Development Wells	— gross	33	3	29	451	516
	— net	13.3	0.9	5.7	149.4	169.3
Exploratory Wells	— gross	4	-	1	1	6
	— net	6.8	0.8	2.1	3.1	12.7

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3.11.4 Delivery commitments

This section describes the long-term NCS commitments for the contract years 2013-2016.

On behalf of the Norwegian State's direct financial interest (SDFI), Statoil is responsible for managing, transporting and selling the Norwegian state's oil and gas from the Norwegian continental shelf (NCS). These reserves are sold in conjunction with Statoil's own reserves. As part of this arrangement, Statoil delivers gas to customers under various types of sales contracts. In order to meet the commitments, we utilise a field supply schedule that ensures the highest possible total value for Statoil and SDFI's joint portfolio of oil and gas.

The majority of our gas volumes in Norway are sold under long-term contracts with take-or-pay clauses. Statoil's and SDFI's annual delivery commitments under these agreements are expressed as the sum of the expected off-take under these contracts. As of 31 December 2013, the long-term commitments from NCS for the Statoil/SDFI arrangement totalled approximately **15.89 trillion cubic feet (tcf) (450 bcm).**

Statoil and SDFI's delivery commitments, expressed as the sum of expected off-take for the gas years 2013, 2014, 2015 and 2016, are **1.59, 1.64, 1.64 and 1.58 tcf (45, 46.3, 46.4 and 44.8 bcm),** respectively. The remaining volumes are sold to large industrial end users or on the short-term market.

Statoil's currently developed gas reserves in Norway are more than sufficient to meet our share of these commitments for the next three years.

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3.12 Applicable laws and regulations

The principal laws governing our petroleum activities in Norway are the Norwegian Petroleum Act and the Norwegian Petroleum Taxation Act.

The principal laws governing our petroleum activities in Norway and on the NCS are currently the Norwegian Petroleum Act of 29 November 1996 (the "Petroleum Act") and the regulations issued thereunder, and the Norwegian Petroleum Taxation Act of 13 June 1975 (the "Petroleum Taxation Act"). The Petroleum Act sets out the principle that the Norwegian State is the owner of all subsea petroleum on the NCS, that exclusive right to resource management is vested in the Norwegian State and that the Norwegian State alone is authorised to award licences for petroleum activities. We are dependent on the Norwegian State for approval of our NCS exploration and development projects and our applications for production rates for individual fields.

Under the Petroleum Act, the Norwegian Ministry of Petroleum and Energy is responsible for resource management and for administering petroleum activities on the NCS. The main task of the Ministry of Petroleum and Energy is to ensure that petroleum activities are conducted in accordance with the applicable legislation, the policies adopted by the Norwegian parliament (the Storting) and relevant decisions of the Norwegian State. The Ministry of Petroleum and Energy primarily implements petroleum policy through its powers to administer the awarding of licences and to approve operators' field and pipeline development plans. Only plans that comply with the policies and regulations adopted by the Storting are approved. As set out in the Petroleum Act, if a plan involves an important principle or will have a significant economic or social impact, it must also be submitted to the Storting for acceptance before being approved by the Norwegian Ministry of Petroleum and Energy.

We are not required to submit any decisions relating to our operations to the Storting. However, the Storting's role in relation to major policy issues in the petroleum sector can affect us in two ways: firstly, when the Norwegian State acts in its capacity as majority owner of our shares and, secondly, when the Norwegian State acts in its capacity as regulator:

- The Norwegian State's shareholding in Statoil is managed by the Ministry of Petroleum and Energy. The Ministry of Petroleum and Energy will normally decide how the Norwegian State will vote on proposals submitted to general meetings of the shareholders. However, in certain exceptional cases, it may be necessary for the Norwegian State to seek approval from the Storting before voting on a certain proposal. This will normally be the case if we issue additional shares and such issuance would significantly dilute the Norwegian State's holding, or if such issuance would require a capital contribution from the Norwegian State in excess of government mandates. It is not possible to predict what stance the Norwegian Storting will take on a proposal to issue additional shares that would either significantly dilute its holding of Statoil shares or require a capital contribution from it in excess of government mandates. A decision by the Norwegian State to vote against a proposal on our part to issue additional shares would prevent us from raising additional capital in this manner and could adversely affect our ability to pursue business opportunities. For more information about the Norwegian State's ownership, see the sections *Risk review - Risk factors - Risks related to state ownership* and *Shareholder information - Major shareholders*.
- The Norwegian State exercises important regulatory powers over us, as well as over other companies and corporations. As part of our business, we, or the partnerships to which we are a party, frequently need to apply for licences and other approval of various kinds from the Norwegian State. In respect of certain important applications, such as for the approval of major plans for the operation and development of fields, the Ministry of Petroleum and Energy must obtain the consent of the Storting before it can approve our or the relevant partnership's application. This may take additional time and affect the content of the decision. Although Statoil is majority-owned by the Norwegian State, it does not receive preferential treatment with respect to licences granted by or under any other regulatory rules enforced by the Norwegian State.

