

Press release

28 July 2011

Second quarter 2011 results

Statoil's second quarter 2011 net operating income was NOK 61.0 billion, a 129% increase compared to NOK 26.6 billion in the second quarter of 2010. The quarterly result was mainly affected by a 32% increase in the average prices for liquids measured in NOK, a 28% increase in average gas prices, a NOK 8.8 billion gain related to the 40% Peregrino divestment and an 18% decrease in lifted volumes, when compared to the same period last year.

"Statoil delivered record net income in the second quarter of 2011, reflecting an operational performance in line with expectations, the value-creating Peregrino transaction and strong oil and gas prices throughout the period. Production was mainly impacted by previously announced extensive maintenance activities and seasonal variability in gas off-take. We continued to make progress within exploration and project developments in the quarter, staying on track to deliver future growth," says Helge Lund, Statoil's chief executive officer.

Net income in the second quarter of 2011 was NOK 27.1 billion compared to NOK 3.1 billion in the same period last year. This result reflected higher prices for both liquids and gas, a gain on sale of asset of NOK 7.5 billion net of tax, reduced exploration expenses and higher net financial income, partly offset by reduced liftings. The tax rate for the quarter was 56%.

Adjusted earnings in the second quarter of 2011 were NOK 43.6 billion, compared to NOK 36.5 billion in the second quarter of 2010.

Adjusted earnings after tax were NOK 12.8 billion in the second quarter of 2011. Adjusted earnings after tax exclude the effect of tax on net financial items, and represent an effective adjusted tax rate of 71% in the second quarter of 2011.

Total **equity production** was 1,692 mboe per day in the second quarter of 2011 compared to 1,957 mboe per day in the second quarter of 2010.

	Second quarter			First half			Full year 2010
	2011	2010	Change	2011	2010	Change	
Net operating income (NOK billion)	61.0	26.6	>100 %	111.8	66.2	69 %	137.3
Adjusted earnings (NOK billion)	43.6	36.5	20 %	90.8	75.3	21 %	142.8
Net income (NOK billion)	27.1	3.1	>100 %	43.1	14.2	>100 %	37.6
Earnings per share (NOK)	8.44	1.14	>100 %	13.45	4.63	>100 %	11.94
Average liquids price (NOK/bbl) [3]	610	462	32 %	593	447	33 %	462
Average gas prices (NOK/scm)	2.06	1.61	28 %	2.00	1.62	23 %	1.72
Equity production (mboe per day)	1,692	1,957	(14 %)	1,831	2,029	(10 %)	1,888

Highlights since first quarter 2011:

- The sale of 40% of the Peregrino offshore field in Brazil was completed and a gain of NOK 8.8 billion before tax is recorded.
- Successful exploration drilling activities in Norway and internationally.
- The approval of the Plan for development and operation (PDO) for the Hyme field (formerly Gygrid) on the NCS.
- The approval of the Plan for development and operation of the Valemon gas and condensate field on the NCS.
- The announcement of the divestment of a 24.1% interest in the Gassled joint venture to Solveig Gas Norway AS.
- The approval of the Plan for development and operation for Visund South fast track on the NCS.
- Statoil awarded the contract for construction of two new specially designed category D drilling rigs.
- First shipment of Peregrino crude.
- Strengthened position in Eagle Ford through acquiring new leases.

OPERATIONAL REVIEW

Second quarter

Total liquids and gas entitlement **production** in the second quarter of 2011 was 1,486 mboe per day, compared to 1,765 mboe per day in the second quarter of 2010. Total equity production [9] was 1,692 mboe per day in the second quarter of 2011 compared to 1,957 mboe per day in the second quarter of 2010.

The 14% decrease in total equity production was primarily caused by lower gas off-take, reduced production permits, reduced water injection at Gullfaks, planned maintenance activities and natural decline on mature fields. Also suspended production in Libya added to the decrease. Increased volumes from start-up of the new fields Vega, Morvin, Gjøa, Peregrino and Leismer, and ramp-up of production from existing fields, partly compensated for the second quarter decrease in equity production.

Entitlement production, down 16% since second quarter last year, was impacted by the reduction in equity production as described above and by increasing effects from Production Sharing Agreements (PSA-effects). The average PSA-effect was 206 mboe per day in the second quarter of 2011 compared to 192 mboe per day in the second quarter last year. The increase in PSA-effect was mainly a result of higher prices for liquids and gas leading to lower entitlement production and a higher government take because of changes in profit tranches regarding fields in Angola, compared to the same quarter last year.

