Interest and Calculation of Interest Amounts*

The Calculation Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The VPS will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes in respect of each Specified Denomination for the relevant Interest Period by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

**Day Count Fraction** means, in respect of the calculation of an amount of interest in accordance with this Condition 4:

- (i) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if "Actual/365 (Sterling)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{DayCountFraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- (vi) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{DayCountFraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D<sub>2</sub> will be 30;

- (vii) if "30E/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{DayCountFraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31 and D<sub>2</sub> will be 30.

(v) *Linear Interpolation*

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

**Designated Maturity** means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(vi) *Notification of Rate of Interest and Interest Amounts*

The Calculation Agent will cause the Rate of Interest and the VPS Agent will cause each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the VPS Agent, the VPS Trustee and any stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 10 as soon as possible after their determination but in no event

later than the fourth Oslo Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the VPS Noteholders in accordance with Condition 10. For the purposes of this paragraph, the expression **Oslo Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in Oslo. The notification of any rate or amount, if applicable, shall be made to the VPS in accordance with and subject to the VPS rules and regulations for the time being in effect.

*(vii) Determination or Calculation by the VPS Trustee*

If for any reason at any relevant time the Calculation Agent defaults in its obligation to determine the Rate of Interest, the VPS Agent shall determine the Rate of Interest at such rate as (having regard as to the foregoing provisions of this Condition with any consequential amendment it deems, in its reasonable opinion, to be necessary, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms) it shall deem fair and reasonable in all the circumstances or and each such determination or calculation shall be deemed to have been made by the Calculation Agent.

*(viii) Certificates to be Final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(b) by the Calculation Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor (in the case of VPS Notes having the benefit of the Guarantee), the VPS Agent and all VPS Noteholders and (in the absence as aforesaid) no liability to the Issuer, the Guarantor (in the case of VPS Notes having the benefit of the Guarantee) or the VPS Noteholders shall attach to the Calculation Agent or the VPS Trustee (if applicable) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

*(c) Accrual of Interest*

Each VPS Note (or in the case of the redemption of part only of a VPS Note, that part only of such VPS Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (i) the date on which all amounts due in respect of such VPS Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such VPS Note has been received by the VPS Agent and notice to that effect has been given to the VPS Noteholders in accordance with Condition 10.

*(d) Calculation Agent*

The Issuer, failing which the Guarantor (in the case of VPS Notes having the benefit of the Guarantee), shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in respect of the VPS Notes and for so long as any VPS Note is outstanding. Where more than one Calculation Agent is appointed in respect of the VPS Notes, references in these VPS Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the VPS Conditions. If the

Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Final Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer, failing which the Guarantor, shall (with prior notification to the VPS Trustee) appoint a leading bank or investment banking firm engaged in the inter-bank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

## 5. Payments

### (a) *Payments in respect of VPS Notes*

Payments of principal and interest in respect of VPS Notes and notification thereof to VPS Noteholders will be made to the VPS Noteholders shown in the records of the VPS and will be effected through and in accordance with and subject to the rules and regulations from time to time governing the VPS.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7.

The VPS Agent and any Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any VPS Noteholder. The Issuer reserves the right at any time, with prior notification to the VPS Trustee, to vary or terminate the appointment of the VPS Agent or the Calculation Agent and to appoint additional or other agents, provided that the Issuer shall at all times maintain (i) a VPS Agent authorised to act as an account operating institution with the VPS, (ii) one or more Calculation Agent(s) where the VPS Conditions so require, and (iii) such other agents as may be required by any stock exchange on which the VPS Notes may be listed.

Notice of any such change or of any change of any specified office shall promptly be given to the VPS Noteholders in accordance with Condition 10.

### (b) *Payment Day*

If the date for payment of any amount in respect of any VPS Note is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 7) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in each Additional Financial Centre (other than TARGET2 System) specified in the applicable Final Terms;
- (ii) if TARGET2 System is specified as an Additional Financial Centre in the applicable Final Terms, a day on which the TARGET2 System is open; and
- (iii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant

Specified Currency (which if the Specified Currency is New Zealand dollars shall be Auckland) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

(c) *Interpretation of Principal and Interest*

Any reference in these VPS Conditions to principal in respect of the VPS Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 7;
- (ii) the Final Redemption Amount of the VPS Notes;
- (iii) the Early Redemption Amount of the VPS Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the VPS Notes;
- (v) the Make-Whole Redemption Amount(s) (if any) of the VPS Notes;
- (vi) in relation to Zero Coupon Notes, the Amortised Face Amount; and
- (vii) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the VPS Notes.

Any reference in these VPS Conditions to interest in respect of the VPS Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7.

## **6. Redemption and Purchase**

(a) *At Maturity*

Unless previously redeemed or purchased and cancelled as specified below, each VPS Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

(b) *Redemption for Tax Reasons*

The VPS Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this VPS Note is not a Floating Rate Note) or on any Interest Payment Date (if this VPS Note is a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the VPS Noteholders (which notice shall be irrevocable), if:

- (i) on the occasion of the next payment due under the VPS Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 or (in the case of VPS Notes having the benefit of the Guarantee) the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Norway or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such

laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first Tranche of the VPS Notes; and

- (ii) such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor (in the case of VPS Notes having the benefit of the Guarantee) taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days (or, in the case of Floating Rate Notes, a number of days which is equal to the aggregate of the number of days falling within the then current interest period applicable to the Floating Rate Notes plus 60 days) prior to the earliest date on which the Issuer or, as the case may be, the Guarantor (in the case of VPS Notes having the benefit of the Guarantee) would be obliged to pay such additional amounts were a payment in respect of the VPS Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition 6(b), the Issuer shall deliver to the VPS Trustee a certificate signed by two directors of the Issuer or, as the case may be, two directors of the Guarantor (in the case of VPS Notes having the benefit of the Guarantee) stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the Guarantor (in the case of VPS Notes having the benefit of the Guarantee) has or will become obliged to pay such additional amounts as a result of such change or amendment.

VPS Notes redeemed pursuant to this Condition 6(b) will be redeemed at their Early Redemption Amount referred to in paragraph (f) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

*(c) Redemption at the Option of the Issuer (Issuer Call)*

If Issuer Call is specified in the applicable Final Terms, the Issuer shall, having given:

- (i) not less than 15 nor more than 30 days' notice to the VPS Noteholders in accordance with Condition 10; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the VPS Agent and the VPS Trustee;

(which notices shall be irrevocable), redeem all or, if so specified in the applicable Final Terms, some only of the VPS Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than a Higher Redemption Amount in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of VPS Notes, the VPS Notes to be redeemed will be selected in accordance with the rules and procedures of the VPS, not more than 30 days prior to the date fixed for redemption.

*(d) Make-Whole Redemption*

If Make-Whole Redemption is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than 30 nor more than 60 days' notice (or such other notice period as may be specified in the applicable Final Terms) to the VPS Noteholders in

accordance with Condition 10 (which notice shall be irrevocable and shall specify the date fixed for redemption (the **Make-Whole Redemption Date**)), redeem all or (if redemption in part is specified as being applicable in the applicable Final Terms) some only of the VPS Notes then outstanding on any Make-Whole Redemption Date and at the Make-Whole Redemption Amount together, if appropriate, with interest accrued to (but excluding) the relevant Make-Whole Redemption Date. If redemption in part is specified as being applicable in the applicable Final Terms, any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount in each case as may be specified in the applicable Final Terms.

In the case of a partial redemption of VPS Notes, the VPS Notes to be redeemed will be selected in accordance with the rules and procedures of the VPS, not more than 30 days prior to the Make-Whole Redemption Date.

In this Condition 6(d), **Make-Whole Redemption Amount** means (A) the outstanding principal amount of the relevant VPS Note or (B) if higher, the sum, as determined by the Calculation Agent, in cooperation with the Issuer, of the present values of the remaining scheduled payments of principal and interest on the VPS Notes to be redeemed (not including any portion of such payments of interest accrued to the date of redemption) discounted to the Make-Whole Redemption Date on an annual basis at the Reference Rate plus the Make-Whole Redemption Margin specified in the applicable Final Terms, where:

**CA Selected Bond** means a government security or securities (which, if the Specified Currency is euro, will be a German Bundesobligationen) selected by the Calculation Agent as having a maturity comparable to the remaining term of the VPS Notes to be redeemed that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such VPS Notes;

**Reference Bond** means (A) if CA Selected Bond is specified in the applicable Final Terms, the relevant CA Selected Bond or (B) if CA Selected Bond is not specified in the applicable Final Terms, the security specified in the applicable Final Terms, provided that if the Calculation Agent advises the Issuer that, for reasons of illiquidity or otherwise, the relevant security specified is not appropriate for such purpose, such other central bank or government security as the Calculation Agent may, with the advice of Reference Market Makers, determine to be appropriate;

**Reference Bond Price** means (i) the average of three Reference Market Maker Quotations for the relevant Make-Whole Redemption Date, after excluding the highest and lowest Reference Market Maker Quotations, (ii) if the Calculation Agent obtains fewer than three, but more than one, such Reference Market Maker Quotations, the average of all such quotations, or (iii) if only one such Reference Market Maker Quotation is obtained, the amount of the Reference Market Maker Quotation so obtained;

**Reference Market Maker Quotations** means, with respect to each Reference Market Maker and any Make-Whole Redemption Date, the average, as determined by the Calculation Agent, of the bid and asked prices for the Reference Bond (expressed in each case as a percentage of its principal amount) quoted in writing to the Calculation Agent at the Quotation Time specified in the applicable Final Terms on the Reference Rate Determination Day specified in the applicable Final Terms;

**Reference Market Makers** means three brokers or market makers of securities such as the Reference Bond selected by the Calculation Agent or such other three persons operating in

the market for securities such as the Reference Bond as are selected by the Calculation Agent in consultation with the Issuer; and

**Reference Rate** means, with respect to any Make-Whole Redemption Date, the rate per annum equal to the equivalent yield to maturity of the Reference Bond, calculated using a price for the Reference Bond (expressed as a percentage of its principal amount) equal to the Reference Bond Price for such Make-Whole Redemption Date. The Reference Rate will be calculated on the Reference Rate Determination Day specified in the applicable Final Terms.

*(e) Redemption at the Option of the VPS Noteholders (Investor Put)*

If Investor Put is specified in the applicable Final Terms, upon the holder of any VPS Note giving to the Issuer in accordance with Condition 10 not less than 15 nor more than 30 days' notice the Issuer will, upon the expiry of such notice, redeem, in whole (but not in part), such VPS Note on the Optional Redemption Date and at the Optional Redemption Amount specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

To exercise the right to require redemption of this VPS Note the holder of this VPS Note must, within the notice period, give notice (a **Put Notice**) to the VPS Agent of such exercise in accordance with the standard procedures of VPS in a form acceptable to VPS from time to time.

