



*Urd, Verdande and Skuld - the three Norns - were the goddesses of fate in Norse mythology who governed human destiny. Statoil's latest oil field, Norne, is named after them. Norne was the theme of Statoil's stand at the 1994 Offshore Northern Seas exhibition.*

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*Statoil has strengthened its position over the past year through safe and effective operation, extensive improvement measures and the development of new business.*

*The group had a very good year in 1994 with operating revenues of NOK 83.6 billion, operating profit of NOK 14.3 billion and profit after tax of NOK 5.4 billion.*

*Major investments have been made by Statoil for a long time - mainly in field developments and transport systems on the Norwegian continental shelf. At the same time, the group's financial strength has been enhanced. These investments will secure a high cash flow and a continued improvement in financial strength over coming years.*

*Health, the environment and safety play a key role in the group's operations. Statoil intends to be in the forefront in this field.*

*The group currently holds a central position in value creation on the Norwegian continental shelf; as operator for about half of the country's oil production, as trader of 1.6 million barrels of oil each day from the Norwegian continental shelf and as operator of transport systems carrying Norway's gas to continental Europe.*



*From the Sleipner East field in the North Sea.*

*Market developments present Statoil with new challenges in all areas of its business. At the same time, the group's strong position opens new commercial and collaborative opportunities.*

*While oil prices and refining margins have been lower in 1994 than for several years, the petrochemicals market is recovering again. Markets for Statoil's products will fluctuate. As a result, continued progress will be based on improved cost efficiency and profitable new projects.*

*Marketing of Norwegian crude oil and refined products has become more demanding as a result of increased production and the availability of new oil qualities. Statoil is now reinforcing its commitment to new and more distant markets in order to maximise the value of total production.*

*During 1994, the group continued the build-up of international operations in all its business areas. Statoil participates in exploration and field development in countries with considerable potential. This has substantially increased the group's oil and gas reserves.*

*The Borealis petrochemicals group, owned jointly by Statoil and Neste, achieved good results during its first year of operation. The improvement in the market has meant a great deal, but the merger is also helping to realise synergies.*

*Statoil will meet the challenges facing the oil industry by drawing on the expertise of its employees and new technology to run existing operations ever more effectively and to develop new business opportunities.*

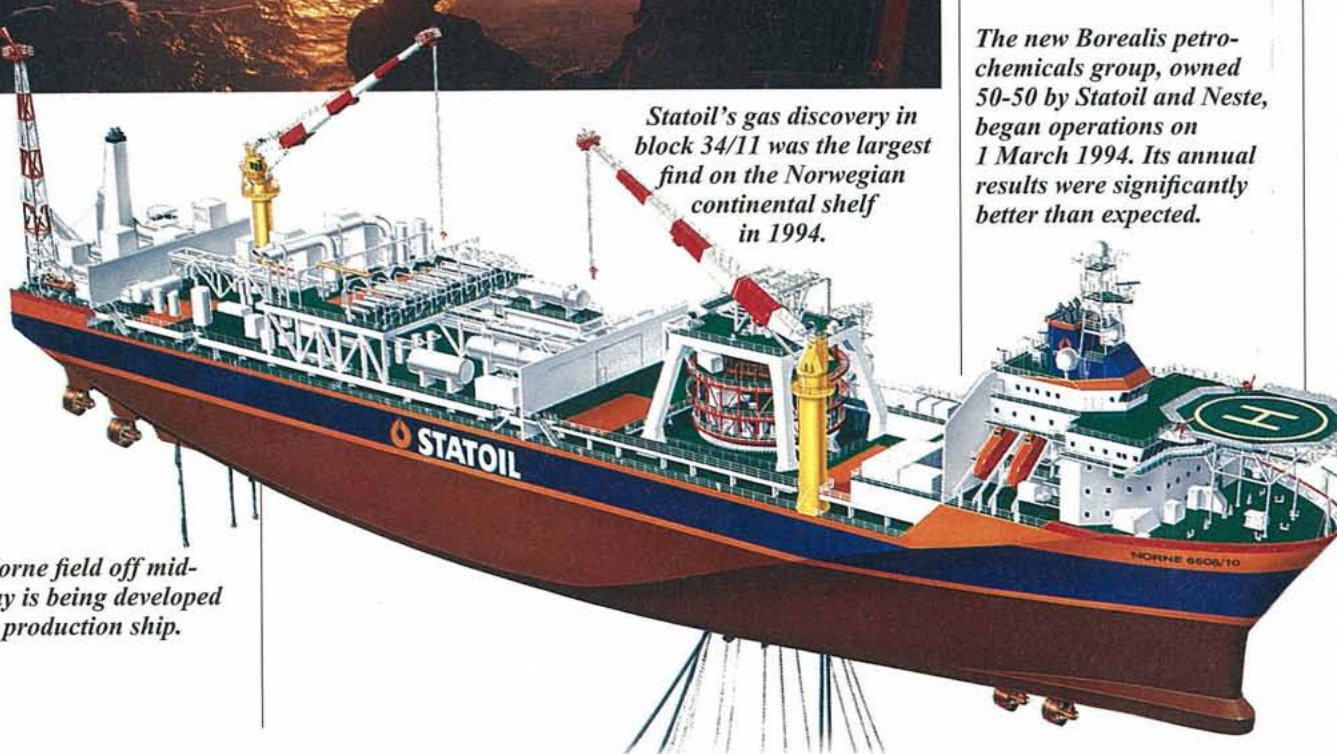


An important milestone in the Troll Gas development was passed when the platform's concrete gravity base structure and topsides were mated. Norske Shell is development operator for this project, with Statoil now making preparations to take over the operatorship once the platform comes on stream in 1996.