Operational data	Second quarter			First half			Full year 2010
	2011	2010	Change	2011	2010	Change	
Price							
Average liquids price (USD/bbl)	112.1	74.1	51 %	106.2	74.0	43 %	76.5
USD/NOK average daily exchange rate	5.44	6.24	(13 %)	5.59	6.04	(8 %)	6.05
Average liquids price (NOK/bbl) [3]	610	462	32 %	593	447	33 %	462
Average gas prices (NOK/scm)	2.06	1.61	28 %	2.00	1.62	23 %	1.72
Refining margin (reference margin, USD/bbl) [4]	2.2	4.9	(55 %)	2.4	4.4	(45 %)	3.9
Production							
Total entitlement liquids production (mboe per day) [5]	893	981	(9 %)	921	1,023	(10 %)	968
Total entitlement gas production (mboe per day)	593	783	(24 %)	704	817	(14 %)	738
Total entitlement liquids and gas production (mboe per day) [6]	1,486	1,765	(16 %)	1,625	1,839	(12 %)	1,705
Total equity liquids production (mboe per day)	1,075	1,147	(6 %)	1,099	1,182	(7 %)	1,122
Total equity gas production (mboe per day)	616	809	(24 %)	731	847	(14 %)	766
Total equity liquids and gas production (mboe per day)	1,692	1,957	(14 %)	1,831	2,029	(10 %)	1,888
Liftings							
Total liquids liftings (mboe per day)	823	942	(13 %)	853	1,010	(15 %)	969
Total gas liftings (mboe per day)	593	783	(24 %)	704	817	(14 %)	738
Total liquids and gas liftings (mboe per day) [7]	1,416	1,725	(18 %)	1,557	1,826	(15 %)	1,706
Production cost							
Production cost entitlement volumes (NOK/boe, last 12 months) [8]	46.2	40.1	15 %	46.2	40.1	15 %	42.8
Production cost equity volumes (NOK/boe, last 12 months)	41.2	36.3	14 %	41.2	36.3	14 %	38.6
Equity production cost excluding restructuring and gas injection cost (NOK/boe, last 12 months) [9]	41.1	35.2	17 %	41.1	35.2	17 %	37.9

Total **liftings** of liquids and gas were 1,416 mboe per day in the second quarter of 2011, an 18% decrease from 1,725 mboe per day in the second quarter of 2010. The decrease in lifting is a result of the decrease in entitlement production and increased underlift compared to the second quarter last year. In the second quarter of 2011 there was an underlift of 56 mboe per day [5], compared to an underlift of 26 mboe per day in the second quarter of 2010.

Refining margins (reference margin) were USD 2.2 per barrel in the second quarter of 2011, compared to USD 4.9 per barrel in the second quarter of 2010.

Production cost per boe of entitlement volumes was NOK 46.2 for the 12 months ended 30 June 2011, compared to NOK 40.1 for the 12 months ended 30 June 2010 [8]. Based on equity volumes, the production cost per boe for the two periods was NOK 41.2 and NOK 36.3, respectively.

The adjusted production cost per boe of equity production for the 12 months ended 30 June 2011 was NOK 41.1 [9]. The comparable figure for the 12 months ended 30 June 2010 was NOK 35.2. Adjustments to production cost include restructuring costs and other costs arising from the merger recorded in the fourth quarter of 2007 that were partially reversed in the fourth quarter of 2009 and 2010, and gas injection costs.

The increase in adjusted production cost per boe is mainly a result of the lower equity production and higher cost from fields preparing for production start-up during the last 12 months, such as Peregrino in Brazil and Leismer Demonstration Project in Canada.

Exploration expenditure (including capitalised exploration expenditure) was NOK 3.9 billion in the second quarter 2011, compared to NOK 3.8 billion in the second quarter of 2010. The NOK 0.1 billion increase was mainly due to more wells being drilled compared to last year.

In the second quarter of 2011, a total of nine **exploration wells** were completed before 30 June 2011, six on the NCS and three internationally. Six wells were announced as discoveries in the period, four on the NCS and two internationally.

Major business developments since first quarter 2011 include:

- The submission (12 May) and approval (28 June) of the Plan for development and operation (PDO) for the Hyme field on the NCS (formerly Gygrid). Production start-up is scheduled for the first quarter of 2013.
- The approval of the Plan for development and operation of the Valemon gas and condensate field on the NCS (9 June). Production start-up is planned for in 2014.
- Also on 9 June, Statoil and Talisman entered into an agreement with Denver-based independent SM Energy Company that will add 15,400 acres to the companies' 50/50 Eagle Ford joint venture in Texas, USA. The total purchase price is USD 225 million. The transaction is expected to close in August.
- The approval of the Plan for development and operation for Visund South fast track (10 June). Production start-up is planned for in the third quarter of 2012.
- The farm-in on the Kakuna-prospect in deepwater Gulf of Mexico in the USA providing Statoil with a 27.5% interest in the prospect, which is operated by Nexen Inc, controlling the remaining 72.5%.
- The decision to sell a 24.1% direct and indirect stake in the Gassled joint venture for a consideration of NOK 17.35 billion to Solveig Gas Norway AS. Following this transaction, Statoil will continue to own 5.0 % in the joint venture.
- The farm-in of three offshore exploration licenses in Indonesia. Statoil will acquire a 40% equity interest in a North Makassar Strait Production Sharing Contract (PSC) and a similar interest in two additional offshore PSCs (West Papua IV and Halmahera-Kofiau).
- On 6 July the UK Government announced that the annual rate of the Ring Fence Expenditure Supplement (RFES) for the North Sea fiscal regime will be increased from 6% to 10%. This change will provide extra support for investments in the UK part of the North Sea. As a consequence, Statoil will resume the work on maturing the Mariner field in UK towards a Final Investment Decision in the end of 2012.