Any Put Notice given by a holder of any VPS Note pursuant to this paragraph shall be irrevocable except where prior to the due date of redemption an Event of Default shall have occurred and be continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this paragraph and instead to declare such VPS Note forthwith due and payable pursuant to Condition 9.

*(f) Early Redemption Amounts*

For the purpose of paragraph (b) above and Condition 9, the VPS Notes will be redeemed at the Early Redemption Amount calculated as follows:

- (i) in the case of VPS Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (ii) in the case of VPS Notes (other than Zero Coupon Notes) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the VPS Notes are denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the Final Terms, at their nominal amount; or
- (iii) in the case of Zero Coupon Notes, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (\text{I} + \text{AY})^{\text{Y}}$$

where:

**RP** means the Reference Price;

**AY** means the Accrual Yield expressed as a decimal; and

**y** is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360 day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the VPS Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such VPS Note becomes due and repayable and the denominator will be 360 (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the VPS Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such VPS Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the VPS Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such VPS Note becomes due and repayable and the denominator will be 365).

*(g) Purchases*

The Issuer or the Guarantor (in the case of VPS Notes having the benefit of the Guarantee) may at any time purchase VPS Notes at any price in the open market or otherwise. Such VPS Notes may be held, reissued, resold or, at the option of the Issuer or the Guarantor (in the case of VPS Notes having the benefit of the Guarantee), cancelled by the VPS Agent causing such VPS Notes to be deleted from the records of the VPS.

*(h) Late payment on Zero Coupon Notes*

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c), (d) or (e) above or upon its becoming due and repayable as provided in Condition 9 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (f)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable has been received by the VPS and notice to that effect has been given to the VPS Noteholders in accordance with Condition 10.

**7. Taxation**

All payments of principal and interest in respect of the VPS Notes by the Issuer or (in the case of VPS Notes having the benefit of the Guarantee) the Guarantor shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Kingdom of Norway or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In such event, the Issuer or, as the case may be, the Guarantor (in the case of VPS Notes having the benefit of the Guarantee) shall pay such additional amounts as will result in receipt by the holders of the VPS Notes of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any

VPS Note the holder of which is liable for such taxes duties, assessments or governmental charges in respect of such VPS Note by reason of his having some connection with the Kingdom of Norway other than the mere holding of such VPS Note.

In addition, any amounts to be paid on the VPS Notes will be paid net of any deduction or withholding imposed or required pursuant to sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (or any regulations thereunder or official interpretations thereof) (**FATCA**) or any intergovernmental agreement with the United States to implement FATCA (**IGA**) (or any law implementing such an intergovernmental agreement), and no additional amounts will be required to be paid on account of any such deduction or withholding.

**Relevant Date** means whichever is the later of (i) the date on which such payment first becomes due and (ii) if the full amount payable has not been received by the VPS Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect is duly given to the VPS Noteholders in accordance with Condition 10.

## 8. Prescription

The VPS Notes will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date therefor.

## 9. Events of Default

If any one or more of the following events (each an **Event of Default**) shall occur and is continuing:

- (a) the Issuer or (in the case of VPS Notes having the benefit of the Guarantee) the Guarantor fails to pay any principal or interest on any of the VPS Notes when due and such failure continues, in the case of interest, for a period of 30 days; or
- (b) the Issuer or (in the case of VPS Notes having the benefit of the Guarantee) the Guarantor does not perform or comply with any one or more of its other obligations in the VPS Notes which default is incapable of remedy or is not remedied within 90 days after notice of such default shall have been given to the VPS Trustee at its specified office by any VPS Noteholder; or
- (c)
  - (i) there shall have been accelerated because of default the maturity of any other present or future indebtedness in respect of moneys borrowed or raised of the Issuer or (in the case of VPS Notes having the benefit of the Guarantee) the Guarantor; or
  - (ii) any such indebtedness is not paid at final maturity (as extended by any applicable grace period); or
  - (iii) the Issuer or (in the case of VPS Notes having the benefit of the Guarantee) the Guarantor fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised,

provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(c) have occurred equals or exceeds US\$50,000,000 or its equivalent (on

the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this Condition 9(c) operates);

- (d) the Issuer or (in the case of VPS Notes having the benefit of the Guarantee) the Guarantor is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or (in the case of VPS Notes having the benefit of the Guarantee) the Guarantor; or
- (e) an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer, the Guarantor or any Principal Subsidiary, or the Issuer or (in the case of VPS Notes having the benefit of the Guarantee) the Guarantor ceases or threatens to cease to carry on all or substantially all of its business or operations, except:
  - (i) in the case of an Asset Transfer, provided that the Subsidiary to which the undertaking of assets are transferred, unconditionally and irrevocably guarantees the obligations of the Issuer under the VPS Notes pursuant to a guarantee in the form of a deed poll to be dated on or about the date of the Asset Transfer in the form substantially the same as the Guarantee; or
  - (ii) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation:
    - (a) on terms approved by the VPS Noteholders (in accordance with the meeting provisions in the VPS Trustee Agreement); or
    - (b) in the case of a Principal Subsidiary, whereby the undertaking and assets of the Principal Subsidiary are transferred to or otherwise vested in the Issuer or (in the case of VPS Notes having the benefit of the Guarantee) the Guarantor (as the case may be) or another of their Subsidiaries; or
- (f) if the Guarantee ceases to be, or is claimed by the Issuer or the Guarantor not to be, in full force and effect; or
- (g) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in (d) to (f) above,

then any VPS Note may, by notice given in writing to the Issuer and the VPS Trustee at its specified office by the holder be declared immediately due and payable whereupon it shall become immediately due and payable at the Early Redemption Amount (as described in Condition 6(f)), together with accrued interest (if any) to the date of repayment, without further formality unless such Event of Default shall have been remedied prior to the receipt of such notice by the VPS Trustee.

As used herein:

**Asset Transfer** means, at any particular time, any transfer or transfers by the Issuer or the Guarantor of all or a material part of the business or operations of the Issuer or, as the case may be, the Guarantor to a Subsidiary of the Issuer;

**Principal Subsidiary** means at any particular time, a Subsidiary whose total assets represent not less than 10 per cent of the consolidated total assets of the Issuer and its consolidated Subsidiaries as shown by the latest consolidated balance sheet of the Issuer; and

**Subsidiary** means, at any particular time, a company of which the Issuer or (in the case of VPS Notes having the benefit of the Guarantee) the Guarantor directly or indirectly owns or controls at least a majority of the outstanding voting stock giving power to elect a majority of the Board of Directors of such company.

## **10. Notices**

Notices to the VPS Noteholders shall be valid if the relevant notice is given to the VPS for communication by it to the VPS Noteholders and, so long as the VPS Notes are listed on a stock exchange, the Issuer shall ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the VPS Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date one day after delivery to the VPS.

## **11. Meetings of VPS Noteholders, Modification and Waiver**

### *(a) Provisions with respect to holders of VPS Notes*

The VPS Trustee Agreement contains provisions for convening meetings of the VPS Noteholders to consider any matter affecting their interests, including sanctioning resolutions by a majority of votes (or, in the case of any waiver or amendment of any terms of the VPS Conditions or the VPS Trustee Agreement, sanctioning by a majority of two thirds of votes). Such a meeting may be convened by the Issuer, the VPS Trustee or by VPS Noteholders holding not less than 10 per cent. of the Voting VPS Notes.

For the purpose of this Condition 11(a), **Voting VPS Notes** means the aggregate nominal amount of the total number of VPS Notes not redeemed or otherwise deregistered in the VPS, less the VPS Notes purchased beneficially by the Issuer, any party who has decisive influence over the Issuer or any party over whom the Issuer has decisive influence.

The quorum at a meeting for passing a resolution is one or more persons holding at least one half of the Voting VPS Notes or at any adjourned meeting one or more persons being or representing holders of Voting VPS Notes whatever the nominal amount of the VPS Notes so held or represented. A resolution passed at any meeting of the VPS Noteholders shall be binding on all the VPS Noteholders, whether or not they are present at such meeting.

### *(b) Modification*

The VPS Trustee Agreement provides that:

- (i) the VPS Trustee may in certain circumstances, without the consent of the VPS Noteholders, make decisions binding on all VPS Noteholders relating to the VPS Conditions or the VPS Trustee Agreement including amendments that are not, in the VPS Trustee's opinion, materially prejudicial to the interests of the VPS Noteholders; and
- (ii) that the VPS Trustee may reach decisions binding on all VPS Noteholders.

## 12. Substitution

The Issuer, or any previously substituted company, may at any time, without the consent of the VPS Noteholders, substitute for itself as principal debtor under the VPS Notes a company (the **Substitute**) as principal debtor under the VPS Notes, provided that no payment in respect of the VPS Notes is at the relevant time overdue. The substitution shall be made by an English law governed deed poll and may take place only if:

- (i) the Substitute shall, by means of a deed poll, agree to indemnify each VPS Noteholder against any tax, duty, assessment or governmental charge which is imposed on it by (or by any authority in or of) the jurisdiction of the country of the Substitute's residence for tax purposes and/or, if different, of its incorporation with respect to any VPS Note and which would not have been so imposed had the substitution not been made, as well as against any tax, duty, assessment or governmental charge, and any cost or expense, relating to the substitution;
- (ii) the obligations of the Substitute under a deed poll and the VPS Notes shall be unconditionally and irrevocably guaranteed by the Issuer by means of such deed poll;
- (iii) all action, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that a deed poll and the VPS Notes represent valid, legally binding and enforceable obligations of the Substitute and in the case of the deed poll of the Issuer have been taken, fulfilled and done and are in full force and effect;
- (iv) the Substitute shall have become party to the VPS Agency Agreement and VPS Trustee Agreement, with any appropriate consequential amendments, as if it had been an original party to it;
- (v) each stock exchange or listing authority which has the VPS Notes listed on such stock exchange shall have confirmed that following the proposed substitution of the Substitute the VPS Notes would continue to be listed on such stock exchange;
- (vi) legal opinions addressed to the VPS Noteholders shall have been delivered to them (care of the VPS Trustee) from a lawyer or firm of lawyers with a leading securities practice in each jurisdiction referred to in (i) above and in England as to the fulfilment of the preceding conditions of this Condition 12;
- (vii) the Issuer shall have given at least 14 days' prior notice of such substitution to the VPS Noteholders, stating that copies, or, pending execution, the agreed text, of all documents in relation to the substitution which are referred to above, or which might otherwise reasonably be regarded as material to VPS Noteholders, will be available for inspection at the specified office of each of the VPS Agent and VPS Trustee. References in Condition 9 to obligations under the VPS Notes shall be deemed to include obligations under a deed poll, and the events listed in Condition 9, shall be deemed to include that guarantee not being (or being claimed by the guarantor not to be) in full force and effect, an additional Event of Default if the Substitute ceases to be wholly-owned and controlled by the Guarantor, and the provisions of Condition 9(c) to 9(f) inclusive shall be deemed to apply in addition to the guarantor.
- (viii) references to the Kingdom of Norway in Conditions 6(b) and 7 shall be replaced by references to the jurisdiction of a country of residence of the Substitute for tax purposes. In Condition 11 an extra category shall be added to the proposals for which a special quorum is required for proposals to modify or cancel the obligations

of the Guarantor under the deed poll. Conditions 2, 3 and 6(g) shall be deemed to apply in addition to the Guarantor.