The new Borealis petrochemicals group, owned 50-50 by Statoil and Neste, began operations on 1 March 1994. Its annual results were significantly better than expected.

Statoil's gas discovery in block 34/11 was the largest find on the Norwegian continental shelf in 1994.



The Norne field off mid-Norway is being developed with a production ship.



# 94

EVENTS OF THE YEAR



Norway became the world's second largest net exporter of crude oil in 1994.



Gullfaks A became the first platform in the world to cease continuous flaring of gas during 1994.

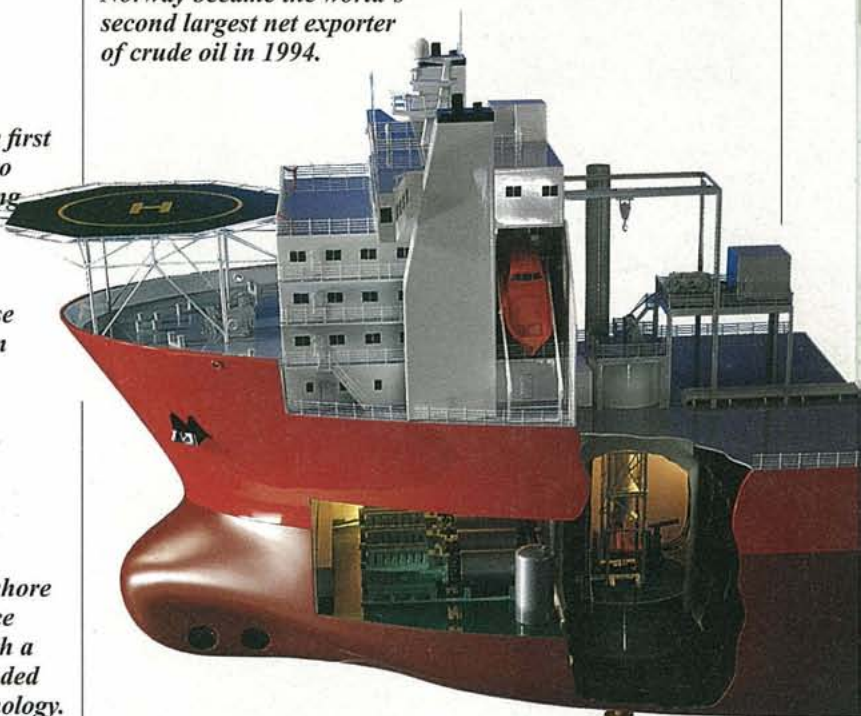
This reduces emissions of greenhouse gas carbon dioxide.



Statoil made its first appearance at the Offshore Technology Conference (OTC) in Houston, with a presentation that included advanced drilling technology. Øystein Arvid Håland (left) and Kjell Markman helped to staff the Statoil stand.



One of Statoil's new Polish service stations.



Statoil ranks as the world's largest operator of shuttle tankers. A multipurpose ship developed in 1994 on the basis of the group's offshore loading technology is now under construction in Korea. This vessel can serve as a shuttle tanker, storage vessel and conventional tanker, and can be quickly mobilised for field production by installing process facilities. The key component in this concept, a new production swivel to receive wellstreams from the seabed, has been developed jointly by Statoil and Framo Engineering. Connection and disconnection take place through an opening in the ship's bottom that accepts an STL buoy.

Developed by Statoil and APL, this technology is becoming the standard offshore loading solution for the north-west European continental shelf. It has already been adopted on two Norwegian and two UK oil fields, and nine ships operated by four different companies are or will be equipped for STL.





*Major procurement contracts worth some NOK 8 billion were awarded in 1994 to Japanese, Italian, French and German steel mills. Coordination of these purchases has yielded substantial cost savings.*



*Laying of the new Europipe gas pipeline to Germany was completed in 1994. This transport system will come on stream during 1995. The most demanding part of the project was the pipeline landfall through the Wattenmeer wetlands conservation area.*



*Statoil has joined forces with shipping company Bergesen d.y to build Berge Hugin, the first multipurpose shuttle tanker. Sten Åke Forsberg (left), president of Oil Trading & Shipping, seals the agreement by a handshake with shipowner Morten Sig Bergesen.*