First half 2011

Total liquids and gas entitlement **production** in the first half of 2011 was 1,625 mboe per day, down 12% from 1,839 mboe per day in the first half of 2010. Total equity production was 1,831 mboe per day in the first half of 2011 compared to 2,029 mboe per day in the first half of 2010.

The 10% decrease in total **equity production** in the first half of 2011 compared to the same period in 2010 was primarily caused by deferred production as a result of commercial considerations mainly related to the flexible gas fields Troll and Oseberg, maintenance shut downs and general decline on mature fields. Increased volumes from start-up of new fields (Beta Vest, Vega, Morvin, Gjøa, Peregrino and Leismer) and ramp-up of production from existing fields, partly compensated for the decrease in equity production in the first half of 2011.

The 12% decrease in **entitlement production** in the first half of 2011 was impacted by the reduction in equity production as described above, and by increasing PSA-effects. The average PSA-effect on entitlement production was 206 mboe per day in the first half of 2011 compared to 190 mboe per day in the first half of 2010. The increase was a result of changes in profit tranches regarding fields in Angola, and higher prices in first half 2011 compared to same period 2010 leading to reduced entitlement shares.

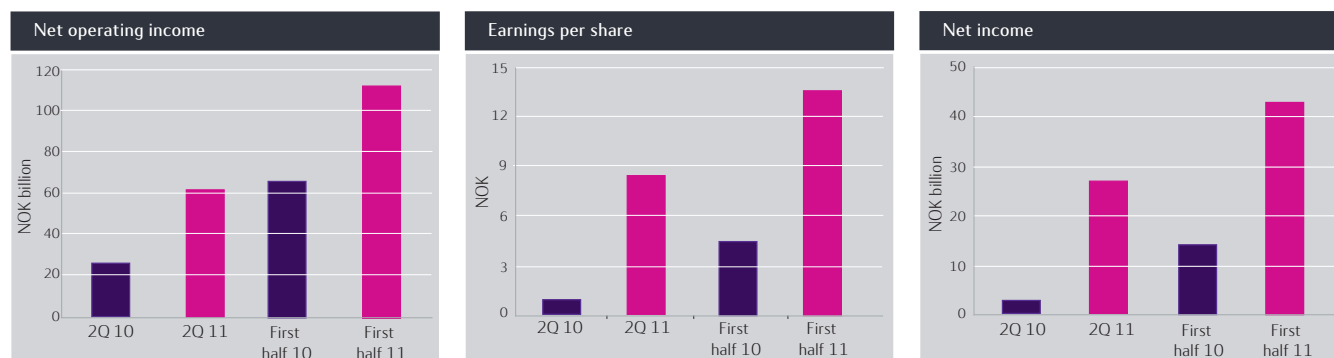
Total liquids and gas **liftings** in the first half of 2011 were 1,557 mboe per day, compared to 1,826 mboe per day in the first half of 2010. The 15% decrease in lifting is based on the decrease in entitlement production. In the first half of 2011 there was an underlift position of 54 mboe per day. There was no over/underlift position in the first half of 2010.

Refining margins (reference margin) were USD 2.4 per barrel in the first half of 2011, compared to USD 4.4 per barrel in the first half of 2010.

Exploration expenditure (including capitalised exploration expenditure) was NOK 8.3 billion in the first half of 2011, compared to NOK 7.4 billion in the same period of 2010. The NOK 0.9 billion increase was mainly due to more expensive wells and increased number of wells being drilled compared to last year.

In the first half of 2011 Statoil completed 19 **exploration wells**, 13 on the NCS and six internationally. A total of nine wells were announced as discoveries in the period, seven on the NCS and two internationally.

FINANCIAL REVIEW



Second quarter

In the second quarter of 2011, **net operating income** was NOK 61.0 billion, compared to NOK 26.6 billion in the second quarter of 2010. Revenues were positively impacted by higher liquids and gas prices and were only partly offset by the decrease in volumes of both liquids and gas sold. Other income was NOK 8.8 billion in the second quarter 2011, and was attributable to the gain from the 40% Peregrino divestment recognised in the second quarter 2011. Purchases (net of inventory variation) represent Statoil's purchases of SDFI and 3rd party volumes and increased by 21% compared to second quarter 2010, mainly due to higher prices of liquids measured in NOK.