### **13. VPS Trustee**

The VPS Trustee Agreement contains provisions for the indemnification of the VPS Trustee and for its relief from responsibility and liability, including provisions relieving it from taking action unless indemnified and/or secured to its satisfaction. VPS Noteholders are deemed to have accepted and will be bound by the VPS Conditions and the terms of the VPS Trustee Agreement.

### **14. Further Issues**

The Issuer shall be at liberty from time to time without the consent of the VPS Noteholders to create and issue further notes having terms and conditions the same as the VPS Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding VPS Notes.

### **15. Contracts (Rights of Third Parties) Act 1999**

A person who is not a VPS Noteholder has no right under the Contracts (Rights of Third Parties) Act 1999 (the Act) to enforce any term of the VPS Notes, but this does not affect any right or remedy of a third party which exists or is available apart from the Act.

### **16. Governing Law and Submission to Jurisdiction**

- (a) The VPS Notes and the Guarantee (and any non-contractual obligations arising out of or in connection with the VPS Notes and the Guarantee) are governed by, and shall be construed in accordance with, English law, save that VPS Conditions 1, 2, 11 and 13 (and any non-contractual obligations arising out of or in connection with VPS Conditions 1, 2, 11 and 13) are governed by, and shall be construed in accordance with, Norwegian law.
- (b) The VPS Trustee Agreement and the VPS Agency Agreement (and any non-contractual obligations arising out of or in connection with the VPS Trustee Agreement and VPS Agency Agreement) are governed by, and shall be construed in accordance with, Norwegian law.
- (c) VPS Notes must comply with the Norwegian Securities Register Act of 5 July 2002 No. 64, as amended from time to time, and the holders of VPS Notes will be entitled to the rights and are subject to the obligations and liabilities which arise under this act and any related regulations and legislation. The registration of VPS Notes in the VPS as well as the recording and transfer of ownership to, and other interests in, VPS Notes will be governed by, and construed in accordance with, Norwegian law.
- (d) Subject to paragraph (e) below, the courts of England are to have jurisdiction to settle any disputes (including a dispute relating to any non-contractual obligations) which may arise out of or in connection with the VPS Notes and the Guarantee and accordingly any legal action or proceedings arising out of or in connection with the VPS Notes and the Guarantee (**Proceedings**) may be brought in such courts. Each of the Issuer and the Guarantor irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in any such courts whether on the ground

of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

- (e) This paragraph (e) is for the benefit of the VPS Noteholders only. To the extent permitted by applicable law, the VPS Noteholders may take Proceedings against the Issuer and/or the Guarantor in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.
- (f) Each of the Issuer and the Guarantor irrevocably appoints Statoil (U.K.) Limited at its registered office in England for the time being at One Kingdom Street, Paddington Central, London W2 6BD to receive service of process in any Proceedings in England based on the VPS Notes. If for any reason the Issuer or Guarantor does not have such an agent in England, it will promptly appoint a substitute process agent and notify the VPS Noteholders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

## **USE OF PROCEEDS**

The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes, unless otherwise specified in the applicable Final Terms.

## STATOIL

### Overview

#### **Statoil ASA**

Statoil ASA (the **Company**) is the parent company of the Statoil Group (**Statoil** or the **Group**), an international energy company that is primarily engaged in oil and gas exploration and production activities. The Company has its registered office and headquarters at Forusbeen 50, N-4035 Stavanger, Norway. Statoil ASA is a public limited company, incorporated under the laws of Norway in September 1972 and is registered in the Norwegian Register of Business Enterprises in 8910 Brønnøysund, Norway under organisation number 923 609 016. The Norwegian State is the largest shareholder in the Company, with a direct ownership interest of 67 per cent.

#### **Statoil Petroleum AS**

Statoil Petroleum AS (**SP**) was incorporated under the laws of Norway in February 2007 under organisation number 990 888 213. SP is registered as a limited company and operates under the laws of Norway. SP's registered office is at Forusbeen 50, N-4035 Stavanger, Norway.

SP is a wholly-owned subsidiary of the Company.

SP is the owner of a considerable portion of the assets of Statoil (including licences, production plants and transportation systems as well as shareholdings in several international subsidiaries (as set out on page 26 of SP's annual financial statements for the financial year ended 31 December 2016, as incorporated by reference in this Offering Circular)). Its main revenues are derived from the sale of crude oil and natural gas. SP has no employees and is controlled and operated through the business lines of the Company, which as 100 per cent. owner, defines and develops the framework within which SP conducts its business subject to any limitation set out in the articles of association and applicable law. The business transactions of SP are carried out by the employees of the Company as an integrated part of the other business operations carried out by Statoil. The operations of SP are financed through cash-flow from its operations, as well as with long-term loans from the Company.

#### **Business and strategy of Statoil**

The Company is an international energy company that is primarily engaged in oil and gas exploration and production activities. The Group has business operations in over 30 countries and employs approximately 20,500 employees worldwide. In addition to being the leading operator on the Norwegian Continental Shelf (**NCS**) (according to [www.norskpetroleum.no](http://www.norskpetroleum.no)), Statoil also has substantial international activities and is present in several of the most important oil and gas provinces in the world.

Statoil is an energy company committed to long-term value creation in a low-carbon future. Statoil creates value by turning natural resources into energy for people and progress for society. Statoil's vision is to develop and maximise the value of its unique NCS position, its international oil and gas business and its growing new energy business, focusing on safety, cost and carbon efficiency. Statoil is a values based company where empowered people collaborate to shape the future of energy.

To succeed in turning Statoil's vision into reality, Statoil pursues a strategy to:

- Deepen and prolong the NCS position;
- Grow material and profitable international positions;
- Provide energy for a low-carbon future through growth in New Energy Solutions (**NES**); and
- Pursue focused and value-adding mid- and downstream activities.

In addition, Statoil will research, develop and deploy technology to create opportunities and enhance the value of Statoil's current and future assets.

Statoil's total equity oil and gas production in 2016 averaged 1,978 thousand barrels of oil equivalent (**mboe**) per day. As of 31 December 2016, Statoil had proved reserves of 2,033 million barrels of oil equivalents (**mmboe**) of oil and condensate and 372 mmboe of liquid natural gas liquids (**NGL**) and 14,637 billion cubic feet (**bcf**) of natural gas, corresponding to aggregate proved reserves of 5,013 mmboe.

Statoil's proved reserves are estimated and presented in accordance with the Securities and Exchange Commission (**SEC**) Rule 4-10 (a) of Regulation S-X, revised as of January 2009, and relevant Compliance and Disclosure Interpretations (**C&DI**) and Staff Accounting Bulletins, as issued by the SEC staff. For additional information, see "Proved oil and gas reserves" in note 2 "*Significant accounting policies*" to the Consolidated financial statements incorporated by reference in this document. For further details on proved reserves, see also note 27 "*Supplementary oil and gas information (unaudited)*" in the Consolidated financial statements incorporated by reference in this document.

Statoil's annual reporting process for proved reserves is coordinated by a central corporate reserves management (**CRM**) team consisting of qualified professionals in geosciences, reservoir and production technology and financial evaluation. The team has an average of more than 21 years' experience in the oil and gas industry. CRM reports to the senior vice president of finance and control in the Technology, Drilling and Projects business area and is thus independent of the Development & Production business areas in Norway, North America and International. All the reserves estimates have been prepared by Statoil's technical staff.

Although the CRM team reviews the information centrally, each asset team is responsible for ensuring that it is in compliance with the requirements of the SEC and Statoil's corporate standards. Information about proved oil and gas reserves, standardised measures of discounted net cash flows related to proved oil and gas reserves and other information related to proved oil and gas reserves, is collected from the local asset teams and checked by CRM for consistency and conformity with applicable standards. The final numbers for each asset are quality-controlled and approved by the responsible asset manager, before aggregation to the required reporting level by CRM.

The aggregated results are submitted for approval to the relevant business area management teams and the corporate executive committee.

The person with primary responsibility for overseeing the preparation of the reserves estimates is the manager of the CRM team. The person who presently holds this position has a bachelor's degree in earth sciences from the University of Gothenburg, and a master's degree in petroleum exploration and exploitation from Chalmers University of Technology in

Gothenburg, Sweden. She has 31 years' experience in the oil and gas industry, 30 of them with Statoil. She is a member of the Society of Petroleum Engineering (**SPE**) and vicechair of the UNECE Expert Group on Resource Classification (**EGRC**).

Petroleum engineering consultants DeGolyer and MacNaughton have carried out an independent evaluation of Statoil's proved reserves as of 31 December 2016 using Statoil provided data. The evaluation accounts for 100% of Statoil's proved reserves. The aggregated net proved reserves estimates prepared by DeGolyer and MacNaughton do not differ materially from those prepared by Statoil when compared on the basis of net equivalent barrels.

Statoil's access to crude oil in the form of equity, governmental and third party volumes makes it a large net crude oil seller, and Statoil is the second largest supplier of natural gas to the European market. Processing and refining are also part of Statoil's operations and it operates two refineries, two gas processing plants, one LNG plant, one methanol plant and three crude oil terminals.

The Norwegian State has direct participating interests in licences and petroleum facilities on the NCS, through the State's Direct Financial Interest (**SDFI**). Statoil markets and sells the SDFI share of NCS oil and gas production, in addition to its own volumes. All purchases and sales of SDFI oil production are recorded as purchases (net of inventory variation) and revenues, respectively. 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 incorporated by reference in this document.