*Construction of the new methanol plant at Tjeldbergodden is well under way.*







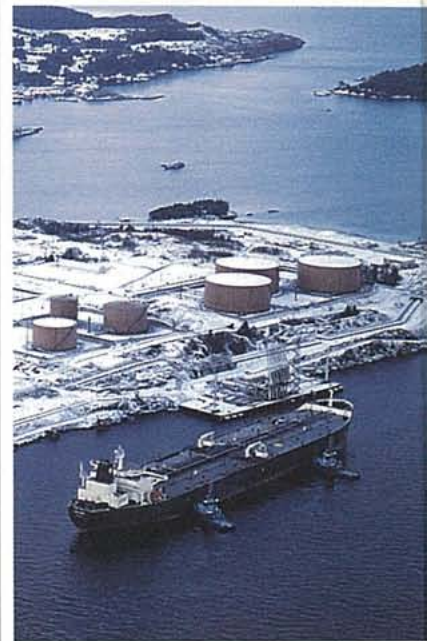
*Belgian prime minister Jean-Luc Dehaene opened the Zeepipe gas transport system on 29 April 1994. The ceremony in Zeebrugge was attended by chief executive Harald Norvik (left), Norwegian premier Gro Harlem Brundtland, Mr Dehaene and Distrigaz president Jean-Pierre Neiryneck.*



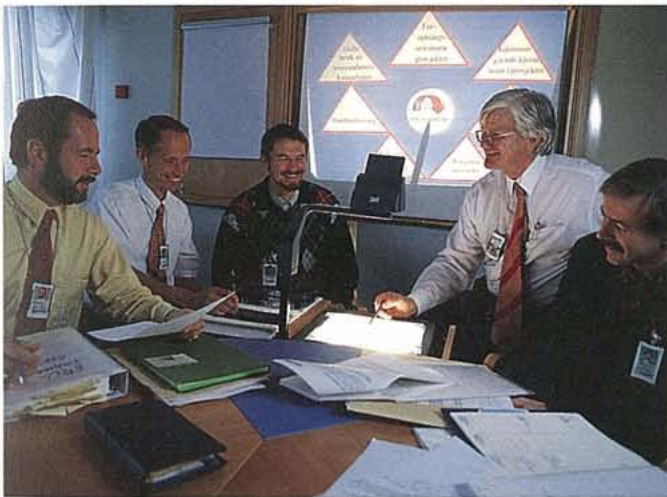
*Executive vice president Johan Nic Vold (second left) participated on 20 September in the signing ceremony for a major agreement that secures Statoil's participation in major future oil production from the Caspian. The event took place in Baku, capital of Azerbaijan.*



*The 16/11 area in the Norwegian North Sea has become one of the most important hubs for Norway's gas transport systems. Six pipelines now run through the 16/11-E riser platform, which was commissioned in 1994.*



*Statoil expanded its oil sales to the USA in 1994. Activity in Statoil North America's trading centre has been rising steadily. The Mongstad refinery and terminal provide a bridgehead for exporting crude and refined products to the US east coast and Canada. Star Ohio loads crude for Canada at Mongstad.*



*A number of action teams have been involved in drawing up Statoil's new principles for faster and cheaper developments.*



*Statoil's crude oil and product traders in the USA have been busy meeting growing North American demand for Norwegian oil.*

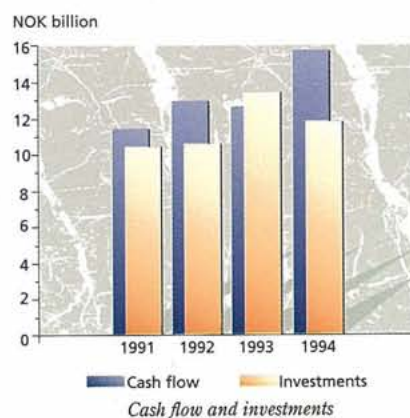
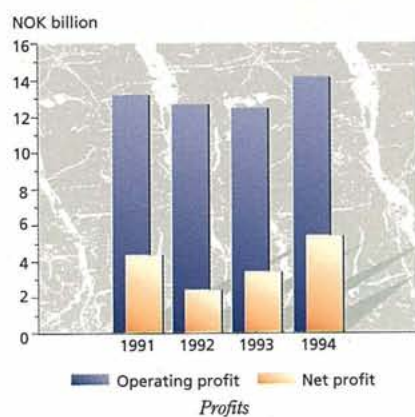
*Executive vice president Terje Vareberg (left) from Statoil and Dr Burckhard Bergmann (second left), a member of the Ruhrgas executive board, signed the pipeline collaboration agreement between their companies, BEB and Norsk Hydro.*



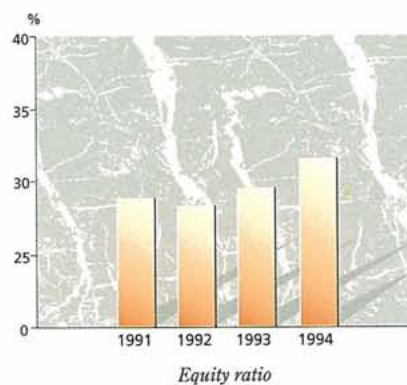
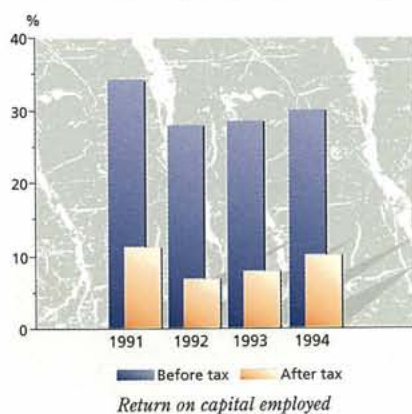