Although Norway is not a member of the European Union (EU), it is a member of the European Free Trade Association (EFTA). The EU and the EFTA Member States have entered into the Agreement on the European Economic Area, referred to as the EEA Agreement, which provides for the inclusion of EU legislation covering the four freedoms - the free movement of goods, services, persons and capital - in the national law of the EFTA Member States (except Switzerland). An increasing volume of regulations affecting us is adopted in the EU and then applied to Norway under the EEA Agreement. As a Norwegian company operating both within EFTA and the EU, our business activities are subject to both the EFTA Convention governing intra-EFTA trade and EU laws and regulations adopted pursuant to the EEA Agreement.

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3.12.1 The Norwegian licensing system

Production licences are the most important type of licence awarded under the Petroleum Act, and the Norwegian Ministry of Petroleum and Energy has executive discretionary powers to award and set the terms for production licences.

As a participant in licences, we are subject to the Norwegian licensing system. For an overview of our activities and shares in our production licences, see *Business overview - Development and Production Norway (DPN).*

Production licences are the most important type of licence awarded under the Petroleum Act, and the Ministry of Petroleum and Energy has executive discretionary powers to award a production licence and to decide the terms of that licence. The Norwegian Government is not entitled to award us a licence in an area until the Norwegian parliament (Storting) has decided to open the area in question for exploration. The terms of our production licences are decided by the Ministry of Petroleum and Energy.

A production licence grants the holder an exclusive right to explore for and produce petroleum within a specified geographical area. The licensees become the owners of the petroleum produced from the field covered by the licence.

Production licences are normally awarded in licensing rounds. The first licensing round for NCS production licences was announced in 1965. The award of the first licences covered areas in the North Sea. Over the years, the awarding of licences has moved northward to cover areas in both the Norwegian Sea and the Barents Sea. In recent years, the principal licensing rounds have largely concerned licences in the Norwegian Sea. However, in the future, we expect an increase in licensing rounds for licences in the Barents Sea.

The Norwegian State accepts licence applications from individual companies and group applications. This allows us to choose our exploration and development partners, however the Ministry of Petroleum and Energy has full discretion with respect to which companies to award a licence and as such disregard a group application.

Production licences are awarded to joint ventures. The members of the joint venture are jointly and severally responsible to the Norwegian State for obligations arising from petroleum operations carried out under the licence. Once a production licence is awarded, the licensees are required to enter into a joint operating agreement and an accounting agreement regulating the relationship between the partners. The Ministry of Petroleum and Energy decides the form of the joint operating agreements and accounting agreements.

The governing body of the joint venture is the management committee. In licences awarded since 1996 where the state's direct financial interest (SDFI) holds an interest, the Norwegian State, acting through Petoro AS, may veto decisions made by the joint venture management committee, which, in the opinion of the Norwegian State, would not be in compliance with the obligations of the licence with respect to the Norwegian State's exploitation policies or financial interests. This power of veto has never been used.

The day-to-day management of a field is the responsibility of an operator appointed by the Ministry of Petroleum and Energy. The operator is in practice always a member of the joint venture holding the production licence, although this is not legally required. The terms of engagement of the operator are set out in the joint operating agreement, under which the operator can normally terminate its engagement by giving six months' notice. The management committee can terminate the operator's engagement by giving six months' notice through an affirmative vote by all members of the management committee other than the operator. A change of operator requires the consent of the Ministry of Petroleum and Energy. In special cases, the Ministry of Petroleum and Energy can order a change of operator.

Licensees are required to submit a plan for development and operation (PDO) to the Ministry of Petroleum and Energy for approval. For fields of a certain size, the Storting has to accept the PDO before it is formally approved by the Ministry of Petroleum and Energy.

Production licences are normally awarded for an initial exploration period, which is typically six years, but which can be shorter. The maximum period is ten years. During this exploration period, the licensees must meet a specified work obligation set out in the licence. If the licensees fulfil the obligations set out in the production licence, they are entitled to require that the licence be prolonged for a period specified at the time when the licence is awarded, typically 30 years. As a rule, the right to prolong a licence does not apply to the whole of the geographical area covered by the initial licence. The size of the area that must be relinquished is determined at the time the licence is awarded. In special cases, the Ministry of Petroleum and Energy may extend the duration of a production licence.

If natural resources other than petroleum are discovered in the area covered by a production licence, the Norwegian State may decide to delay petroleum production in the area. If such a delay is imposed, the licensees are, with certain exceptions, entitled to a corresponding extension of the licence period. To date, such a delay has never been imposed.

If important public interests are at stake, the Norwegian State may instruct us and other licensees on the NCS to reduce the production of petroleum. The last time the Norwegian State instructed a reduction in oil production was in 2002.

Licensees may buy or sell interests in production licences subject to the consent of the Ministry of Petroleum and Energy and the approval of the Ministry of Finance of a corresponding tax treatment position. The Ministry of Petroleum and Energy must also approve indirect transfers of interests in a licence, including changes in the ownership of a licensee, if they result in a third party obtaining a decisive influence over the licensee. In most licences, there are no pre-emption rights in favour of the other licensees. However, the SDFI, or the Norwegian State, as appropriate, still holds pre-emption rights in all licences.

A licence from the Ministry of Petroleum and Energy is also required in order to establish facilities for the transportation and utilisation of petroleum. When applying for such licences a group of companies must prepare a plan for installation and operation. Licences for the establishment of facilities for the transportation and utilisation of petroleum will normally be awarded subject to certain conditions. Typically, these conditions require the facility owners to enter into a participants' agreement. Ownership of most facilities for the transportation and utilisation of petroleum in Norway and on the NCS is organised in the form of joint ventures. The participants' agreements are similar to the joint operating agreements.