Statoil believes that technology is a critical success factor for value creation. Statoil's technology development activities aim to increase access to new oil and gas resources at competitive cost, reduce field development, drilling and operating costs, and CO<sub>2</sub> and other greenhouse gas emissions. Statoil's technology efforts focus on the following priority areas:

- **Business-critical technologies:** Upstream technologies are prioritised, primarily in the areas of Exploration, Reservoir, Drilling and Well and Subsea Production Systems. Statoil's main focus has been on cost reduction, for example Statoil's simplified subsea production concept Cap-X™ has been developed to enable possible future development projects in the Barents Sea;
- **Strengthening Statoil's licence to operate:** Statoil has strengthened its commitment to sustainability. For the oil and gas and new energy value chains, technology development is concentrated on increased energy efficiency for power generation and reduced CO<sub>2</sub> emissions. For renewables, technological improvements to reduce cost in the areas of construction and maintenance for both fixed and floating offshore wind applications is a priority;
- **Expanding Statoil's capabilities:** Statoil continues its broader research efforts for both the oil and gas value chain and new value chains. Work is conducted both in-house and in collaboration with academia, research institutes and suppliers and through venture activities; and
- **Capturing the value of digitalisation:** Statoil is exploring the opportunities of digitalisation in the energy industry. In 2016, the focus has been determining the optimal approach to accelerate digitalisation to capture a greater value potential.

At the capital markets update (**CMU**) on 7 February 2017, Statoil shared its sharpened strategy to respond to the changing business context. Geopolitical shifts, challenges in accessing new oil and gas resources, changing market dynamics, digitalisation and a global transition towards a low carbon economy are increasing uncertainty and volatility. This change in outlook drives the need to build a more resilient, diverse and option-rich portfolio, delivered by an agile organisation that embraces change and empowers its people. To deliver on the sharpened strategy and fulfil the strategic intent of “high value, low carbon”, Statoil will continue to build opportunities to optimise its portfolio around the following pillars:

- **Norwegian continental shelf** – Build on unique position to maximise and develop long-term value
- **International Oil & Gas** – Focus geographically to deepen core areas and develop growth options
- **New Energy Solutions** – Create a new material industrial position
- **Midstream and Marketing** – Secure market access and grow value creation through cycles

The following strategic principles guide Statoil in shaping a robust, balanced and distinct portfolio:

#### **1. Cash generation capacity**

Generating positive cash flows from operations, even at low oil and gas prices, in order to sustain dividend and investment capacity through the cycle.

#### **2. Capex flexibility**

Having sufficient flexibility in organic capital expenditure to be able to respond to market downturns and avoid value destructive decisions.

#### **3. Capture value from cycles**

Ensuring the ability and capacity to act counter-cyclically to capture value through the cycles.

#### **4. Low-carbon advantage**

Maintaining competitive advantage as a leading company in carbon efficient oil and gas production, while building a low-carbon business to capture new opportunities in the energy transition.

The information on Statoil's competitive position in this section is based on a number of sources, including investment analysts' reports, independent market studies and Statoil's internal assessments of its market share based on publicly available information about the financial results and performance of market players as well as the yearly Fact Books published by the Norwegian Petroleum Directorate (**NPD**), the contents on the NPD website ([www.npd.no](http://www.npd.no)) and the website of the Norwegian Oil and Gas Association ([www.norskpetroleum.no](http://www.norskpetroleum.no)), as well as the contents on the Norwegian Ministry of Petroleum and Energy (**NMPE**) website ([www.regjeringen.no](http://www.regjeringen.no)). The contents of such documents and websites do not form part of this Offering Circular.

## ***Operating Segments***

Statoil's operations are managed through the following operating segments:

1. Development and Production Norway (**DPN**);
2. Development and Production USA (**DPUSA**);
3. Development and Production International (**DPI**);
4. Marketing, Midstream and Processing (**MMP**);
5. New Energy Solutions (**NES**); and
6. Other.

The development and production operating segments are responsible for the commercial development of the oil and gas portfolios within their respective geographical areas: DPN covers the NCS, DPUSA covers offshore and onshore USA and Mexico, and DPI covers the geographical areas which are outside the responsibility of DPN and DPUSA.

Exploration activities are managed by a separate business unit, which has the global responsibility across the group for discovery and appraisal of new resources.

The MMP 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.

The NES segment is responsible for wind parks, carbon capture and storage as well as other renewable energy and low-carbon energy solutions.

## ***Reporting Segments***

Statoil reports its business in the following reporting segments:

1. Development and Production Norway (**DPN**);
2. Development and Production International (**DPI**), which combines the DPI and DPUSA business areas;
3. Marketing, Midstream and Processing (**MMP**); and
4. Other.

The Other reporting segment includes activities in New Energy Solutions (**NES**), Technology, Projects and Drilling (**TPD**), Global Strategy and Business Development (**GSB**) and Corporate staffs and support functions. Activities relating to the EXP business area are allocated to, and presented in, the respective development and production segments. Activities relating to the TPD and GSB business areas are partly allocated to, and presented in, the relevant development and production reporting segments.

## Development and Production Norway

DPN is responsible for field development and operational activities on the NCS which includes the North Sea, the Norwegian Sea and the Barents Sea. DPN's ambition is to continue Statoil's leading position on the NCS and ensure maximum value creation through continuously improved HSE and operational performance. At the end of 2016, the Group was the operator of 37 assets in the North Sea, the Norwegian Sea and the Barents Sea. For the year 2016, Statoil's equity and entitlement production on the NCS was 1,235 mboe per day, which was about 68 per cent. of Statoil's total entitlement production and 62 per cent. of its equity production. In 2016, its average daily production of oil and natural gas liquids (**NGL**) on the NCS was 589 mboe, while its average daily gas production on the NCS was 646 mboe.

In 2016 Statoil was awarded five licences (four as operator) in the 23rd concession round for frontier areas, 29 licences (16 as operator) in the Awards for Predefined Areas (**APA**) round 2016 for mature areas and completed several farm-in transactions with other companies, notably in the Barents Sea.

In 2016 Statoil and its partners completed 14 exploratory wells and made 11 discoveries in Norway. In 2017 Statoil expects to complete 16 to 18 exploration wells on the NCS, with the Barents Sea campaign being at the core of the activity plan.

## Oil and Gas Reserves - NCS

At the end of 2016, Statoil had a total of 1,521 mmboe of proved oil and NGL reserves and 12,851 bcf of proved natural gas reserves on the NCS. The NCS assets of Statoil are held within SP. As at 31 December 2016, Statoil's total proved reserves on the NCS represented approximately 76 per cent. of Statoil's total proved reserves worldwide.

The following table sets forth the Company's NCS proved reserves as of the end of the periods indicated. The data are stated net of royalties in kind.

Year		Oil/NGL	Natural Gas	Total
		(mmbbls)	(bcf)	(mmboe)
2016	Proved reserves end of year	1,521	12,851	3,810
	of which, proved developed reserves	756	9,223	2,399
2015	Proved reserves end of year	1,507	12,942	3,814
	of which, proved developed reserves	740	10,664	2,641
2014	Proved reserves end of year .....	1,204	13,694	3,644
	of which, proved developed reserves.....	817	11,227	2,818

## Production

### For the year ended 31 December

NCS production (mboe per day)	2014	2015	2016
Entitlement liquids.....	588	595	589
Entitlement natural gas .....	595	637	646
Total entitlement liquids and gas production	1,183	1,232	1,235

## Key events and portfolio developments in 2016

- In January 2016, Statoil announced the acquisition of 11.93% of the shares and votes in Lundin Petroleum AB (Lundin) for a total cash purchase price of SEK 4.6 billion (USD 0.5 billion), and in May, Statoil announced divestment of its entire 15% interest in Edvard Grieg for an increased shareholding in Lundin. The transaction also included divestment of a 9% interest in the Edvard Grieg oil pipeline and a 6% interest in the Utsira High gas pipeline, and in addition payment of cash consideration of USD 64 million to Lundin. Statoil now owns 20.1% of the shares in Lundin.
- On 1 March 2016, the drilling of the first well of the Johan Sverdrup field development commenced.
- On 12 March 2016, the Goliat field came on stream with Eni Norge as operator.
- In June 2016, the plan for development and operation for Oseberg Vestflanken 2 was approved by the Ministry of Petroleum and Energy.
- In June 2016, the Njord Future project was established to secure long-term production for both the Njord and Hyme fields. The Njord field was temporarily shut in, and both the Njord A and Njord B platforms were towed to shore.
- On 9 August 2016, Statoil and its partners submitted the plan for development and operation for the Utgard gas and condensate discovery to the Norwegian and UK authorities. The plan for development and operation was approved on 17 January 2017.
- On 19 August 2016, Statoil and its partners submitted the plan for development and operation of the Byrding oil and gas discovery. On 30 December 2016, Statoil completed the acquisition of Wintershall's 25% interest in Byrding, increasing Statoil's interest to 70%. The plan for development and operation of the Byrding discovery was approved on 17 January 2017.
- On 24 August 2016, Gullfaks Rimfaksdalen started production ahead of schedule.
- On 17 September 2016, Volve ceased production.
- On 1 November 2016, the plan for development and operation of the Trestakk discovery was submitted.
- On 24 December 2016, the Ivar Aasen field came on stream with Aker BP as operator.

### ***Development and Production International***

DPI is responsible for Statoil's portfolio of producing assets and planned field developments in all countries outside Norway and US. DPI's ambition is to build a large and profitable international production portfolio comprising activities ranging from accessing new opportunities to delivering on profitable projects in a range of complex environments.

DPI is present in more than 20 countries and had production in 11 countries in 2016. DPI produced 38% of Statoil's total equity production of oil and gas in 2016.