# FINANCIAL HIGHLIGHTS - IAS

Amounts in NOK million



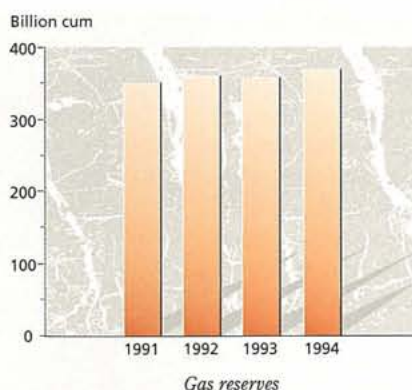
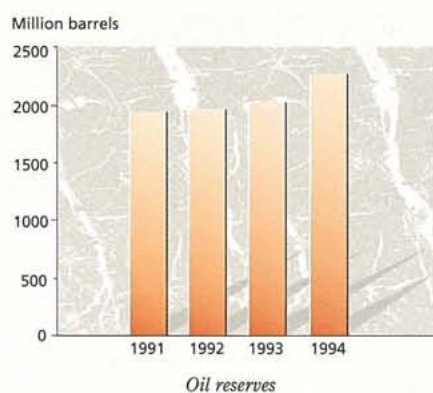
	1994	1993	1992	1991
Operating revenue	83 630	81 057	74 526	74 558
Operating profit	14 301	12 429	12 575	13 238
Profit before taxation	16 900	11 980	9 884	13 191
Net profit	5 379	3 394	2 300	4 254



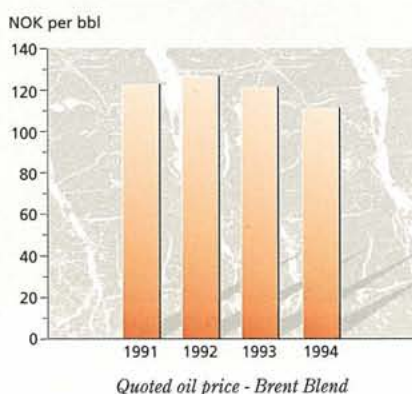
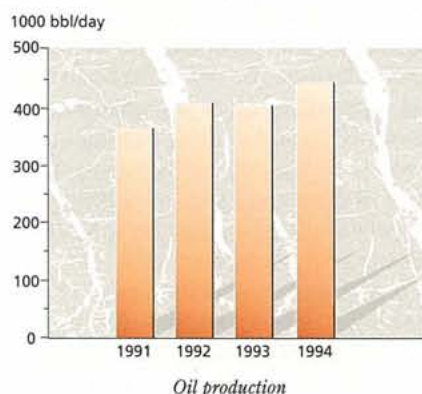
Interest-bearing debt	20 216	25 742	24 606	20 610
Shareholder's equity	30 215	26 507	24 205	23 210
Investments and acquisitions	11 929	13 427	10 609	10 425
Cash flow	15 736	12 590	12 911	11 385



## FINANCIAL HIGHLIGHTS - IAS



	1994	1993	1992	1991
Before-tax return on capital employed	30.0%	28.3%	28.0%	34.3%
After-tax return on capital employed	10.1%	7.8%	6.7%	11.0%
Return on equity	19.0%	13.4%	9.7%	19.5%
Equity ratio	31.6%	29.6%	28.3%	28.9%



Exploration costs (NOK million)	1 475	1 702	1 840	1 695
Equity oil produced, in thousands of barrels per day	449	414	418	379
Refined crude, in thousands of barrels per day	224	225	212	193
Oil reserves, in millions of barrels	2 293	2 023	1 967	1 951
Gas reserves, in billions of cubic metres	369	364	366	351

### DEFINITIONS:

Capital employed	= Total assets less non-interest bearing debt
Before-tax return on capital employed	= Profit before taxation plus borrowing costs as a percentage of average capital employed
After-tax return on capital employed	= Net profit plus borrowing costs after taxation as a percentage of average capital employed
Return on equity	= Net profit in per cent of average shareholder's equity
Equity ratio	= Shareholder's equity as a percentage of total balance less GDFI*-related accounts payable
Cash flow	= Cash receipts from and cash disbursements to operations less net financial receipts/disbursements less taxes paid
Reserves	= Probable, commercially recoverable resources

\*) Government's direct financial interest in the petroleum industry, see page 38.



Statoil had a good year in 1994.

The group achieved its best-ever annual result. We had the market against us, with oil prices lower than in 1993, but we got more out of the fields on the Norwegian continental shelf and succeeded in reducing development and operating costs. Why? Because able employees - working together - have successfully applied and developed technology in a safe and effective manner.

Statoil works in a technologically-demanding business. Our ability to succeed accordingly depends on remaining in the technological forefront.