IFRS income statement (in NOK billion)	Second quarter			First half			Full year 2010
	2011	2010	Change	2011	2010	Change	
REVENUES AND OTHER INCOME							
Revenues	159.5	129.3	23 %	305.3	258.0	18 %	527.0
Net income (loss) from equity accounted investments	0.4	0.3	52 %	0.9	0.7	24 %	1.2
Other income	8.8	(0.0)	<(100 %)	14.5	0.4	>100 %	1.8
Total revenues and other income	168.8	129.5	30 %	320.7	259.1	24 %	529.9
OPERATING EXPENSES							
Purchase [net of inventory variation]	78.6	64.9	21 %	148.7	122.3	22 %	257.4
Operating expenses and selling, general and administrative expenses	17.7	19.9	(11 %)	34.0	38.3	(11 %)	68.8
Depreciation, amortisation and net impairment losses	11.2	14.6	(23 %)	22.3	25.5	(13 %)	50.7
Exploration expenses	0.2	3.6	(94 %)	3.8	6.8	(44 %)	15.8
Total operating expenses	(107.7)	(102.9)	5 %	(208.9)	(192.9)	8 %	(392.7)
Net operating income	61.0	26.6	>100 %	111.8	66.2	69 %	137.3
Net financial items	0.2	(0.8)	<(100 %)	(0.3)	(2.5)	(88 %)	(0.4)
Income tax	(34.2)	(22.8)	50 %	(68.4)	(49.5)	38 %	(99.2)
Net income	27.1	3.1	>100 %	43.1	14.2	>100 %	37.6

Net operating income includes certain items that management does not consider to be reflective of Statoil's underlying operational performance. Management adjusts for these items to arrive at adjusted earnings. **Adjusted earnings** is a supplemental non-GAAP measure to Statoil's IFRS measure of net operating income which management believes provides an indication of Statoil's underlying operational performance in the period and facilitates a better evaluation of operational developments between periods.

In the second quarter of 2011, underlift (NOK 2.2 billion) had a negative impact on net operating income while net gain on sale of the 40% Peregrino asset (NOK 8.8 billion), higher fair values of derivatives (NOK 6.3 billion), reversal of impairment losses (NOK 2.2 billion) and other adjustments (NOK 0.8 billion) had a positive impact on net operating income. Adjusted for these items and the effects of eliminations (NOK 1.5 billion), **adjusted earnings** were NOK 43.6 billion in the second quarter of 2011.

In the second quarter of 2010, impairment losses net of reversals (NOK 3.0 billion) mainly related to the Mongstad refinery, underlift (NOK 0.6 billion), lower values of products in operational storage (NOK 0.1 billion), lower fair value of derivatives (NOK 1.5 billion) and other provisions (NOK 4.6 billion), including provision for an onerous contract regarding a re-gasification terminal in the US (NOK 3.8 billion), all had a negative impact on net operating income. Adjusted for these items, **adjusted earnings** were NOK 36.5 billion in the second quarter of 2010.

The 20% increase in adjusted earnings from second quarter 2010 to second quarter 2011 was mainly attributable to higher prices for both liquids and gas. The increase was partly offset by lower volumes sold because of the decrease in production, lower exchange rates and weaker trading results.

Adjusted purchase [net of inventory variation] increased by 21% mainly due to higher prices of liquids, oil products and gas.

Adjusted operating expenses and selling, general and administrative expenses were NOK 18.1 billion in the second quarter of 2011, compared to NOK 16.6 billion in the second quarter last year. The 9% increase stemmed mainly from increased activity related to start-up and ramp-up of production on various fields, increased transportation activity in the US and increased business development costs.

Adjusted depreciation, amortisation and net impairment losses were NOK 11.3 billion, down 3% compared to the same period last year mainly because of the impact of lower production. The reduction was partly offset by higher depreciation from new fields and assets coming on stream, and the impact on depreciation from revisions of removal and abandonment estimates.

Adjusted exploration expenses decreased by NOK 1.4 billion compared to the same period last year mainly because successful drilling resulted in a higher proportion of current periods exploration expenditures being capitalised this quarter compared to last year. Also lower exploration expenditure capitalised in previous years being expensed this period, added to the decrease.