## Key events and portfolio developments in 2016

- In January 2016, the Heidelberg field achieved first oil. The field is located in the Green canyon area of the Gulf of Mexico with Anadarko as the operator. Discovery was made in 2009, and sanctioning took place in 2013.
- In March 2016, operations at the In Salah Southern Fields project in Algeria started.
- In April 2016, the Julia field achieved first oil, on time and under budget. Julia is located in the Walker Ridge area of the Gulf of Mexico near Jack and St Malo. ExxonMobil is the operator.
- In May 2016, Statoil divested its operated acreage in the Marcellus West Virginia to EQT Corporation for USD 407 million in cash. The transaction was completed in July 2016.
- In July 2016, Statoil announced acquisition of Petrobras' 66% operated interest in the offshore licence BM-S-8 in Brazil's Santos Basin. This licence contains a substantial part of the Carcará pre-salt oil discovery. The transaction was completed in November 2016.
- In July 2016, the third processing train on the In Amenas field in Algeria, which was damaged in the January 2013 terrorist attack, restarted, and the In Amenas Gas Compression project came into operation in February 2017. The compression project has enabled increased production and thereby capacity to utilize all three trains.
- In December 2016, the drilling of the first well of the Mariner field development commenced.
- In December 2016, Statoil increased its ownership in the deep-water Vito discovery from 30.0% to 36.89%, after exercising pre-emption rights on the Freeport-McMoran sale to Anadarko. The field is located in the Mississippi Canyon area. A final investment decision is expected in 2018 with first production in 2021.
- In December 2016, on request of US authorities, Statoil has become operator of record for blocks MC941 and MC942 in the Gulf of Mexico following the bankruptcy of Bennu Oil & Gas LLC. With the bankruptcy proceedings still ongoing, the full implications for Statoil are still to be determined.
- In 2016, Statoil completed transactions to increase its equity interest to 100% in the UK continental shelf licence (P312) of the Utgard field, which spans the UK-Norway maritime border. In March 2016, Statoil's purchase of a 31% equity interest from Talisman Sinopec North Sea Limited was completed, and in June the purchase of a 45% operated equity share from JX Nippon was completed. In January 2017, the plan for development and operation for the Utgard field was approved by the Norwegian and UK authorities.
- In December 2016, Statoil signed an agreement to divest its 100% owned Kai Kos Dehseh (KKD) oil sands projects in the Canadian province of Alberta to Athabasca Oil Corporation. The transaction covers the producing Leismer demonstration plant and the undeveloped Corner project, along with a number of midstream contracts associated with Leismer's production. Following this transaction, Statoil will no longer own or operate any oil sands assets. As part of the transaction, Statoil will own just below 20% of Athabasca's shares, and this will be managed as a financial investment (the transaction was completed 31 January 2017).

## Oil and Gas Reserves – DPI

At the end of 2016, Statoil's international proved oil and NGL reserves were 886 mmboe of oil and NGL and the proved gas reserves were 1,787 bcf, a total of 1,203 mmboe.

The following table sets forth the Group's total international proved reserves as at 31 December of each of the last three years.

Year		Oil/NGL (mmbbls)	Natural Gas (bcf)	Total (mmboe)
2016	Proved reserves end of year .....	886	1,787	1,203
	of which proved developed reserves .....	626	1,361	868
2015	Proved reserves end of year .....	947	1,682	1,245
	of which proved developed reserves .....	653	1,237	873
2014	Proved reserves end of year .....	1,139	3,225	1,716
	of which, proved developed reserves .....	648	1,449	907

## Production

Statoil's petroleum production outside Norway in 2016 amounted to an average of 592 mboe per day of entitlement production. The following tables set forth the Group's average daily international entitlement production for each of the last three years.

	For the year ended 31 December		
International production (mboe per day)	2014	2015	2016
Entitlement liquids.....	383	436	435
Entitlement natural gas .....	163	144	157
Total entitlement liquids and gas production .....	546	580	592

## Marketing, Midstream and Processing (MMP)

MMP is responsible for marketing, trading, processing and transporting of crude oil and condensate, natural gas, NGL and refined products, including operation of Statoil operated refineries, terminals and processing plants. In addition, MMP is responsible for developing transportation solutions for natural gas, liquids and crude oil from Statoil assets including pipelines, shipping, trucking and rail. The business activities are organised in the following business clusters: Marketing and Trading, Asset Management and Processing and Manufacturing.

The major export markets for gas from the NCS are Germany, France, the UK, Belgium, the Netherlands, Italy and Spain. LNG from the Snøhvit field, combined with third party LNG cargoes, allow Statoil to reach global gas markets.

Statoil Natural Gas LLC (**SNG**), a wholly-owned subsidiary, has a gas marketing and trading organisation in Stamford, Connecticut that markets natural gas to local distribution companies, industrial customers and power generators. SNG also markets equity production

volumes from the Gulf of Mexico, Eagle Ford and Marcellus and transports some of the northern Marcellus production to New York City and to Niagara, providing access to the greater Toronto area.

MMP handles Statoil's own volumes, the Norwegian state's direct financial interest (**SDFI**) equity production of crude oil and NGL and third-party volumes, representing approximately 50% of all Norwegian liquids exports. MMP is also responsible for marketing SDFI's gas together with Statoil's own volumes and third party gas, representing approximately 70% of all Norwegian gas exports.

#### Key events and portfolio developments in 2016

- Statoil had a strong increase in delivered sales of crude oil into Asia during 2016, based on West African equity production and shipping capability.
- The South Riding Point Terminal in Grand Bahamas sustained damage in the hurricane Matthew in October 2016 and was closed to traffic for a period.
- Major planned turnarounds at both Kalundborg and Mongstad refineries, Tjeldbergodden methanol plant and Gassled facilities.

#### **Other**

##### *Technology, Projects and Drilling (TPD)*

TPD is accountable for the global project portfolio, well deliveries, new technologies and sourcing across Statoil. TPD seeks to provide safe and secure, efficient and cost-competitive global well and project delivery, technological excellence, and research and development. Cost-competitive procurement is an important contributory factor for maximising value for Statoil.

##### *Exploration (EXP)*

EXP manages Statoil's worldwide exploration activities with the aim of positioning Statoil as one of the leading global exploration companies and this is achieved through accessing high potential new acreage in priority basins, globally prioritising and drilling more significant wells in growth and frontier basins, delivering near-field exploration on the NCS and other select areas, and achieving stepchange improvements in performance.

##### *Global Strategy and Business Development (GSB)*

GSB sets the corporate strategy, business development, and merger and acquisition activities for Statoil. The ambition of the GSB business area is to closely link corporate strategy, business development and merger and acquisition activities to actively drive Statoil's corporate development.

##### *New Energy Solutions (NES)*

NES reflects Statoil's long-term goal to complement its oil and gas portfolio with profitable renewable energy and other low-carbon energy solutions. NES is responsible for wind farms, carbon capture and storage as well as other renewable energy and low-carbon energy solutions.

## Recent Developments

- On 5 April 2017, Norwegian authorities approved the Plan for Development and Operation of the Trestakk discovery on the Halten Bank in the Norwegian Sea.
- On 27 March 2017, the Plan for Development and Operation for Njord future and Bauge was submitted to the Norwegian authorities. Capital expenditures for both fields total NOK 19.8 billion (Njord NOK 15.7 billion and Bauge NOK 4.1 billion).
- On 23 March 2017, Statoil and Statkraft completed their previously announced transaction, whereby Statoil increased its share in the Dogger Bank Offshore Wind development by an additional 12.5% stake, taking Statoil's share to 37.5%.
- On 23 March 2017, Statoil reset its exploration in the Gulf of Mexico and was deemed high bidder on 13 leases in the 2017 Central Lease Sale.
- On 23 March 2017, Statoil was awarded six UK licences, five as operator and one as partner, in the 29th Offshore Licensing Round, announced by the Oil and Gas Authority.
- On 15 February 2017, Statoil announced that the combined heat and power plant at Mongstad is to be phased out following several years of unprofitable operations. The other operations at the complex will continue as before.
- On 7 February 2017, Statoil held its Capital Markets Update together with presentation of fourth quarter results 2016.
- On 31 January 2017, it was announced that Statoil and Athabasca Oil Corporation have completed their previously announced transaction, whereby Statoil has sold its entire oil sands operations in the Canadian province of Alberta to Athabasca.

## Risk Management

Statoil's overall risk management approach includes identifying, evaluating and managing risk in all its activities. In order to achieve optimal corporate solutions, Statoil bases its risk management on an enterprise-wide risk management approach.

Statoil defines risk as a deviation from a specified reference value and the uncertainty associated with it. A positive deviation is defined as an upside risk, while a negative deviation is a downside risk. The reference value is most commonly a forecast, percentile or target. Statoil has an enterprise risk management (**ERM**) approach, which means that:

- focus is on the value impact for Statoil;
- risk is managed to make sure that Statoil's operations are safe and in compliance with Statoil's requirements; and
- focus is on risk and reward at all levels in the organisation.

Risk is managed in the business line and is an integral part of any manager's responsibility. However, some risks are managed at corporate level. This includes oil and natural gas price risks, interest and currency risks, risk dimension in the strategy work, prioritisation processes and capital structure discussions.

Statoil's corporate risk committee (**CRC**) is headed by the chief financial officer and its members include representatives of the principal business areas. It is an enterprise risk management advisory body that primarily advises the chief financial officer, but also the business areas' management on specific issues. The CRC assesses and advises on measures aimed at managing the overall risk to the group, and it proposes appropriate measures to adjust risk at the corporate level. The CRC is also involved in reviewing and developing Statoil's risk policies. The committee meets regularly during the year to support Statoil's risk management strategies, including hedging and trading strategies, as well as risk management methodologies. It regularly receives risk information that is relevant to it from Statoil's corporate risk department.

The following section describes how Statoil manages the market risks to which Statoil is exposed.

#### *Managing operational risk*

Statoil manages risk in order to ensure safe operations and to achieve its corporate goals in compliance with its requirements.

All risks are related to Statoil's value chain, which denotes the value that is added in each step - from access, maturing, project execution and operation to market. In addition to the economic impact these risks could have on Statoil's cash flows, Statoil has a strong focus on avoiding HSE and integrity-related incidents (such as accidents, fraud and corruption). Most of the risks are managed by the principal business area line managers. Some operational risks are insurable and insured by Statoil's captive insurance company operating in the Norwegian and international insurance markets.

Statoil's risk management process is based on ISO31000 Risk management – principles and guidelines. The process provides a standardised framework and methodology for assessing and managing risk. A standardisation of the process across Statoil ASA and its subsidiaries allows for comparable risk levels and efficiency in decisions and it enables the organisation to create sustainable value while seeking to avoid incidents. The process seeks to ensure that risks are identified, analysed, evaluated and managed. Risk adjusting actions are subject to a cost benefit evaluation (except certain safety related risks which are subject to specific regulations).

#### *Managing financial risk*

The results of Statoil's operations depend on a number of factors, most significantly those that affect the price it receives for the products.