The Statfjord field is a good example. This field has outstanding reservoir properties, but that alone is not enough. It has taken a combination of technology and human ingenuity to achieve not-



able results. We thought we would be able to recover half the resources in place, but know today that at least 70 per cent will be recovered.

Other fields, by nature more demanding than Statfjord, are also producing far more than expected. Effective reservoir management, new recovery techniques and drilling technologies such as extended-reach and horizontal wells are helping to recover more of the oil reserves in place in a profitable manner. The productive life of the installations is being extended and jobs are being secured.

We are recovering more oil, and we are also succeeding in developing fields faster and more cheaply.

As operator for the Norne field off mid-Norway, Statoil presented a development plan in 1994 based on the use of a production ship. Our long-term commitment to subsea technology and reservoir engineering has also paid off in this project. A willingness and ability to think along new lines, to organise the work differently and to cooperate more effectively with partners, suppliers and the authorities are key factors for Norne and other future fields. Development costs for Norne are now NOK 3 billion lower than the original estimate. We have also reduced the time required from discovery to production. This field is the first, but hardly the last, Norwegian offshore development based on a production ship.

New methods for gathering seismic data have been developed at Statoil's Research Centre in Trondheim. These techniques allow us to identify oil and gas reserves with greater certainty, and thereby to site exploration wells in such a way that the risk of dry wells is reduced. We have moved the equipment for detecting seismic signals from a streamer towed at the sea surface down to the seabed. Specialists in this field claim that the new system is one of the most significant advances made in geophysics over the past decade.

Statoil ranks as the world's largest operator of shuttle tankers. Based on operational experience, particularly from the Statfjord and Gullfaks fields, we have improved technology for offshore loading in collaboration with Norwegian industry. New solutions cut costs, reduce downtime and make offshore loading more resistant to bad weather.

Offshore loading technology has been further developed, and will be applied as a solution for making production ships more competitive. Production wells on the seabed are connected to the ship via an advanced swivel installed in the hull to handle the wellstream. Installing processing equipment gives us a floating mobile production facility and allows a find to come on stream soon after it has been discovered. The unique feature of our vessel lies in its ability to shift between roles as a conventional tanker, a shuttle tanker or a production ship. This solution is flexible and robust, and the first multipurpose ship has been ordered by Statoil in partnership with the Bergesen d.y shipping company.

In my view, this could be one answer to the challenge of achieving profitability for many small and marginal fields on the Norwegian continental shelf. We have also registered interest in the technology from offshore areas in other parts of the world.

I have sought in this introduction to highlight some examples of the significant place held by technology in Statoil. The skills of our employees, and their ability to develop new technology and apply existing solutions safely and effectively, are crucial for achieving high value creation in our industry. Advances are virtually always made through close and trusting collaboration with our partners and suppliers.

Statoil is among the international leaders in several important technological sectors today. But we have no opportunity to rest on our laurels. We must have an impatient organisation that sets ever higher goals for itself.

Harald Norvik  
President and chairman of the executive board





*Statoil's executive board.  
From left: Harald Norvik,  
Terje Vareberg, Roger O'Neil,  
Johan Nic Vold and  
Peter Mellbye.*

**Executive board:**

*Harald Norvik*, president and chairman of the executive board  
Executive vice president *Peter Mellbye*  
Executive vice president *Roger O'Neil*  
Executive vice president *Terje Vareberg*  
Executive vice president *Johan Nic Vold*

**Business areas:**

Senior vice president *Stig Bergseth*, Exploration & Development Norway  
Senior vice president *Geir Pettersen*, Oil Operations  
Senior vice president *Henrik Carlsen*, Natural Gas Production & Transport  
Senior vice president *Ottar Rekdal*, Natural Gas Market & Supply  
Senior vice president *Rolf Magne Larsen*, International Exploration & Production  
Senior vice president *Harald Ynnesdal*, Methanol  
Senior vice president *Kristian Hausken*, Gas Business Development  
Senior vice president *Leidulf Ramstad*, Refining  
Senior vice president *Thor Inge Willumsen*, Marketing  
Senior vice president *Sten Åke Forsberg*, Oil Trading & Supply  
Senior vice president *Brit K S Rugland*, Statoil Shipping & Maritime Technology  
Senior vice president *Kjølve E Egeland*, Industrial Development  
Senior vice president *Allan Åkerstedt*, Statoil Financial Services  
Senior vice president *Bjørn Roar Eide*, Information Technology  
Senior vice president *Svein Andersen*, Corporate Services

**Corporate staff functions:**

Chief financial officer *Erling Overland*  
General auditor *Dick Andersson*  
Senior vice president *Jacob S Middelthon*, legal affairs  
Senior vice president *Martin Bekkeheien*, corporate strategy development  
Senior vice president *Egil Sæl*, health, environment, safety and quality  
Senior vice president *Peter Tronslin*, corporate procurement and industry relations  
Senior vice president *Randi Grung Olsen*, human resources  
Senior vice president *Arild O Steine*, public affairs

**Corporate unit:**

Senior vice president *Roar S Andersen*, Research Centre



## Highlights

The Statoil group continued to make progress in 1994, and increased its financial strength. Good results and technological improvements were achieved overall. Production of oil and gas from fields on the Norwegian continental shelf reached its highest level to date, while the group also secured new business opportunities internationally.