Licensees are required to prepare a decommissioning plan before a production licence or a licence to establish and use facilities for the transportation and utilisation of petroleum expires or is relinquished, or the use of a facility ceases. The decommissioning plan must be submitted to the Ministry of Petroleum and Energy no sooner than five years and no later than two years prior to the expiry of the licence or cessation of use of the facility, and it must include a proposal for the disposal of facilities on the field. On the basis of the decommissioning plan, the Ministry of Petroleum and Energy makes a decision as to the disposal of the facilities.

The Norwegian State is entitled to take over the fixed facilities of the licensees when a production licence expires, is relinquished or revoked. In respect of facilities on the NCS, the Norwegian State decides whether any compensation will be payable for facilities thus taken over. If the Norwegian State should choose to take over onshore facilities, the ordinary rules of compensation in connection with the expropriation of private property apply.

Licences for the establishment of facilities for the transportation and utilisation of petroleum typically include a clause whereby the Norwegian State can require that the facilities be transferred to it free of charge on expiry of the licence period.

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3.12.2 Gas sales and transportation

We market gas from the NCS on our own behalf and on the Norwegian State's behalf. Gas is transported through the Gassled pipeline network to customers in the UK and mainland Europe.

Most of our and the Norwegian State's gas produced on the NCS is sold under long-term gas contracts to customers in the European Union (EU). The EU internal energy market has been high on the European Commission's agenda, and this market has thus been subject to continuous legislative initiatives. Such changes in EU legislation may affect Statoil's marketing of gas.

The Norwegian gas transport system, consisting of the pipelines and terminals through which licensees on the NCS transport their gas, is owned by a joint venture called Gassled. The Norwegian Petroleum Act of 29 November 1996 and the pertaining Petroleum Regulation establish the basis for non-discriminatory third-party access to the Gassled transport system. The ownership structure in Gassled and the pertaining regulations are intended to ensure the effectiveness of the system and to prevent conflicts of interest.

To ensure neutrality, the petroleum regulations also stipulate that all booking and allocation of capacity is administrated by Gassco AS, an independent system operator wholly owned by the Norwegian State. Spare capacity is released and allocated to shippers by Gassco based on standard procedures. Capacity that has already been allocated to a shipper may also be transferred bilaterally between shippers.

The tariffs for the use of capacity in the transport system are determined by applying a formula set out in separate tariff regulations stipulated by the Ministry of Petroleum and Energy. The tariffs are paid on the basis of booked capacity, not on the basis of the volumes actually transported. The Ministry's main objective when setting the tariffs is to ensure that the profits are extracted in the production fields on the NCS and not in the transport system.

For further information, see *Business overview - Marketing, Processing and Renewable Energy (MPR) - Natural Gas - The Norwegian gas transportation system*.

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3.12.3 HSE regulation

Our petroleum operations are subject to extensive laws and regulations relating to health, safety and the environment (HSE).

Norway
Under the Petroleum Act of 29 November 1996, our oil and gas operations must be conducted in compliance with a reasonable standard of care, taking into consideration the safety of employees, the environment and the economic values represented by installations and vessels. The Petroleum Act specifically requires that petroleum operations be carried out in such a manner that a high level of safety is maintained and developed in step with technological developments.

On 10 June 2013 the EU adopted a directive on safety of offshore oil and gas operations. All member states will have to abide by the directive. The directive is not considered to be comprised by the European Economic Area (EEA), of which Norway is part and will thus not have implication to our NCS activities.

We are required at all times to have a plan to deal with emergency situations in our petroleum operations. During an emergency, the Norwegian Ministry of Labour/Norwegian Ministry of Fisheries and Coastal Affairs/Norwegian Coastal Administration may decide that other parties should provide the necessary resources, or otherwise adopt measures to obtain the necessary resources, to deal with the emergency for the licensees' account.

See also *Risk review - Risk factors - Legal and regulatory risks.*

Global operations
With business operations in 35 countries and territories, Statoil is subject to a wide variety of HSE laws and regulations concerning its products, operations and activities. As a result of the Macondo incident, in 2011, the US Department of the Interior created two new agencies to administer operations and activities in the Gulf of Mexico - the Bureau of Safety and Environmental Enforcement (BSEE) and the Bureau of Offshore Energy Management (BOEM). The department also issued new regulations to address the respective roles of the new agencies. Application of these regulations has the potential to affect our operations in the USA. Similarly, the effects from implementing the EU offshore Safety Directive in EU-member states' legislation will affect operations in relevant EU member countries.

See also *Risk review - Risk factors - Legal and regulatory risks.*

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3.12.4 Taxation of Statoil

We are subject to ordinary Norwegian corporate income tax and to a special petroleum tax relating to our offshore activities in Norway. Internationally, our activities are mainly subject to tax in the countries where we operate.

Taxation in Norway
Statoil's Norwegian petroleum activities are subject to ordinary corporate income tax and to a special petroleum tax. In addition, there are taxes on both carbon dioxide emissions and emissions of nitrogen oxide. The holders of production licences are also required to pay an area fee. The amount of the area fee is stipulated in regulations issued under the Petroleum Act.