Adjusted earnings (in NOK billion)	Second quarter			First half			Full year 2010
	2011	2010	Change	2011	2010	Change	
Adjusted total revenues and other income	154.0	133.2	16 %	305.6	261.1	17 %	530.2
Adjusted purchase [net of inventory variation]	78.6	64.8	21 %	149.5	122.7	22 %	258.0
Adjusted operating expenses and selling, general and administrative expenses	18.1	16.6	9 %	36.1	33.8	7 %	68.0
Adjusted depreciation, amortisation and net impairment losses	11.3	11.7	(3 %)	23.3	22.6	3 %	45.9
Adjusted exploration expenses	2.3	3.7	(37 %)	5.9	6.6	(10 %)	15.5
Adjusted earnings [11]	43.6	36.5	20 %	90.8	75.3	21 %	142.8

Financial data	Second quarter			First half			Full year 2010
	2011	2010	Change	2011	2010	Change	
Weighted average number of ordinary shares outstanding	3,182,596,063	3,182,704,054		3,182,780,866	3,182,943,356		3,182,574,787
Earnings per share (NOK)	8.44	1.14	>100 %	13.45	4.63	>100 %	11.94
Non-controlling interests (NOK billion)	(0.1)	0.6	<(100 %)	(0.2)	0.5	<(100 %)	(0.4)
Cash flows provided by operating activities (NOK billion)	32.8	23.4	40 %	53.6	48.1	12 %	80.8
Gross investments (NOK billion)	19.8	18.7	6 %	41.5	39.9	4 %	84.4
Net debt to capital employed ratio	13.6 %	29.2 %		13.6 %	29.2 %		24.6 %

Net financial items amounted to a gain of NOK 0.2 billion in the second quarter of 2011, compared to a loss of NOK 0.8 billion in the second quarter of 2010. The gain in the second quarter of 2011 was primarily due to fair value gains on interest rate swap positions related to the interest rate management of external loans of NOK 1.6 billion, partly offset by foreign exchange losses of NOK 1.4 billion. Correspondingly, the loss in the second quarter of 2010 primarily related to foreign exchange losses of NOK 3.3 billion, partly offset by fair value gains on interest rate swap positions, included in interest expenses, related to the interest rate management of external loans of NOK 2.9 billion.

Interest expenses in the second quarter of 2011 amounted to net gain of NOK 0.7 billion, correspondingly interest expenses of the second quarter of 2010 amounted to a net gain of NOK 2.1 billion.

The fair value gains on interest rate swap positions were caused by decreasing USD interest rates during the second quarter of 2011 and the second quarter of 2010.

Adjusted for these factors, net financial items excluding foreign exchange effects and interest rate derivatives, was a loss of approximately NOK 0.1 billion for the period. In the second quarter of 2010, net financial items excluding foreign exchange and interest rate derivatives before tax amounted to a loss of NOK 0.6 billion.

Financial items in second quarter 2011 (in NOK billion)	Interest income	Net foreign exchange	Interest expense	Net before tax	Estimated tax effect	Net after tax
Financial items according to IFRS	0.9	(1.4)	0.7	0.2	(0.6)	(0.4)
Foreign exchange (FX) impacts (incl. derivatives)	(0.1)	1.4		1.3		
Interest rate (IR) derivatives			(1.6)	(1.6)		
Subtotal	(0.1)	1.4	(1.6)	(0.3)	0.9	0.6
Financial items excluding FX and IR derivatives	0.8	0.0	(0.9)	(0.1)	0.3	0.2

Exchange rates	30 June 2011	31 March 2011	30 June 2010
USDNOK	5.39	5.51	6.50
EURNOK	7.79	7.83	7.97

Income tax was NOK 34.2 billion in the second quarter of 2011, equivalent to an effective tax rate of 55.8%, compared to NOK 22.8 billion in the second quarter of 2010, equivalent to an effective tax rate of 88.2%. The variance in effective tax rates between the periods is mainly explained by capital gains and the reversal of impairments (net of impairments) in the second quarter of 2011 with lower than average tax rates, compared with impairments with lower than average tax rates in the second quarter of 2010. The decreased effective tax rate in the second quarter of 2011 was also caused by relatively lower income from the NCS, which is subject to higher than average tax rates and higher deferred tax income in the second quarter of 2011 compared to the second quarter of 2010 related to currency effects in companies that are taxable in currencies other than the functional currency. The decreased effective tax rate in the second quarter of 2011 was partially offset by higher taxable income than accounting income before tax in the second quarter of 2011 compared to the second quarter of 2010 related to currency effects in companies that are taxable in currencies other than the functional currency.

In the second quarter of 2011, income before tax amounted to NOK 61.2 billion, while taxable income was estimated to be NOK 3.2 billion higher. The estimated difference of NOK 3.2 billion arose in companies that are taxable in currencies other than the functional currency. The tax effect of this estimated difference contributed to a tax rate of 55.8%.

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

Composition of tax expense and effective tax rate in the second quarter of 2011	Before tax	Tax	Tax rate	After tax
Adjusted earnings	43.6	(30.8)	71 %	12.8
Adjustments	17.4	(2.8)	16 %	14.6
Net operating income	61.0	(33.6)	55 %	27.4
Financial items	0.2	(0.6)	>100 %	(0.4)
Total	61.2	(34.2)	56 %	27.1

Adjusted earnings after tax in the second quarter of 2011 were NOK 12.8 billion, up from NOK 10.6 billion in the second quarter of 2010. The tax rate on adjusted earnings was 71% in the second quarter of both 2011 and 2010.