Group operations and objectives  
Statoil's ambition is to be a strong long-term player in the international oil industry through continuous improvements in its pursuit of existing operations and by developing profitable new business opportunities. Employee expertise is the most important resource underpinning the group's efforts to ensure that it has the strength to surmount the uncertainties facing the industry. The ability to adapt quickly represents an important criterion for success.

The main objective of the group's strategies is to create value for its owner and for the community.

Statoil's position as an oil company is rooted in oil and gas reserves off Norway. The Norwegian continental shelf will also remain the most important foundation for the group's operations in a long-term perspective. This provides opportunities for developing activities in Norway and internationally. The group gives emphasis to being a competent, competitive player and an attractive partner.

Licences are due to be awarded in both new and established exploration provinces on the Norwegian continental shelf during 1995. It is important for Statoil to obtain new exploration tasks as operator and participant in order to secure additional recoverable oil reserves that can replace the decline in production from the major oil fields.

Experience from operations on the Norwegian continental shelf makes a decisive contribution to Statoil's international competitiveness. The group collaborates with BP and other international oil companies in exploring for and producing oil and gas. Statoil's objective is to obtain about a third of its net supply of oil from areas outside the Norwegian continental shelf by around 2010.

**STATOIL'S AMBITION IS TO BE A STRONG LONG-TERM PLAYER IN THE INTERNATIONAL OIL INDUSTRY.**

**EMPLOYEE EXPERTISE DETERMINES THE GROUP'S LONG-TERM COMPETITIVENESS.**

Results achieved in international operations so far support our belief that this goal will be attained.

The group's upstream earnings rest primarily on Norwegian offshore oil reserves. The gradual shift from oil to gas production will present Statoil with new and different challenges as an operator. The group holds a solid position in the established infrastructure for piping gas to continental Europe. An important goal is to consolidate its position in the European gas market through a further integration in the value-added chain through to the end user.

Emphasis is being given to finding solutions for utilising established and planned transport capacity on the Norwegian continental shelf to secure optimal utilisation of gas reserves in the North Sea and off mid-Norway. Statoil has taken the initiative on cooperating with other companies to ensure good solutions.

The group ranks as the largest trader of North Sea oil, and sells such substantial volumes every day that this part of its business must focus on the global oil market. A world-wide trading network has been built up to market supplies of crude that come from a growing number of fields containing different grades of oil. Access to stor-

age capacity is an important instrument for increasing the value of overall oil sales.

Downstream, Statoil has reinforced its position as a leading supplier of oil products in the Scandinavian market. The group is continuing to expand in other areas of northern Europe.

Refining margins are at a historic nadir and new requirements for product quality present the group with major challenges in terms of both costs

and technology.

Petrochemical operations in the Statoil group were transferred to Borealis from 1 January 1994. This company is owned 50-50 by Statoil and Finland's Neste group. The aim was to establish a competitive operation based on effective use of technology, financial strength and economies of scale in a demanding market. Positive progress has been made by the new company, demonstrating that this decision was correct.

**Results for the year in accordance with international accounting standards (IAS)**

Operating profit for 1994 amounted to NOK 14 301



million as against NOK 12 429 million the year before. Net profit for the year came to NOK 5 379 million, compared with NOK 3 394 million in 1993.

The following results were achieved by the business areas:

Exploration & Production made an operating profit of NOK 8 690 million as against NOK 8 735 million the year before. The supply of equity oil rose by eight per cent from 1993 to 449 000 barrels per day. A decline in oil prices was offset by higher oil production and cost-cutting measures.

Natural Gas achieved an operating profit of NOK 4 252 million as against NOK 3 599 million in 1993. This increase reflects higher volumes and transport revenues as well as the sale of 70 per cent of the group's share in the Etzel gas storage facility.

Operating profit at Refining & Marketing came to NOK 166 million as against NOK 266 million the year before. Satisfactory retailing results have only partially compensated for narrower refining margins.

Oil Trading & Shipping showed an operating profit of NOK 801 million, compared with NOK 435 million in 1993. This improvement reflects both good sales contracts in a fluctuating crude oil market and improved freight rates for the transport business.

The petrochemicals market was weak at the beginning of 1994, but recovered sharply during the year. Borealis has contributed NOK 297 million to Statoil's results. In 1993, the group's Petrochemicals & Plastics business area suffered an operating loss of NOK 423 million. The improvement reflects higher demand and better prices.

Statoil's share of profits in associated companies totalled NOK 440 million as against NOK 283 million in 1993.

Net financial income came to NOK 2 159 million as against net expenses of NOK 732 million the year before. This change primarily reflects exchange rate fluctuations on the group's long-term debt in US dollars.

A dividend of NOK 1 614 million is proposed for 1994, compared with NOK 1 075 million the year before.

The Statoil group achieved an after-tax return of 10.1 per cent on capital employed in 1994, as against NOK 7.8 per cent in 1993.