Corporate income tax
Our profits, both from offshore oil and natural gas activities and from onshore activities, are subject to Norwegian corporate income tax. The standard corporate income tax rate was 28% in 2013. From 2014 it has been reduced to 27%. Our profits are computed in accordance with ordinary Norwegian corporate income tax rules, subject to certain modifications that apply to companies engaged in petroleum operations. Gross revenue from oil production and the value of lifted stocks of oil are determined on the basis of norm prices. Norm prices are decided on a daily basis by the Petroleum Price Board, a body whose members are appointed by the Norwegian Ministry of Petroleum and Energy. Norm prices are published quarterly. The Petroleum Tax Act states that the norm prices shall correspond to the prices that could have been obtained in a sale of petroleum between independent parties in a free market. When stipulating norm prices, the Petroleum Price Board takes a number of factors into consideration, including spot market prices and contract prices in the industry.

The maximum rate of depreciation of development costs relating to offshore production installations and pipelines is 16.67% per year. Depreciation starts when the cost is incurred. Exploration costs may be deducted in the year in which they are incurred. Financial costs related to the offshore activity are calculated directly based on a formula set out in the Petroleum Tax Act. The financial costs deductible under the offshore tax regime are the total interest costs and exchange gains and losses related to interest-bearing debt multiplied by 50% of tax values divided by the average interest-bearing debt. All other financial costs and income are allocated to the onshore tax regime.

Abandonment costs incurred can be deducted as operating expenses. Provisions for future abandonment costs are not tax deductible.

Any tax losses can be carried forward indefinitely against subsequent income earned. 50% of losses relating to activity conducted onshore in Norway can be deducted from NCS income subject to the standard 28% income tax rate (27% as of 1 January 2014). Losses on foreign activities cannot be deducted from NCS income. Losses on offshore activities are fully deductible from onshore income.

By using group contributions between Norwegian companies in which we hold more than 90% of the shares and votes, tax losses and taxable income can be offset to a great extent. Group distributions are not deductible from our offshore income.

Dividends received are subject to tax in Norway. The basis for taxation is 3% of the dividend received, which is subject to the standard 28% income tax rate (27% as of 1 January 2014). Dividends received from Norwegian companies and from similar companies resident in the EEA for tax purposes, in which the recipient holds more than 90% of the shares and votes, are fully exempt from tax. Dividends from companies resident in the EEA that are not similar to Norwegian companies, companies in low-tax countries and portfolio investments outside the EEA will, under certain circumstances, be subject to the standard 28% income tax rate (27% as of 1 January 2014) based on the full amounts received.

Capital gains from the realisation of shares are exempt from tax. Exceptions apply to shares held in companies resident in low-tax countries or portfolio investments in companies resident outside the EEA for tax purposes, where, under certain circumstances, capital gains will be subject to the standard 28% income tax rate (27% as of 1 January 2014) and capital losses will be deductible.

Special petroleum tax
A special petroleum tax is levied on profits from petroleum production and pipeline transportation on the NCS. The special petroleum tax was in 2013 levied at a rate of 50%. From 2014 it is increased to 51%. The special tax is applied to relevant income in addition to the standard income tax rate, resulting in a 78% marginal tax rate on income subject to petroleum tax. The basis for computing the special petroleum tax is the same as for income subject to ordinary corporate income tax, except that onshore losses are not deductible from the special petroleum tax, and a tax-free allowance, or uplift, is granted at a rate of 7.5% per year for investments made prior to 5 May 2013. For investments made from 5 May 2013 the rate is 5.5% per year. Transitional rules apply to investments covered by among others Plans for development and operation (PDOs) or Plans for installation and operation (PIOs) submitted to the Ministry of Oil and Energy prior to 5 May 2013. The uplift is computed on the basis of the original capitalised cost of offshore production installations. The uplift can be deducted from taxable income for a period of four years, starting in the year in which the capital expenditure is incurred. Unused uplift can be carried forward indefinitely.

Taxation outside Norway
Statoil's international petroleum activities are subject to tax pursuant to local legislation. Fiscal regulation of our upstream operations is generally based on corporate income tax regimes and/or production sharing agreements (PSA). Royalties may apply in either case. Statoil is subject to excess (or "windfall") profit tax in some of the countries in which it produces crude oil or condensate.

Production sharing agreements (PSA)
Under a PSA, the host government typically retains the right to the hydrocarbons in place. The contractor normally receives a share of the oil produced to recover its costs, and is also entitled to an agreed share of the oil as profit ("profit oil"). The state's share of profit oil typically increases based on a success factor, such as surpassing certain specified internal rates of return, production rates or accumulated production. The contractor is usually subject to income tax on its own share of the profit oil. Normally, the contractors carry the exploration costs and risk prior to a commercial discovery and are then entitled to recover those costs during the production phase. Fiscal provisions in a PSA are to a large extent negotiable and are unique to each PSA. Parties to a PSA are generally insulated, via the terms of the PSA, against legislative changes in a country's general tax laws.

Income tax regimes
Under an income tax/royalty regime, companies are granted licences by the government to extract petroleum, and the state may be entitled to royalties, which are generally assessed on gross revenue from production, and a profit tax, which is generally based on the company's net taxable income from production as defined in a country's domestic tax legislation. In some countries, income from petroleum activities is also subject to a special petroleum tax in addition to ordinary corporate tax. In general, the fiscal terms surrounding these licences are non-negotiable and the company is subject to legislative changes in the tax laws.