Adjusted earnings by segment are stated in the table below. The composition of Statoil's reportable segments was changed on the basis of the new corporate structure implemented with effect from 1 January 2011, see note 3 to the Interim Financial Statements.

Adjusted earnings after tax by segment (in NOK billion)	Second quarter					
	2011			2010		
	Adjusted earnings	Tax on adjusted earnings	Adjusted earnings after tax	Adjusted earnings	Tax on adjusted earnings	Adjusted earnings after tax
D&P Norway	37.0	27.7	9.3	29.1	21.5	7.6
D&P International	5.8	2.8	3.0	2.9	1.5	1.4
Marketing, Processing & Renewable energy	0.5	0.5	0.0	3.4	2.5	0.8
Fuel & Retail	0.5	0.1	0.4	0.6	0.2	0.4
Other	(0.2)	(0.4)	0.1	0.6	0.1	0.4
Group	43.6	30.8	12.8	36.5	25.9	10.6

In the second quarter of 2011, **net income** was NOK 27.1 billion compared to NOK 3.1 billion last year. The substantial increase stems primarily from the increase in operating income caused by higher prices for both liquids and gas, a gain on the 40% Peregrino divestment, gain on derivatives, reversals of impairments made in prior periods and a lower effective tax rate. The increase was partly offset by lower volumes of liquids and gas sold and weaker trading results.

In the second quarter of 2011, **earnings per share** was NOK 8.44 compared to NOK 1.14 in the second quarter of 2010.

First half 2011

In the first half of 2011, **net operating income** was NOK 111.8 billion, compared to NOK 66.2 billion in the first half of 2010, an increase of 69%. Net operating income was positively impacted by higher liquids and gas prices, gains from the 40% Kai Kos Dehseh divestment in Canada and the 40% Peregrino divestment in Brazil, reversal of provisions and impairments made in prior periods and unrealised gains on derivatives. Decreased volumes of both liquids and gas sold because of reduced production and increased underlift only partly offset the increase in net operating income. Purchases (net of inventory variation) increased by 22%, mainly due to higher prices of liquids measured in NOK.

Depreciation, amortisation and net impairment losses decreased by 13% in the first half of 2011 compared to same period last year, mainly due to lower production and reversals of impairments made in previous periods, only partly offset by higher depreciation cost from new fields coming on stream.

Exploration expenses were down from NOK 6.8 billion to NOK 3.8 billion compared to first half of 2010 mainly because of higher capitalised exploration in

the first half of 2011, and lower exploration expenditure capitalised in previous years being expensed. This was partly offset by higher exploration activity with higher equity share and expensing of unsuccessful wells.

In the first half of 2011, underlift (NOK 3.7 billion) negatively impacted net operating income, while gain on sale of assets (NOK 14.3 billion), higher fair value of derivatives (NOK 3.6 billion), reversals net of impairment losses (NOK 3.1 billion), higher values of products in operational storage (NOK 0.8 billion) and other provisions/adjustments (NOK 1.5 billion) had a positive impact on net operating income. Adjusted for these items and effects of eliminations (NOK 1.4 billion) **adjusted earnings** were NOK 90.8 billion in the first half of 2011.

In the first half of 2010, impairment losses net of reversals (NOK 3.1 billion), lower fair value of derivatives (NOK 1.1 billion), underlift (NOK 0.2 billion) and other provisions (NOK 5.1 billion) including provision for an onerous contract regarding a re-gasification terminal in the US (NOK 3.8 billion), negatively impacted net operating income, while higher values of products in operational storage (NOK 0.4 billion) and gain on sale of assets (NOK 0.2 billion) had a positive impact on net operating income. Adjusted for these items and effects of eliminations (NOK 0.2 billion), **adjusted earnings** were NOK 75.3 billion in the first half of 2010.

The 21% increase in adjusted earnings from the first half of 2010 to the first half of 2011 was primarily caused by the increase in liquids and gas prices and was only partly offset by the lower volumes being sold because of the reduction in production and liftings.

Adjusted exploration expenses decreased by 10% in the first half of 2011 compared to last year, mainly due to lower exploration expenditure capitalised in previous years being expensed. Exploration expenses incurred in the period increased because of higher drilling costs and a higher number of wells being drilled, and partly counteracted the decrease.

Adjusted depreciation, amortisation and net impairment losses increased by 3% compared to last year mainly because of higher depreciation from new fields and assets coming on stream, and the impact on depreciation from revisions of removal and abandonment estimates. The increase was partly compensated by the impact of lower production and increased reserve estimates in Angola.

Adjusted operating expenses, and selling, general and administrative expenses has increased by NOK 2.3 billion compared to the same period last year mainly due to increased activity related to start-up and ramp-up of production on various fields, increased transportation activity in the US and increased business development costs.