**THE AFTER-TAX  
RETURN ON  
CAPITAL EMPLOYED  
ROSE FROM  
NOK 7.8 PER CENT  
IN 1993  
TO 10.1 PER CENT  
IN 1994.**

**CASH FLOW FROM  
OPERATIONS TOTALLED  
NOK 15.7 BILLION  
IN 1994,  
WHILE INVESTMENT  
CAME TO  
NOK 11.9 BILLION.**

**Result for the year in accordance with Norwegian generally-accepted accounting principles (NGAAP)**

When prepared in accordance with the NGAAP, Statoil's accounts show an operating profit of NOK 14 972 million - NOK 671 million higher than the IAS accounts. This is primarily due to lower depreciation because construction loan interest and exploration costs are not capitalised in the NGAAP accounts. Net financial income is NOK 840 million lower than in the IAS accounts. The largest difference arises from expensing construction loan interest in the NGAAP accounts.

Reconciliation of the differences between the NGAAP and IAS accounts is shown in a note to the accounts. Net profit for the year came to NOK 5 491 million in 1994 as against NOK 3 003 million in 1993.

**Parent company**

The parent company, Den norske stats oljeselskap a.s, showed a net profit for the year of NOK 4 221 million. The board recommends the following allocation, inclusive of group contributions received (in NOK million):

Group contributions received	(70)
Restricted equity reversing fund	(41)
Statutory reserve	955
Dividend	1 614
Allocated to distributable reserve	1 763
Total allocations	4 221

**Investments**

The Statoil group invested NOK 11 929 million as against NOK 13 427 million in 1993. Seventy-eight per cent of this spending was made in Norway, 15 per cent in the rest of Scandinavia and seven per cent outside Scandinavia.

Some NOK 6 800 million was invested by the group during 1994 in production and transport facilities for oil and gas in Norway. About NOK 2 500 million was invested in the refining and marketing business.

**Financial position**

Group cash flow from operations totalled NOK 15 736 million in 1994.

The group's long-term interest-bearing debt,



including the first year's instalment, was reduced from NOK 22 208 million at the end of 1993 to NOK 17 661 million at 31 December 1994.

A lower USD/NOK exchange rate has reduced the group's long-term debt when translated into Norwegian kroner by about NOK 1 850 million.

Liquid assets rose by NOK 126 million during 1994 to NOK 5 819 million. These funds are largely placed in bank deposits and bonds. The group's equity ratio was 31.6 per cent at the end of the year, as against 29.6 per cent 12 months earlier. Market trends, with continued pressure on prices and margins, mean that attaining the group's financial target of an equity ratio of 35-40 per cent as early as the end of 1995 will be demanding.

#### Challenges and responses

An extensive restructuring process is under way throughout the international oil industry. Globalisation of the market has meant a further sharpening of competition.

The industry's general challenges also apply to the Norwegian oil sector. They are reinforced in Norway by the fact that we face reduced profitability as a consequence of finds with smaller

reserves. This position calls for substantial progress on technology development, project organisation and operating methods.

More effective and profitable approaches to future field development have been collectively sought by the Norwegian authorities, suppliers and oil companies through the Norsok study. Statoil's Norne project has been a pioneer in this work. The estimated cost of developing this field was reduced by 20 per cent to NOK 7.8 billion in the course of one year.

Statoil is systematically pursuing improvement projects to strengthen its profitability and financial strength. Programmes to trim more than NOK 2 billion from production costs on Statoil-operated fields off Norway have been identified and initiated by the Project 95 scheme in the Exploration & Production business area. These improvement efforts have established a cost structure that makes an important contribution to improved profitability on all the fields operated by Statoil. At the same time, these measures lay the basis for a profitable development of new projects involving smaller reserves. Reducing the

time required from the award of exploration acreage until production begins will also help to improve profitability.

New principles have been established by Statoil for developing offshore fields and transport systems, based on a different approach to project organisation. The focus here is on continuous monitoring by a joint team of managers and staff, which works on a project from the conceptual stage to the production phase. This new organisation also opens for closer cooperation with key suppliers to the project. These measures provide faster and cheaper development and could allow more projects to be implemented, while also making new projects more profitable and robust.

An extensive improvement programme under way at the Mongstad refinery since 1992 has achieved its goal of strengthening annual results by NOK 375 million in relation to 1992 costs and production. Depressed refining margins emphasise the need to continue this improvement drive.

Substantial gains have been made in the gas transport sector through coordinated procurement of steel for further development of the

pipeline network from the Norwegian continental shelf. This result makes an important contribution to strengthening the competitive position of Norway's gas deliveries. In addition comes the effect of continuous improvements in operating efficiency for the transport systems.

Further development of the submerged turret loading (STL) technology allowed the group to unveil a multipurpose tanker in 1994. This vessel can be used as a shuttle tanker, storage vessel or production ship. In its production mode, the vessel will form part of a field solution developed by Statoil in cooperation with Norwegian industry that opens new opportunities for developing commercially marginal fields. Like the STL technology, this solution has been patented by Statoil. The first multipurpose tanker is on order, and will be operated in partnership with the Norwegian shipping company Bergesen d.y.