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3.12.5 The Norwegian State's participation

The Norwegian State's policy as a shareholder in Statoil has been and continues to be to ensure that petroleum activities create the highest possible value for the Norwegian State.

Initially, the Norwegian State's participation in petroleum operations was largely organised through Statoil. In 1985, the Norwegian State established the State's direct financial interest (SDFI) through which the Norwegian State has direct participating interests in licences and petroleum facilities on the NCS. As a result, the Norwegian State holds interests in a number of licences and petroleum facilities in which we also hold interests. Petoro AS, a company wholly owned by the Norwegian State, was formed in 2001 to manage the SDFI assets.

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3.12.6 SDFI oil and gas marketing and sale

We market and sell the Norwegian State's oil and gas as part of our own production. The Norwegian State has chosen to implement this arrangement.

Accordingly, at an extraordinary general meeting held on 27 February 2001, the Norwegian State, as sole shareholder, revised our articles of association by adding a new article that requires us to continue to market and sell the Norwegian State's oil and gas together with our own oil and gas. This is done in accordance with an instruction established in shareholder resolutions in effect from time to time. At an extraordinary general meeting held on 25 May 2001, the Norwegian State, as sole shareholder, approved a resolution containing the instruction referred to in the new article. This resolution is referred to as the Owner's instruction.

The Norwegian State has a coordinated ownership strategy aimed at maximising the aggregate value of its ownership interests in Statoil and the Norwegian State's oil and gas. This is reflected in the Owner's instruction to Statoil. It contains a general requirement that, in our activities on the NCS, we must take account of these ownership interests in decisions that could affect the execution of this marketing arrangement.

The Owner's instruction sets out specific terms for the marketing and sale of the Norwegian State's oil and gas. The principal provisions of the Owner's instruction are set out below.

Objectives
The overall objective of the marketing arrangement is to obtain the highest possible total value for our oil and gas and the Norwegian State's oil and gas, and to ensure an equitable distribution of the total value creation between the Norwegian State and Statoil. In addition, the following considerations are important:

- to create the basis for long-term and predictable decisions concerning the marketing and sale of the Norwegian State's oil and gas;
- to ensure that results, including costs and revenues related to our oil and gas and the Norwegian State's oil and gas, are transparent and measurable; and

- to ensure efficient and simple administration and execution.

Our tasks
Our main tasks under the owner's instruction are to market and sell the Norwegian State's oil and gas and to carry out all the necessary related activities, other than those carried out jointly with other licensees under production licences. This includes, but is not limited to, responsibility for processing, transport and marketing. In the event that the owner's instruction is terminated in whole or in part by the Norwegian State, the owner's instruction provides for a mechanism under which contracts for the marketing and sale of the Norwegian State's oil and gas to which we are party may be assigned to the Norwegian State or its nominee. Alternatively, the Norwegian State may require that the contracts be continued in our name, but that, in the underlying relationship between the Norwegian State and us, the Norwegian State has all rights and obligations relating to the Norwegian State's oil and gas.

Costs
The Norwegian State does not pay us a specific consideration for performing these tasks, but reimburses us for its proportionate share of certain costs, which, under the owner's instruction, may be our actual costs or an amount specifically agreed.

Price mechanisms
Payment to the Norwegian State for sales of the Norwegian State's natural gas, both to us and to third parties, is based either on the prices achieved, a net back formula or market value. We purchase all of the Norwegian State's oil and NGL. Pricing of the crude oil is based on market-reflective prices. NGL prices are based on either achieved prices, market value or market-reflective prices.

Lifting mechanism
To ensure neutral weighting between the Norwegian State's and our own natural gas volumes, a list has been established for deciding the priority between each individual field. The different fields are ranked in accordance with their assumed total value creation for the Norwegian State and Statoil, assuming that all of the fields meet our profitability requirements if we participate as a licensee, and the Norwegian State's profitability requirements if the State is a licensee. Within each individual field in which both the Norwegian State and Statoil are licensees, the Norwegian State and Statoil will deliver volumes and share income in proportion to our respective participating interests.

The Norwegian State's oil and NGL is lifted together with our oil and NGL in accordance with applicable lifting procedures for each individual field and terminal.

Withdrawal or amendment
The Norwegian State may at any time utilise its position as majority shareholder of Statoil to withdraw or amend the owner's instruction.

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3.13 Property, plant and equipment

Statoil has interests in real estate in many countries throughout the world. However, no individual property is significant.

Statoil's head office is located at Forusbeen 50, NO-4035, Stavanger, Norway and comprises approximately 135,000 square metres of office space. The office buildings are wholly owned by Statoil.

In October 2012, Statoil moved into a new 65,500-square-metre office building located at Fornebu on the outskirts of Norway's capital Oslo. Statoil as tenant has signed a long-term lease agreement with the owner of the office building, IT-Fornebu AS. The new office building provides an environmentally friendly workplace for up to 2,500 employees.

For a description of our significant reserves and sources of oil and natural gas, see note 27 *Supplementary oil and gas information (unaudited)* to the Consolidated financial statements.

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3.14 Related party transactions

See note 24 Related parties to the consolidated financial statements for information concerning related parties.