Net financial items amounted to a loss of NOK 0.3 billion in the first half of 2011, compared to a loss of NOK 2.5 billion in first half of 2010. The loss in the first half of 2011 was primarily due to foreign exchange losses of NOK 0.8 billion, partly offset by fair value gains on interest rate swap positions related to the interest rate management of external loans of NOK 0.6 billion. The loss in the first half of 2010 was primarily due to foreign exchange losses of NOK 5.8 billion, partly offset by fair value gains on interest rate swap positions related to the interest rate management of external loans of NOK 4.0 billion.

The fair value gains on interest rate swap positions are caused by decreasing USD interest rates during the six month period ended 30 June 2011 and 30 June 2010.

Adjusted for foreign exchange effects on the financial income and interest rate derivatives, net financial items before tax would amount to approximately a loss of NOK 0.9 billion for the period. In the first half of 2010, adjusted net financial items before tax were a loss of NOK 0.8 billion.

Financial items in the first half of 2011 (in NOK billion)	Interest income	Net foreign exchange	Interest expense	Net before tax	Estimated tax effect	Net after tax
Financial items according to IFRS	2.4	(0.8)	(1.8)	(0.3)	(1.1)	(1.4)
Foreign exchange (FX) impacts (incl. derivatives)	(0.8)	0.8		0.1		
Interest rate (IR) derivatives			(0.7)	(0.7)		
Subtotal	(0.8)	0.8	(0.7)	(0.6)	1.1	0.5
Financial items excluding FX and IR derivatives	1.6	0.0	(2.5)	(0.9)	0.0	(0.9)

Income taxes were NOK 68.4 billion in the first half of 2011, equivalent to a tax rate of 61%, compared to NOK 49.5 billion in the first half of 2010, equivalent to a tax rate of 78%. The variance in effective tax rates between the periods is mainly explained by capital gains and the reversal of impairments (net of impairments) in the first half of 2011 with lower than average tax rates, compared with impairments with lower than average tax rates in the first half of 2010. The decreased effective tax rate in the first half of 2011 was also caused by relatively lower income from the NCS, which is subject to higher than average tax rates in the first half of 2011 compared with the first half of 2010 and higher deferred tax income in the first half of 2011 compared to the first half of 2010 related to currency effects in companies that are taxable in other currencies than the functional currency. The decreased tax rate in the first half of 2011 was partially offset by higher taxable income than accounting income before tax in the first half of 2011 related to currency effects in companies that are taxable in currencies other than the functional currency.

Composition of tax expense and effective tax rate in the first half of 2011	Before tax	Tax	Tax rate	After tax
Adjusted earnings	90.8	(66.2)	73 %	24.7
Adjustments	20.9	(1.1)	5 %	19.8
Net operating income	111.8	(67.3)	60 %	44.5
Financial items	(0.3)	(1.1)	<(100 %)	(1.4)
Total	111.5	(68.4)	61 %	43.1

Adjusted earnings after tax excludes the effects of net financial items and tax on financial items, and in the first half of 2011 adjusted earnings after tax were NOK 24.7 billion, up from NOK 22.9 billion in the same period last year. The adjusted tax rate on adjusted earnings was 73% and 70% in the first half of 2011 and 2010, respectively.

Adjusted earnings after tax by segment (in NOK billion)	First half					
	2011			2010		
	Adjusted earnings	Tax on adjusted earnings	Adjusted earnings after tax	Adjusted earnings	Tax on adjusted earnings	Adjusted earnings after tax
D&P Norway	76.4	57.4	19.0	58.2	43.1	15.1
D&P International	10.9	6.6	4.4	7.3	3.3	4.0
Marketing, Processing & Renewable energy	3.3	2.6	0.7	8.4	5.6	2.8
Fuel & Retail	0.9	0.2	0.6	1.0	0.4	0.5
Other	(0.6)	(0.6)	(0.0)	0.4	(0.1)	0.5
Group	90.8	66.2	24.7	75.3	52.4	22.9

In the first half of 2011, **net income** was NOK 43.1 billion compared to NOK 14.2 billion in the same period last year. The significant increase is mainly due to increased operating income caused by higher revenues from liquids and gas sales, gains from sale of assets, reduced loss on net financial items and a lower effective tax rate, and was only partly offset by lower volumes of liquids and gas sold and weaker trading results.

In the first half of 2011 **earnings per share** based on net income amounted to NOK 13.45, compared to NOK 4.63 in the first half of 2010.

The **cash-flows** were strong in the first half of 2011. Cash flows from underlying operations amounted to NOK 120.2 billion, mainly due to high prices of liquids and gas. Also received payments from the sale of interests in the Kai Kos Dehseh field in Canada and the Peregrino oil field in Brazil contributed to a strong cash flow in the first half of 2011.

OUTLOOK

On the Capital Market Day on 20 June, an updated outlook was communicated.