Statoil has developed policies aimed at managing the financial volatility inherent in some of the business exposures. In accordance with these policies, Statoil enters into various financial and commodity-based transactions (derivatives). While the policies and mandates are set at the company level, the business areas are responsible for marketing and trading commodities and for managing commodity-based price risks within mandates. Interest, liquidity, liability and credit risks are managed by the company's central finance department.

The factors that influence the results of Statoil's operations include: the level of crude oil and natural gas prices, trends in the exchange rate between mainly the USD, EUR, GBP and NOK; Statoil's oil and natural gas production volumes, which in turn depend on entitlement volumes under PSAs and available petroleum reserves, and Statoil's own, as well as partners' expertise and cooperation in recovering oil and natural gas from those reserves; and changes in Statoil's portfolio of assets due to acquisitions and disposals.

Statoil's 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 Statoil operates, or possible or continued actions by members of the Organization of Petroleum Exporting Countries (**OPEC**) and/or other producing nations 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 existing market structures and to the overall level and volatility of prices and price differentials.

### *Taxation*

Historically, Statoil's revenues have largely been generated by the production of oil and natural gas on the NCS. Norway imposes a 78% marginal tax rate on income from offshore oil and natural gas activities (a symmetrical tax system). The marginal tax rate has been held stable on the same level for several years.

Statoil's earnings volatility is moderated as a result of the significant proportion of its Norwegian offshore income that is subject to a 78% tax rate in profitable periods, and the significant tax assets generated by its Norwegian offshore operations in any loss-making periods.

Statoil's Norwegian revenues generated outside the NCS are subject to ordinary taxation. The ordinary tax rate is 24% for the income year 2017, reduced from 25% in 2016.

It follows from the Norwegian participation exemption that Statoil as a rule is tax exempt for dividends received from subsidiaries. However, dividends from subsidiaries resident outside the EEA and dividends from subsidiaries resident within the EEA in which Statoil's holding of shares and votes is 90% or less, will normally be taxed according to the so-called "three-percent rule". This means that 3% of the dividend received by Statoil will be taxed at the ordinary tax rate, which for 2017 gives an effective tax rate of  $24\% \times 0.03 = 0.72\%$ . Further, dividends from subsidiaries in low-tax countries and portfolio investments outside the EEA as well as from companies resident in the EEA that are not similar to Norwegian companies, will, under certain circumstances, be subject to the ordinary income tax rate based on the full amounts received.

### *Further financial risk management*

Statoil's business activities naturally expose the group to financial risk. The group's approach to risk management includes identifying, evaluating and managing risk in all activities using a top-down approach for the purpose of avoiding sub-optimisation and utilising correlations observed from a group perspective. Summing up the different market risks without including the correlations will overestimate Statoil's total market risk. For this reason, Statoil utilises correlations between all of the most important market risks, such as oil and natural gas prices, product prices, currencies and interest rates, to assess the overall market risk. This approach also reduces the number of unnecessary transactions, which reduces transaction costs and avoids sub-optimisation.

In order to achieve the above effects, Statoil has centralised trading mandates (financial positions taken to achieve financial gains, in addition to established policies) so that all major/strategic transactions are coordinated through the CRC. Local trading mandates are therefore relatively small.

Statoil's activities expose the company to the following financial risks: market risks (including commodity price risk, interest rate risk and currency risk), liquidity risk and credit risk. For a

discussion of financial risk management see note 5 "*Financial risk management*" in Statoil's consolidated financial statements for the year ended 31 December 2016 incorporated by reference in this document.

## Employees

As at 31 December 2016, Statoil had approximately 20,500 employees, of whom approximately 88 per cent. were employed in Norway.

The table below provides an overview of the number of permanent employees in the Group from 2014 to 2016. The table does not include employees of affiliated companies.

### Number of employees as of 31 December

	Number of employees as of 31 December		
	2014	2015	2016
<b>Geographical Region</b>			
Norway.....	19,670	18,977	18,034
Europe (excluding Norway).....	909	855	838
Africa.....	117	98	78
Asia.....	135	97	73
North America.....	1,375	1,265	1,230
South America.....	310	289	286
Total.....	22,516	21,581	20,539

## Legal Proceedings

Statoil is involved in a number of proceedings globally concerning matters arising in connection with the conduct of its business. No further update is provided on previously reported legal or arbitration proceedings which Statoil does not believe will, individually or in the aggregate, have a significant effect on Statoil's financial position, profitability, results of operations or liquidity.

See also note 9 "*Income taxes*" and note 23 "*Other commitments, contingent liabilities and contingent assets*" in Statoil's consolidated financial statements for the year ended 31 December 2016 incorporated by reference in this document.

## The Norwegian State as a Shareholder

As of 31 December 2016, the Norwegian State had a 67% direct ownership interest in Statoil and a 3.22% indirect interest through the National Insurance Fund (*Folketrygdfondet*), totaling 70.22%. Also, the Norwegian State has entered into an agreement where it commits for each quarterly dividend where a scrip option is offered to receive newly issued shares for a fraction of its shareholdings equal to the average participation among the other shareholders. This is to ensure that the State's ownership share is not impacted by the scrip programme.

Statoil has one class of shares, and each share confers one vote at the general meeting. The Norwegian State does not have any voting rights that differ from the rights of other ordinary shareholders. Pursuant to the Norwegian Public Limited Liability Companies Act, a majority of at least two-thirds of the votes cast as well as of the votes represented at a

general meeting is required to amend the company's articles of association. As long as the Norwegian State owns more than one-third of the company's shares, it will be able to prevent any amendments to the company's articles of association. Since the Norwegian State, acting through the Norwegian Minister of Petroleum and Energy, has in excess of two-thirds of the shares in the company, it has sole power to amend the company's articles of association. In addition, as majority shareholder, the Norwegian State has the power to control any decision at general meetings of the company's shareholders that requires a majority vote, including the election of the majority of the corporate assembly, which has the power to elect the company's board of directors and approve the dividend proposed by the board of directors.

Norwegian law contains a number of protections for minority shareholders against oppression by the majority, including but not limited to decisions in favour of certain shareholders or third parties to the detriment of other shareholders or the Company.

## Management

The management of the Company is vested in its board of directors and Chief Executive Officer. The Chief Executive Officer is responsible for the day-to-day operations in the Company in accordance with the instructions, policies and operating guidelines set out by the board of directors.

The business address of the directors, executive committee members and corporate assembly members is c/o Statoil at the corporate headquarters at Forusbeen 50, N-4035 Stavanger, Norway.

## Board of Directors

The Company's directors, date of birth and their position are identified below.

Name	Born	Position
Øystein Løseth.....	1958	Chair
Maria Johanna (Marjan) Oudeman.....	1958	Director
Bjørn Tore Godal .....	1945	Director
Lill-Heidi Bakkerud <sup>(1)</sup> .....	1963	Director
Ingrid Elisabeth Di Valerio <sup>(1)</sup> .....	1964	Director
Stig Lægreid <sup>(1)</sup> .....	1963	Director
Roy Franklin.....	1953	Deputy Chair
Jeroen van der Veer.....	1947	Director
Wenche Agerup .....	1964	Director
Rebekka Glasser Herlofsen .....	1970	Director

(1) Elected by the employees.

**Øystein Løseth.** Mr. Løseth has been a member of the Board of Directors since 1 October 2014, and chair of the Board of Directors and the Board of Directors' compensation and executive development committee since 1 July 2015. Between 2010 and 2014 Mr. Løseth held the position as CEO, and before that as a First Senior Executive Vice President since 2009, of Vattenfall AB. Mr. Løseth has extensive management experience from NUON, a Dutch energy company, Statkraft and Statoil, within strategy and business development among others. He is currently also chair of the Board of Directors of Eidsiva Energi AS and Hunton Fiber AS. Mr. Løseth graduated as M.Sc from the Norwegian University of Science

and Technology and has a degree in Economics from BI Norwegian School of Management in Bergen. Mr. Løseth is a Norwegian citizen and resident in Norway.

**Roy Franklin.** Mr. Franklin has been deputy chair of the Board of Directors, chair of the Board of Directors' safety, sustainability and ethics committee and member of the Board of Directors' audit committee from 1 July 2015. Mr. Franklin was also previously a member of the Board of StatoilHydro from October 2007 and Statoil from November 2009 until June 2013. Mr. Franklin is a non-executive chair of the board of Cuadrilla Resources Holdings Limited, a privately held UK company focusing on unconventional energy sources. He is also a board member of the Australian oil and gas company Santos Ltd, the private equity firm Kerogen Capital Ltd and the London-based international engineering company Amec Foster Wheeler. Mr. Franklin has broad experience from management positions in several countries, including positions with BP, Paladin Resources plc and Clyde Petroleum plc. Mr. Franklin holds a Bachelor of science in geology from the University of Southampton, UK. Mr. Franklin is a UK citizen and resident in UK.

**Bjørn Tore Godal.** Mr. Godal has been a member of the Board of Directors since 1 September 2010 and is a member of the Board of Directors' compensation and executive development committee and the Board of Directors' safety, sustainability and ethics committee. He is currently also the vice chair of the Fridtjof Nansen Institute. Mr. Godal was a member of the Norwegian Parliament for 15 years during the period 1986-2001. From 2003-2007, he was Norway's ambassador to Germany and from 2007-2010, he was special adviser for international energy and climate issues at the Ministry of Foreign Affairs. From 2014 until June 2016, Mr. Godal led a government-appointed committee responsible for the evaluation of the civil and military contribution from Norway in Afghanistan in the period 2001-2014. Mr. Godal has a Bachelor of Arts degree in political science, history and sociology from the University of Oslo. Mr. Godal is a Norwegian citizen and resident in Norway.

**Maria Johanna Oudeman.** Ms. Oudeman has been a member of the Board of Directors since 15 September 2012 and is a member of the Board of Directors' compensation and executive development committee. Ms. Oudeman is currently a member of the Boards of Solvay SA, Het Concertgebouw, Rijksmuseum and SHV Holdings. Moreover, Ms. Oudeman is the President of Utrecht University in the Netherlands, one of Europe's leading universities. From 2010 to 2013, Ms. Oudeman was a member of the Executive Committee of Akzo Nobel, responsible for HR and Organisational Development. Before joining Akzo Nobel, Ms. Oudeman was Executive Director Strip Products Division at Corus Group, now Tata Steel Europe. Ms. Oudeman has extensive experience as a line manager in the steel industry and considerable international business experience. Ms. Oudeman has a law degree from Rijksuniversiteit Groningen in the Netherlands and an MBA in Business Administration from the University of Rochester, New York, USA and Erasmus University, Rotterdam, the Netherlands. Ms. Oudeman is a Dutch citizen, and resident in the Netherlands.