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3.15 Insurance

Statoil takes out insurance policies for physical loss of or damage to our oil and gas properties, liability to third parties, workers' compensation and employer's liability, general liability, pollution and well control, among other things.

Our insurance policies are subject to:

- Deductibles, excesses and self-insured retentions (SIR) that must be borne prior to recovery.
- Exclusions and limitations.

Our well control policy, which covers costs relating to well control incidents (including pollution and clean-up costs), is subject to a gross limit per incident. The gross limits for our two most significant geographical areas, the NCS and the Gulf of Mexico (GoM), USA, are:

NCS

- NOK 11,500 million per incident for exploration wells.
- NOK 2,000 million per incident for production wells.

GoM

- USD 1,800 million (approximately NOK 10,800 million) per incident for exploration wells.
- USD 300 million (approximately NOK 1,800 million) per incident for production wells.

The limits assume a 100% ownership interest in a given well and would be scaled to be equivalent to our percentage ownership interest in a given well. Our SIR for well control policies would be NOK 200 million per incident on the NCS assuming 100% ownership. Our SIR in the GoM would be approximately USD 10 million (approximately NOK 60 million) per incident assuming 100% ownership. In addition to the well control insurance programmes, we have in place a third-party liability insurance programme with a gross limit of USD 800 million (approximately NOK 4,800 million) per incident. The SIR is insignificant (maximum NOK 6 million).

We have a variety of other insurance policies related to other projects worldwide for which we have limited SIR.

There is no guarantee that our insurance policies will adequately protect us against liability for all potential consequences or damages.

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3.16 People and the group

3.16.1 Employees in Statoil

The Statoil group employs approximately 23,400 employees. Of these, approximately 20,300 are employed in Norway and approximately 3,100 outside Norway.

Numbers of permanent employees and percentage of women in the Statoil group from 2011 to 2013

	Number of employees*			Women*		
Geographical Region	**2013**	**2012**	**2011**	**2013**	**2012**	**2011**
Norway	**20,336**	20,186	20,021	**30%**	30%	31%
Rest of Europe	**935**	925	10,187	**30%**	30%	50%
Africa	**140**	116	121	**33%**	25%	28%
Asia	**140**	157	146	**53%**	56%	59%
North America	**1,559**	1,378	1,030	**35%**	34%	34%
South America	**303**	266	210	**38%**	38%	40%
TOTAL	**23,413**	23,028	31,715	**31%**	31%	37%
Non - OECD	**690**	653	2,773	**39%**	39%	64%

* Statoil Fuel and Retail employees are included in 2011.

Total workforce by region, employment type and new hires in the Statoil group in 2013

Geographical Region	Permanent employees	Consultants	Total Workforce*	Consultants (%)	Part time (%)	New hires
Norway	20,336	1,826	22,162	8%	3%	923
Rest of Europe	935	145	1,080	13%	2%	72
Africa	140	30	170	18%	NA	34
Asia	140	11	151	7%	NA	26
North America	1,559	7	1,566	0.4%	NA	303
South America	303	103	406	25%	NA	56
TOTAL	23,413	2,122	25,535	8%	3%	1,414
Non - OECD	690	146	836	17%	NA	119

* The total workforce consists of permanent employees and consultants. Enterprise personnel are not included in the figures. Enterprise personell are defined as third-party service providers and work on our onshore and offshore operations. These were roughly estimated to be around 46,000 in 2013.

Statoil works systematically and implements recruitment and development programmes aimed at building a diverse workforce by attracting, recruiting and retaining people of both genders and different nationalities and age groups across all types of positions. In 2013, Statoil recruited 1,414 new employees worldwide. While 65% were recruited to jobs in Norway, 21% were recruited to our business in North America, reflecting our growth ambitions in that region.

We believe Statoil's low turnover rates reflect a high level of satisfaction and engagement among its employees, which is also supported by the results of the annual organisational and working environment survey. In Statoil, the total turnover rate for 2013 was 3.7%.

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3.16.2 Equal opportunities

We are committed to building a workplace that promotes diversity and inclusion through its people processes and practices.

Statoil recognises the value of diversity throughout the organisation and in 2013 we have continued to monitor and promote diversity in our global workforce. We believe that diversity generates new and different ways of thinking and is crucial for our successful and sustainable international growth. We continue to focus on increasing the number of women in leadership and professional positions and building broad international experience in our workforce.

In 2013, the overall percentage of women in the company was 31% - and 50% of the members of the board of directors were women, as were 11% of the corporate executive committee. We pay close attention to male-dominated positions and discipline areas, and in 2013 the proportion of female engineers increased by 1% to 27% in Statoil ASA. Among staff engineers with up to 20 years' experience, the proportion of women was 30%.

In 2013 the total proportion of female managers in Statoil remained stable at 27%. We continue to strive to increase the number of female managers through our development programmes.

The reward system in Statoil is non-discriminatory and supports equal opportunities, which means that, given the same position, experience and performance, men and women will be at the same salary level. However, due to differences between women and men in types of positions and number of years' experience, there are some differences in compensation when comparing the general pay levels of men and women.

Cultural diversity
Statoil believes that being a global and sustainable company requires people with a global mindset. One way to build a global company is to ensure that recruitment processes both within and outside Norway contribute to a culturally diverse workforce. In 2013, 34% of our new hires were women and 48% nationalities other than Norwegian.