Organic capital expenditures for 2011 (i.e. excluding acquisitions and capital leases), are estimated at around USD 16 billion. In 2012, a similar level is expected.

The Company will continue to mature its large portfolio of exploration assets and expects to complete around 40 wells with a total **exploration activity** level in 2011 of around USD 3 billion, excluding signature bonuses.

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

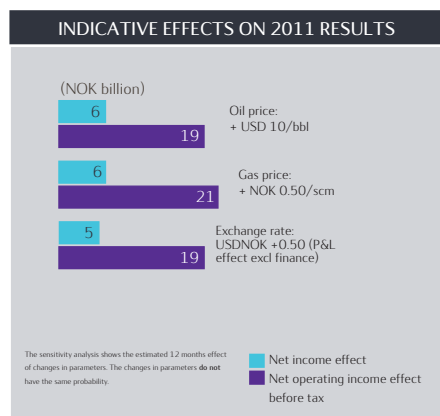
Planned turnarounds are expected to have a large impact during the third quarter of 2011 with an anticipated effect on production of around 70 mboe per day in the quarter, of which approximately 80% are liquids. In total, the turnarounds are estimated to have an impact on equity production of around 50 mboe per day for the full year 2011, of which most are liquids.

Equity production for 2012 is expected to grow with around 3% Compound Annual Growth Rate (CAGR) based on the actual 2010 equity production [13]. Statoil expects equity production in 2011 to be slightly below the 2010 level. Commercial considerations related to gas sales activities, operational regularity, the timing of new capacity coming on stream and gas off take represent the most significant risks related to the production guidance. Current market situation implies favourable conditions for deferring gas sales.

For the period beyond 2012, Statoil has an ambition to reach an equity production above 2.5 million barrels of oil equivalent in 2020. The growth is expected to come from new projects in the period from 2014 to 2016 resulting in a growth rate of 2 to 3% (GAGR) for the period 2012 to 2016. A second wave of projects is expected to come on stream from 2016 to 2020 resulting in an accelerated growth rate (GAGR) of 3 to 4%. The 2013 production is expected to be around 2012 level.

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

RISK UPDATE



Risk factors

The results of operations largely depend on a number of factors, most significantly those that affect the price obtained in NOK for products sold. Specifically, such factors include the level of liquids and natural gas prices, trends in the exchange rates, liquids and natural gas production volumes, which in turn depend on entitlement volumes under profit sharing agreements and available petroleum reserves, Statoil's, as well as our partners' expertise and co-operation in recovering oil and natural gas from those reserves, and changes in Statoil's portfolio of assets due to acquisitions and disposals.

The illustration shows how certain changes in crude oil prices (a substitute for liquids prices), natural gas contract prices and the USDNOK exchange rate, if sustained for a full year, could impact our net operating income. Changes in commodity prices, currency and interest rates may result in income or expense for the period as well as changes in the fair value of derivatives in the balance sheet.

The illustration is not intended to be exhaustive with respect to risks that have or may have a material impact on the cash flows and results of operation. See the annual report for 2010 and the 2010 Annual Report on Form 20-F for a more detailed discussion of the risks to which Statoil is exposed.

Financial risk management

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

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

In accordance with our internal credit rating policy, we assess counterparty credit risk annually and assess counterparties identified as high risk more frequently. The internal credit ratings reflect our assessment of the counterparties' credit risk.

HEALTH, SAFETY AND THE ENVIRONMENT (HSE)

Second quarter

The total recordable injury frequency was 3.9 in the second quarter of 2011 compared to 3.7 in the second quarter of 2010. The serious incident frequency improved from 1.4 in the second quarter of 2010 to 0.9 in the second quarter of 2011.

The volume of oil spills was 6.0 cubic metres in the second quarter of 2011, the same as in the second quarter of 2010. The number of accidental oil spills decreased from 117 spills in the second quarter of 2010 to 95 in the second quarter of 2011.

First half 2011

The total recordable injury frequency was 4.4 in the first half year of 2011 compared to 4.1 in the first half year of 2010. The serious incident frequency rate improved from 1.3 in the first half year of 2010 to 1.0 in the first half year of 2011. There were no fatal accidents in the first half of 2011.

The volume of oil spills increased from 13 cubic metres in the first half year of 2010 to 19 cubic metres in the first half year of 2011. The number of accidental oil spills in the first half year of 2011 decreased compared to the first half year of 2010.

HSE	Second quarter		First half		Year 2010
	2011	2010	2011	2010	
Total recordable injury frequency	3.9	3.7	4.4	4.1	4.2
Serious incident frequency	0.9	1.4	1.0	1.3	1.4
Accidental oil spills (number)	95	117	168	196	374
Accidental oil spills (cubic metres)	6	6	19	13	44

References

To see end notes referenced in main table and text please download our complete report from our website -

<http://www.statoil.com/en/InvestorCentre/QuarterlyResults/Pages/default.aspx>

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