**Wenche Agerup.** Ms. Agerup has been a member of the Board of Directors since 21 August 2015. Ms. Agerup is also a member of the Board of Directors' compensation and executive development committee and the Board of Directors' safety, sustainability and ethics committee. Ms. Agerup is currently a board member in the seismic company TGS ASA. Moreover, she is an Executive Vice President (Corporate Affairs) and the General Counsel in Telenor ASA. Ms. Agerup was the Executive Vice President for Corporate Staffs and the General Counsel of Norsk Hydro ASA from 2010 to 31 December 2014, and has held various executive roles in Hydro since 1997. Ms. Agerup holds an MA in Law from the

University of Oslo, Norway and a Master of Business Administration from Babson College, USA. Ms. Agerup is a Norwegian citizen, and resident in Norway.

**Rebekka Glasser Herlofsen.** Ms. Herlofsen has been a member of the Board of Directors since 19 March 2015 and is a member of the Board of Directors' audit committee. In addition, Ms. Herlofsen is a member of the board of directors of DNV Holding, DNV Foundation, DNV GL, and member of the committee for tax and capital in the Norwegian Shipowners' Association. Since 2012, Ms. Herlofsen has been the CFO in the Norwegian shipping company Torvald Klaveness. Before that, Ms. Herlofsen was the CFO of Norwegian Energy Company ASA and Business Development Director in Bergesen d.y. ASA / BW Gas ASA. She has broad financial and strategic experience from several corporations and board directorships. Ms. Herlofsen holds a MSc in Economics and Business Administration (Nw: siviløkonom) and Certified Financial Analyst Program from the Norwegian School of Economics, and attended the Breakthrough Program for Top Executives at IMD business school, Switzerland. Ms. Herlofsen is a Norwegian citizen, and resident in Norway.

**Jeroen van der Veer.** Mr. van der Veer has been a member of the Board of Directors since 18 March 2016 and is chairman of the Board of Directors' audit committee. In addition, Mr. van der Veer is the chair of the supervisory boards of ING Bank NV and Royal Philips Electronics, chair of the supervisory councils of the Technical University of Delft and Platform Beta Techniek, chair of the advisory board of Rotterdam Climate Initiative, as well as a board member in Boskalis Westminster Groep NV and Het Concertgebouw. Mr. van der Veer was the CEO in the international oil and gas company Royal Dutch Shell Plc (**Shell**) in the period 2004 to 2009, when he retired. Mr. van der Veer thereafter continued as a non-executive director on the board of Shell until 2013. He started to work for Shell in 1971 and has experience within all sectors of the business and has significant competence within corporate governance. Mr. van der Veer has a degree in Mechanical Engineering (MSc) from Delft University of Technology, Netherlands and a degree in Economics (MSc) from Erasmus University, Rotterdam, Netherlands. Since 2005 he holds an honorary doctorate from the University of Port Harcourt, Nigeria. Mr. van der Veer is a Dutch citizen and resident in the Netherlands.

**Ingrid Elisabeth Di Valerio.** Ms. Di Valerio has been a member of the Board of Directors since 2013. Ms. Di Valerio is also a member of the Board of Directors' audit committee. In addition, Ms. Di Valerio is a board member of Tekna's central nomination committee. Ms. Di Valerio has been employed by Statoil since 2005 and works within materials discipline for Technology, Projects & Drilling. Moreover, Ms. Di Valerio was Tekna's main representative in Statoil from 2008 to 2013, and she also sat on Tekna's central board from 2005 to 2013. Ms. Di Valerio is a chartered engineer (mathematics and physics) who studied at the Norwegian University of Science and Technology in Trondheim. Ms. Di Valerio is a Norwegian citizen and resident in Norway.

**Stig Læg Reid.** Mr. Læg Reid has been a member of the Board of Directors since 1 July 2013. Mr. Læg Reid is also a member of the Board of Directors' safety, sustainability and ethics committee. In addition, Mr. Læg Reid is a member of NITO's negotiation committee for private sector. Mr. Læg Reid has been employed in ÅSV and Norsk Hydro since 1985, mainly occupied as project engineer and constructor for production of primary metals until 2005 and from 2005 as weight estimator for platform design. He is now a full-time employee representative as the leader of NITO, Statoil. Mr. Læg Reid holds a bachelor degree in mechanical construction from Oslo Ingeniørhøyskole. Mr. Læg Reid is a Norwegian citizen, and resident in Norway.

**Lill-Heidi Bakkerud.** Ms. Bakkerud has been a member of the Board of Directors from 1998 to 2002, and again since 2004. She is also a member of the Board of Directors' safety,

sustainability and ethics committee. In addition, Ms. Bakkerud is a member of the executive committee of the Industry Energy trade union and holds a number of offices as a result of this. Ms. Bakkerud has worked as a process technician at the petrochemical plant in Bamble and on the Gullfaks field in the North Sea. She is now a full-time employee representative as the leader of Industry Energy Statoil branch. Ms. Bakkerud has a craft certificate as a process/chemistry worker. Ms. Bakkerud is a Norwegian citizen and lives in Norway.

### **Executive Committee**

The president and CEO has overall responsibility for the day-to-day operations of Statoil. The president and CEO is responsible for developing Statoil's business strategy and presenting it to the board of directors for decision, for development and execution of the business strategy, and for cultivating a performance-driven, value-based culture.

The president and CEO appoints the corporate executive committee (**CEC**). Members of the CEC have a collective duty to safeguard and promote the corporate interests of Statoil and to provide the president and CEO with the best possible basis for setting the Group's direction, making decisions and ensuring execution and follow-up of business activities. In addition, each of the CEC members heads separate business areas or staff functions.

**The members of the executive committee, date of birth and position are identified below:**

<b>Name</b>	<b>Born</b>	<b>Position</b>
Eldar Sætre.....	1956	President and Chief Executive Officer
Hans Jakob Hegge .....	1969	Chief Financial Officer and Executive Vice President
Jannicke Nilsson..	1965	Chief Operating Officer and Executive Vice President
Torgrim Reitan .....	1969	Executive Vice President, Development and Production USA
Lars Christian Bacher .....	1964	Executive Vice President, Development and Production International
Tim Dodson .....	1959	Executive Vice President, Exploration
Margareth Øvrum..	1958	Executive Vice President, Technology, Projects and Drilling
Arne Sigve Nylund .....	1960	Executive Vice President, Development and Production Norway
Jens Økland.....	1969	Executive Vice President, Marketing, Midstream & Processing
Irene Rummelhoff	1967	Executive Vice President, New Energy Solutions
John Knight.....	1958	Executive Vice President, Global Strategy and Business Development

### **Corporate Assembly**

Pursuant to the Norwegian Public Limited Liability Companies Act, companies with more than 200 employees must elect a corporate assembly unless otherwise agreed between the Company and a majority of its employees.

Two-thirds of the members are elected by the AGM and one-third by the employees.

The responsibilities of the corporate assembly include electing the board of directors and the chair of the board, overseeing the board and CEO's management of the Company, making decisions on investments of considerable magnitude in relation to the Company's resources and making decisions involving the rationalisation or reorganisation of operations that will entail major changes in or reallocation of the workforce.

The duties of the corporate assembly are defined in section 6-37 of the Norwegian Public Limited Liability Companies Act.

Members of the corporate assembly:

<b>Name</b>	<b>Position</b>	<b>Served since</b>
Tone Lunde Bakker.....	Chair, shareholder-elected member	2014 (Chair since 2016)
Nils Bastiansen .....	Deputy Chair, shareholder-elected member	2016
Greger Mannsverk .....	Member, shareholder-elected	2002
Ingvald Strømmen.....	Member, shareholder-elected	2007
Rune Bjerke ....	Member, shareholder-elected	2007
Steinar Olsen	Member, shareholder-elected	2007
Siri Kalvig.....	Member, shareholder-elected	2010
Terje Venold ...	Member, shareholder-elected	2014
Kjersti Kleven..	Member, shareholder-elected	2014
Birgitte Ringstad Vartdal .....	Member, shareholder-elected	2016
Jarle Roth .....	Member, shareholder-elected	2016
Kathrine Næss	Member, shareholder-elected	2016
Brit Gunn Ermland.....	Member, employee-elected	2015
Steinar Kåre Dale.....	Member, employee-elected	2013
Per Martin Labråthen .....	Member, employee-elected	2007
Anne K.S. Horneland .....	Member, employee-elected	2009
Jan-Erik Feste.	Member, employee-elected	2009
Hilde Møllerstad.....	Member, employee-elected	2013

All members of the corporate assembly live in Norway. Members of the corporate assembly do not have service contracts with the Company or its subsidiaries providing for benefits upon termination of office.

### ***Potential Conflicts of Interest***

There are no potential conflicts of interest of the duties owed to the Company or Statoil by the directors, members of the executive committee or members of the corporate assembly and their private interests and/or other duties.

### ***Management of SP***

#### **Board of Directors and Management**

Hans Jakob Hegge	Chairman	Executive Vice President and CFO
Bent Rune Solheim	Board Member	Senior Vice President DPN Finance & Control
Kjell Byberg	Board Member and General Manager	Controller Finance & Control
Geir Aalhus	Board Member	Manager Tax
Hans Henrik Klouman	Board Member	General Counsel

There are no conflicts of interest between the duties of the persons listed above to SP and their private interests or other duties.

The business address of the directors and management of SP is c/o Statoil Petroleum AS at Forusbeen 50, N-4035 Stavanger, Norway.

Statoil has adopted corporate governance policies, which apply to all of its subsidiaries, including SP, which comply with all applicable corporate governance regulations.

## TAXATION

### Norway

The following summary is based on current Norwegian law and practice, which is subject to changes that could prospectively or retrospectively modify or adversely affect the stated tax consequence. Prospective purchasers of Notes should consult their own professional advisers as to their respective tax positions.

Payments made by the Issuer under Notes to persons who are not Norwegian residents for tax purposes (**Non-residents**), whether in respect of principal or interest on Notes, are not subject to any tax imposed by Norway or any political subdivision thereof or therein except for payments attributable to such a person's branch, permanent establishment or operation in Norway that may be subject to tax imposed by Norway or any political subdivision thereof or therein.