Outside Norway, we need to continue to focus on increasing the number of people and managers that are locally recruited and to reduce the long-term, extensive use of expats in our business operations. In 2013, 21% of employees and 22% of the managerial staff in the Statoil group held nationalities other than Norwegian.

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3.16.3 Unions and representatives

Statoil's cooperation with employee representatives and trade unions is based on confidence, trust and continuous dialogue between management and the people in various cooperative bodies.

In Statoil, 66% of the employees in the parent company are members of a trade union. Work councils and working environment committees are established where required by law or agreement. Town hall meetings are also used for information and consultations in accordance with requirements and usage in each country.

In Norway, the formal basis for collaboration with labour unions is established in the Basic Agreements between the Confederation of Norwegian Enterprise (NHO) and the five Statoil unions.

In 2013, management and employee representatives collaborated closely, in particular on the follow-up of the In Amenas terrorist attack, safety incidents on the Norwegian continental shelf and the review of Statoil's staff and service functions. In addition, the European Works Council continued to be an important channel of communication between the company and employees.

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4 Financial review

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4.1 Operating and financial review

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

4.1.1 Sales volumes

Sales volumes include our lifted entitlement volumes, the sale of SDFI volumes and our marketing of third-party volumes.

In addition to our own volumes, we market and sell oil and gas owned by the Norwegian State through the Norwegian State's share in production licences. This is known as the State's Direct Financial Interest or SDFI. For additional information, see the section *Business overview - Applicable laws and regulations - SDFI oil & gas marketing & sale*. The following table shows the SDFI and Statoil sales volume information on crude oil and natural gas for the periods indicated. The Statoil natural gas sales volumes include equity volumes sold by the segment MPR, natural gas volumes sold by the segment DPI and ethane volumes.

For more information on the differences between equity and entitlement production, sales volumes and lifted volumes, see the section *Financial review - Operating and financial review - Definitions of reported volumes*.

Sales Volumes	**For the year ended 31 December**		
	2013	**2012**	**2011**
Statoil: [1]			
Crude oil (mmbbls) [2]	**350**	351	332
Natural gas (bcf)	**1,622**	1,721	1,377
Combined oil and gas (mmboe)	**639**	658	577
Third party volumes: [3]			
Crude oil (mmbbls)[2]	**303**	399	333
Natural gas (bcf)	**431**	210	244
Combined oil and gas (mmboe)	**380**	436	376
SDFI assets owned by the Norwegian State:			
Crude oil (mmbbls) [2]	**155**	156	162
Natural gas (bcf)	**1,366**	1,591	1,476
Combined oil and gas (mmboe)	**398**	439	425
Total:			
Crude oil (mmbbls) [2]	**809**	905	827
Natural gas (bcf)	**3,419**	3,523	3,096
Combined oil and gas (mmboe)	**1,418**	1,533	1,379

[1]The Statoil volumes included in the table above are based on the assumption that volumes sold were equal to lifted volumes in the relevant year. Changes in inventory may cause these volumes to differ from the sales volumes reported elsewhere in this report by MPR in that these volumes include volumes still in inventory or transit held by other reporting entities within the group. Excluded from such volumes are volumes lifted by DPI but not sold by the MPR, and volumes lifted by DPN or DPI and still in inventory or in transit.
[2] Sales volumes of crude oil include NGL and condensate. All sales volumes reported in the table above include internal deliveries to our manufacturing facilities.
[3]Third party volumes of crude oil include both volumes purchased from partners in our upstream operations and other cargos purchased in the market. The third party volumes are purchased either for sale to third parties or for our own use. Third party volumes of natural gas include third party LNG volumes related to our activities at the Cove Point regasification terminal in the US.

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4.1.2 Group profit and loss analysis

Net operating income was NOK 155.5 billion in 2013, down 25% compared to 2012, impacted by reduced production, lower prices measured in NOK, higher operating expenses and lower fair value of derivatives. Increased impairment losses and provisions related to onerous contracts and a redetermination process, added to the decrease and were only partly offset by higher gains from sales of assets.

The Financial Supervisory Authority (FSA) of Norway has conducted a review of our 2012 financial statements. Statoil has evaluated the impact of the conclusions from the review to be immaterial under IAS 8 for the financial statements for 2013 and prior years. Consequently, no restatement of prior years' comparative amounts has been performed in the 2013 financial statements. See note 28 Subsequent events to the Consolidated financial statements for more information.

Operational review

Operational data	2013	For the year ended 31 December 2012	2011	13-12 change	12-11 change
Average liquids price (USD/bbl)	**100.0**	103.5	105.6	(3%)	(2%)
USDNOK average daily exchange rate	**5.88**	5.82	5.61	1%	4%
USDNOK period-end exchange rate	**6.08**	5.57	5.61	9%	(1%)
Average liquids price (NOK/bbl)	**588**	602	592	(2%)	2%
Average invoiced gas prices (NOK/scm)	**2.01**	2.19	2.08	(8%)	5%
Refining reference margin (USD/bbl)	**4.1**	5.5	2.3	(25%)	>100%
Production (mboe per day)					
Entitlement liquids production	**964**	966	945	(0%)	2%
Entitlement gas production	**792**	839	706	(6%)	19%
Total entitlement liquids and gas production	**1,756**	1,805	1,650	(3%)	9%
Total entitlement liquids and gas production - net of US royalties	**1,719**	1,778	1,643	(3%)	8%
Equity liquids production	**1,115**	1,137	1,118	(2%)	2%
Equity gas production	**825**	867	732	(5%)	18%
Total equity liquids and gas production	**1,940**	2,004	1,850	(3%)	8%
Liftings (mboe per day)					
Liquids liftings	**950**	959	910	(1%)	5%
Gas liftings	**792**	839	706	(6%)	19%
Total liquids and gas liftings	**1,742**	1,797	1,616	(3%)	11%
Production cost (NOK/boe, last 12 months)					
Production cost entitlement volumes	**50**	48	48	5%	(0%)
Production cost equity volumes	**44**	42	42	5%	(0%)