In the event that any withholding is subsequently imposed with respect to any such payment as described in "*Terms and Conditions of the Notes other than VPS Notes – Taxation*" or "*Terms and Conditions of the VPS Notes – Taxation*", the Issuer will (subject to certain exceptions and limitations) pay such additional amounts under the Notes as will result (after deduction of said withholding tax) in the payment of the amounts which would otherwise have been payable in respect of such Notes had there been no such withholding tax. In October 2015 the Norwegian government issued a white paper describing a tax reform for the period 2016-2018, which includes a proposal to introduce withholding tax on interest payments from Norway. The white paper will be subject to a hearing in the near future.

In addition, no income, capital gains, transfer or similar tax is currently imposed by Norway or any political subdivision thereof or therein on a Non-resident's sale, redemption or other disposition of Notes, except for payments attributable to a Non-resident's branch, permanent establishment or operation in Norway that may be subject to tax imposed by Norway or any political subdivision thereof or therein.

### The proposed financial transactions tax (FTT)

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No. 1287/2006 are expected to be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

### **United States Foreign Account Tax Compliance Act Withholding**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a **foreign financial institution** (as defined by FATCA) may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting or related requirements. Although the Issuer is continuing to evaluate its status under FATCA, the issuer is currently registered as a foreign financial institution for these purposes. A number of jurisdictions (including Norway) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior to 1 January 2019 and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. However, if additional Notes (as described under "*Terms and Conditions of the Notes other than VPS Notes - Further Issues*" and "*Terms and Conditions of the VPS Notes - Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes.

## SUBSCRIPTION AND SALE

The Dealers have in an amended and restated programme agreement (such programme agreement as modified and/or supplemented and/or restated from time to time, the **Programme Agreement**) dated 5 May 2017 agreed with the Issuer a basis upon which they or any of them may from time to time agree to subscribe Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*", "*Terms and Conditions of the Notes other than VPS Notes*" and "*Terms and Conditions of the VPS Notes*" above. In the Programme Agreement, the Issuer, failing which, the Guarantor, (in the case of Notes having the benefit of the Guarantee) has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Notes under the Programme.

### United States

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from or not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder. The applicable Final Terms will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that at or prior to confirmation of sale of the Notes, it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the completion of the distribution of any series of Notes, an offer or sale of such Notes to or for the account of a United States Person or within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

### Prohibition of sales to EEA Retail Investors

From 1 January 2018, unless the Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to

represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Offering Circular as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression **retail investor** means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or
  - (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the **Insurance Mediation Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the **Prospectus Directive**); and
- (b) the expression an **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

Prior to 1 January 2018, and from that date if the Final Terms in respect of any Notes specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive; or
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an **offer of Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression **Prospectus Directive** means Directive 2003/71/EC (as

amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

### **United Kingdom**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (**FSMA**) by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the **FIEA**) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

### **Norway**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, unless the Issuer has confirmed in writing to each Dealer that the Offering Circular has been filed with and approved by the Financial Supervisory Authority of Norway, it has not, directly or indirectly, offered or sold and will not directly or indirectly, offer or sell any Notes in Norway or to residents of Norway, other than:

- (a) in respect of an offer of Notes addressed to investors subject to a minimum purchase of Notes for a total consideration of not less than €100,000 per investor; or

- (b) to "professional investors" as defined in Section 7-1 cf. Sections 10-2 to 10-5 in the Norwegian Securities Regulation of 29 June 2007 no. 876; or
- (c) to, when aggregated with such offer or sale of any Notes in the same offering by any other Dealer, fewer than 150 natural or legal persons (other than "professional investors" as defined in Section 7-1 in the Norwegian Securities Regulation of 29 June 2007 no. 876), subject to obtaining the prior consent of the relevant Dealer or Dealers for any such offer; or
- (d) in any other circumstances provided that no such offer of Notes shall result in a requirement for the registration or the publication by the Issuer or the Dealer or Dealers of a prospectus pursuant to the Norwegian Securities Trading Act of 29 June 2007 no. 75.

The Notes shall be registered with the VPS unless (i) the Notes are denominated in NOK, issued outside of Norway and reserved for and only sold and offered to non-Norwegian residents and entities, or (ii) denominated in a currency other than Norwegian kroner and issued outside of Norway.

## **France**

The Issuer, the Guarantor and each Dealer has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Offering Circular, the applicable Final Terms or any other offering material relating to the Notes and that such offers, sales and distributions have been and will be made in France only to (i) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (ii) qualified investors (*investisseurs qualifiés*), other than individuals, investing for their own account, all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*. This Offering Circular has not been submitted to the clearance procedures of the French *Autorité des marchés financiers*.

## **General**

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer, the Guarantor (in the case of Notes having the benefit of the Guarantee) nor any other Dealer shall have any responsibility therefor.

Without prejudice to the obligations of the Dealers set out above, none of the Issuer, the Guarantor (in the case of Notes having the benefit of the Guarantee) and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

## GENERAL INFORMATION

### Authorisation

The update of the Programme and the issue of Notes have been duly authorised by resolutions of the Board of Directors of the Issuer dated 7-8 December 2016, and the giving of the Guarantee has been duly authorised by a resolution of the Board of Directors of the Guarantor dated 13 February 2017.

### Listing of Notes

The admission of Notes to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of Notes which is to be admitted to the Official List and admitted to trading on the London Stock Exchange's regulated market will be admitted separately as and when issued, subject only to the issue of a Temporary Global Note initially representing the Notes of such Tranche. Application has been made to the UK Listing Authority for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's regulated market. The listing of the Programme in respect of Notes is expected to be granted on or about 10 May 2017.

In the case of VPS Notes, application will be made to the Oslo Børs for such VPS Notes to be admitted to trading on the Oslo Børs's regulated market.

### Documents Available

For the period of 12 months following the date of this Offering Circular, copies of the following documents will, when published, be available from the registered office of the Issuer and the Guarantor, as the case may be, and from the specified offices of the Paying Agents for the time being in London and Luxembourg or from the specified office of the VPS Agent or the registered office of the VPS Trustee:

- (i) the constitutional documents (with a direct and accurate English translation thereof) of each of the Issuer and the Guarantor;
- (ii) the reports of the auditor and the consolidated audited annual financial statements for the financial years ended 31 December 2016 and 31 December 2015 of Statoil ASA contained on pages 119 to 189 (inclusive) of Statoil ASA's Annual Report and Form 20-F for the year ended 31 December 2016 which were prepared under International Financial Reporting Standards as issued by the International Accounting Standards Board and International Financial Reporting Standards as adopted by the EU;
- (iii) the management's report and the auditor's report on Statoil ASA's internal controls over financial reporting as at 31 December 2016 contained on pages 103 and 190, respectively, of Statoil ASA's Annual Report and Form 20-F for the year ended 31 December 2016;
- (iv) the unaudited condensed consolidated interim financial statements of Statoil ASA for the period ended 31 March 2017 – 1st quarter 2017 contained on pages 8 to 18 (inclusive) of Statoil ASA's financial statements and review – 1st quarter 2017 which were prepared in accordance with International Accounting Standard 34 Interim

Financial Reporting as issued by the International Accounting Standards Board and as adopted by the EU;

- (v) the reports of the auditor and the non-consolidated audited annual financial statements for the financial years ended 31 December 2016 and 31 December 2015 of Statoil Petroleum AS which were prepared in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway;
- (vi) the most recently published consolidated audited annual financial statements of the Group and the most recently published interim consolidated financial statements (if any) of the Group (with a direct and accurate English translation thereof), in each case together with any audit or review reports prepared in connection therewith;
- (vii) the Programme Agreement, the Agency Agreement, the VPS Trustee Agreement, the VPS Agency Agreement, the Guarantee, the form of the Temporary Global Notes, the form of the Permanent Global Notes, the form of the definitive Notes and the Coupons, the Talons and the Deed of Covenant;
- (viii) a copy of this Offering Circular; and
- (ix) any future offering circulars, prospectuses, information memoranda, supplements and Final Terms (save that a Final Terms relating to a Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer or the Paying Agent, as the case may be, as to the identity of such holder) to this Offering Circular and any other documents incorporated herein or therein by reference.

### **Clearing Systems**

The Notes have been accepted for clearance through Euroclear, Clearstream, Luxembourg and VPS (which are the entities in charge of keeping the records). The appropriate Common Code and International Securities Identification Number for each Tranche allocated by Euroclear, Clearstream, Luxembourg and/or VPS will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream, Luxembourg, 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of the VPS is Fred, Olsens gate 1, N-0152 Oslo.

### **Conditions for Determining Price**

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

### **Significant or Material Change**

Other than as referred to under *Recent Developments* on page 107, there has been (i) no significant change in the financial or trading position of the Issuer and its subsidiaries (taken as a whole) since 31 December 2016, or the Guarantor and its subsidiaries (taken as a

whole) since 31 December 2016 and (ii) there has been no material adverse change in the prospects of the Issuer or the Guarantor since 31 December 2016.

### **Litigation**

There are no, nor have there been any, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which either the Issuer or the Guarantor is aware) in the past 12 months which may have or have in such period had a significant effect on the financial position or profitability of the Issuer, the Guarantor, the Issuer and its subsidiaries (taken as a whole) or the Guarantor and its subsidiaries (taken as a whole).

### **Auditors**

The auditor of the Issuer and the Guarantor is KPMG AS (**KPMG**) for the years ended 31 December 2016 and 31 December 2015.

The consolidated financial statements of the Issuer have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (**IASB**) and International Financial Reporting Standards as adopted by the European Union and were audited in accordance with the standards of the Public Company Accounting Oversight Board (United States), for the years ended 31 December 2016 and 31 December 2015 by KPMG.

In addition, KPMG audited in accordance with the standards of the Public Company Accounting Oversight Board (United States) the management's assessment of the effectiveness of internal controls over financial reporting of the Issuer as of 31 December 2016.

The financial statements of the Guarantor have been prepared in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway and were audited, in accordance with laws, regulations and auditing standards and practices generally accepted in Norway, including International Standards on Auditing, for the years ended 31 December 2016 and 31 December 2015 by KPMG.

### **Post-Issuance Information**

The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

### **Indicative Yield for Fixed Rate Notes**

In relation to any Tranche of Fixed Rate Notes, an indication of the yield in respect of such Notes will be specified in the applicable Final Terms. The yield is calculated at the Issue Date of the Notes on the basis of the relevant Issue Price. The yield indicated will be calculated as the yield to maturity as at the Issue Date of the Notes and will not be an indication of future yield.

### **Dealers transacting with the Issuer and Guarantor**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and the Guarantor and their respective affiliates in the ordinary course of business.

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**THE GUARANTOR**

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