Total equity liquids and gas production (see section *Financial review - Operating and financial review - Definition of reported volumes*) was 1,940 mboe, 2,004 mboe and 1,850 mboe per day in 2013, 2012 and 2011, respectively.

The 3% decrease in total equity production in 2013 compared to 2012 was primarily due to expected natural decline on mature fields, divestments and redeterminations and decreased gas deliveries from the NCS. The decrease was partly offset by start-up and ramp-up of production on various fields.

The 8% increase in total equity production in 2012 compared to 2011 was primarily due to increased gas deliveries from the NCS, start-up of production from new fields and ramp-up of production on various fields. Higher maintenance activities in 2011 partly accounts for the lower production in 2011. Expected natural decline on mature fields and the Heidrun redetermination settlement with a relatively high production in 2011, partly offset the increase in equity production.

Total entitlement liquids and gas production - net of US royalties (see section *Financial review - Operating and financial review - Definition of reported volumes*) was 1,719 mboe per day in 2013, compared to 1,778 mboe per day in 2012 and 1,643 mboe per day in 2011. The 3% decrease from 2012 to 2013 was impacted by the decrease in equity production as described above, and a relatively lower negative effect from Production Sharing Agreements (PSA effect). The 8% increase from 2011 to 2012 was impacted by the increase in equity production as described above and a relatively lower negative PSA effect. The PSA effect was 182 mboe, 199 mboe and 200 mboe per day in 2013, 2012 and 2011, respectively.

Over time, the volumes lifted and sold will equal our entitlement production, but they may be higher or lower in any period due to differences between the capacity and timing of the vessels lifting our volumes and the actual entitlement production during the period, see section *Financial review - Operating and financial review - Definition of reported* volumes for more information.

Production cost per boe of entitlement volumes was NOK 50, NOK 48 and NOK 48 for the 12 months ended 31 December 2013, 2012 and 2011, respectively. Based on equity volumes, the production cost per boe was NOK 44, NOK 42 and NOK 42 for the 12 months ended 31 December 2013, 2012 and 2011, respectively.

Production cost per boe of entitlement volumes and equity volumes are non-GAAP measures, see section *Non-GAAP measures - Financial review - Unit of production cost* for further information.

Exploration expenditures (including capitalised exploration expenditures) was NOK 21.8 billion in 2013, compared to NOK 20.9 billion in 2012 and NOK 18.8 billion in 2011. The NOK 0.9 billion increase in 2013 stem mainly from higher drilling activity on the NCS and increased field development costs, and were only partly offset by lower seismic expenditures and lower drilling activity internationally. The NOK 2.1 billion increase in 2012 stem mainly from both higher drilling activity and increased field evaluation expenditures, partly offset by lower activity on the NCS.

Financial review

Income statement under IFRS (in NOK billion)	2013	For the year ended 31 December 2012	2011	13-12 change	12-11 change
Revenues	**619.4**	704.3	645.4	(12%)	9%
Net income from associated companies	**0.1**	1.7	1.3	(92%)	32%
Other income	**17.8**	16.0	23.3	11%	(31%)
Total revenues and other income	**637.4**	722.0	670.0	(12%)	8%
Purchases [net of inventory variation]	**(307.5)**	(364.5)	(320.1)	(16%)	14%
Operating expenses and selling, general and administrative expenses	**(84.1)**	(72.3)	(72.9)	16%	(1%)
Depreciation, amortisation and net impairment losses	**(72.4)**	(60.5)	(51.4)	20%	18%
Exploration expenses	**(18.0)**	(18.1)	(13.8)	(1%)	31%
Net operating income	**155.5**	206.6	211.8	(25%)	(2%)
Net financial items	**(17.0)**	0.1	2.0	>(100%)	(95%)
Income before tax	**138.4**	206.7	213.8	(33%)	(3%)
Income tax	**(99.2)**	(137.2)	(135.4)	(28%)	1%
Net income	**39.2**	69.5	78.4	(44%)	(11%)

Total revenues and other income amounted to NOK 637.4 billion in 2013 compared to NOK 722.0 billion in 2012 and NOK 670.0 billion in 2011. Revenues are generated from both the sale of lifted crude oil, natural gas and refined products produced and marketed by Statoil, and from the sale of liquids and gas purchased from third parties. In addition, we market and sell the Norwegian State's share of liquids from the NCS. All purchases and sales of the Norwegian State's production of liquids are recorded as purchases [net of inventory variations] and revenues, respectively, while sales of the Norwegian State's share of