#### Operations, safety and the environment

Production from fields on the Norwegian continental shelf in 1994 totalled 971 million barrels of

**THE NORNE PROJECT IS A PIONEER IN EFFORTS TO REDUCE DEVELOPMENT COSTS ON THE NORWEGIAN CONTINENTAL SHELF.**

**AN EXTENSIVE IMPROVEMENT PROGRAMME HAS STRENGTHENED ANNUAL RESULTS AT THE MONGSTAD REFINERY BY NOK 375 MILLION.**



oil and 31.3 billion cubic metres of natural gas. Statoil's share of this output was 192 million barrels of oil and 4.5 billion cubic metres of gas.

The 50 per cent interest held by Statoil in the Norwegian share of Statfjord means that this field remains the backbone of the group's oil production and revenues. Estimated recoverable reserves in Statfjord were increased in 1994 from 3 681 million barrels to 3 902 million barrels.

Together with major cost savings, almost a billion barrels in remaining recoverable reserves provide a basis for profitable operation of the field until the licence expires in 2009.

Statoil-operated fields on the Norwegian continental shelf outperformed their production plans for 1994. Production was characterised by high availability and few shut-downs. The same applies to fields operated by partners.

As operator, Statoil produced 460 million barrels of oil and 13.1 billion cubic metres of gas. Estimated recoverable reserves for Statfjord, Gullfaks and Veslefrikk were upgraded during 1994 by a combined 447 million barrels of oil. Maintenance work on the big Statfjord and Gullfaks fields has been reorganised in accordance with new principles for effective and profitable offshore operations.

Development activities on the Norwegian continental shelf are proceeding as planned. Statoil is currently developing the Norne and Yme oil fields as well as the Sleipner West gas field, and laying the oil pipeline from Troll Oil. The big Troll gas field, including its processing terminal at Kollsnes outside Bergen, is being developed by Norske Shell to

come on stream in autumn 1996. Conoco is developing the Heidrun field off mid-Norway. Statoil will take over as operator for both these fields when they begin production. Construction of the methanol plant at Tjeldbergodden, based on gas from Heidrun, is being pursued in cooperation with Conoco.

Statfjord East came on stream in October 1994, with Statfjord North following in January 1995. During production testing and cleaning of subsea wells on Statfjord North, a vessel was used for the first time on the Norwegian continental shelf to collect and process the oil so that flaring could be avoided in the test phase.

Safety results for Statoil-operated fields continue to show positive progress. Great attention and efforts were devoted to curbing gas and oil leaks during 1994. The outcome of this work has been good in that the overall number of serious leaks was reduced from 21 in 1993 to 11. The reduction on Statfjord was from 12 to two. Two serious gas leaks on Gullfaks prompted an extensive review of organisation, collaborative relations, equipment and safety routines.

Efforts to reduce emissions to air and water are showing positive results. Statoil took an important step towards improving the environment without weakening operational safety when the flares on Gullfaks A and C were extinguished in 1994. This step has reduced emissions of carbon dioxide, a greenhouse gas. Other important environmental improve-

ments in 1994 include lower sulphur emissions from the Mongstad refinery, reduced use of chemicals during pipeline commissioning and recovery of gas employed to dry these lines, and the installation of a pilot plant for recovering oil vapour on shuttle tankers.

The availability of Statoil-operated gas transport systems was good in 1994. These systems will be further expanded to secure adequate capacity for increased deliveries under existing sales contracts. Five new sales contracts of varying duration, adding up to 100 billion cubic metres of Norwegian gas, were signed in 1994. Renegotiation of the Troll sales agreements was completed during the year with all the European buyers. The result is a better price for Norwegian gas.

The group's international production comes from two fields on the UK continental shelf - Hyde and Victor - and the Bongkot field on Thailand's continental shelf.

Statoil traded 1.6 million barrels of oil per day in 1994. North-western Europe remains the most important market for these sales, but the group's deliveries to the USA expanded strongly during 1994.

The group reinforced its position as the leading retailer of petrol and other oil products in Scandinavia, and continued its growth in the Baltic States, Poland and north-eastern Germany.

Estimated costs for the expansion of Statoil's

**SAFE AND EFFECTIVE  
OPERATION  
TOGETHER WITH NEW  
TECHNOLOGY HAVE  
BOOSTED  
PRODUCTION.**

**EFFORTS TO REDUCE  
EMISSIONS TO AIR  
AND WATER  
ARE SHOWING  
POSITIVE RESULTS.**



Kalundborg refinery have risen by DKK 1 286 million in relation to the original forecast, and now stand at DKK 3 440 million. The necessary measures have been taken to ensure an acceptable implementation of the project within the new timetable and cost estimate.

#### Business development

Statoil's share of new volumes of probable commercially recoverable reserves on the Norwegian continental shelf in 1994 totalled 57 million barrels of oil and 17 billion cubic metres of gas.

A gas discovery made by the group in block 34/11 is estimated to contain recoverable reserves of 60 billion cubic metres - roughly twice Norway's overall annual production of gas. Also containing 125 million barrels of condensate, this find was the largest on the Norwegian continental shelf in 1994.

Active efforts are being made by Statoil to develop profitable new gas projects on the Norwegian continental shelf. The agreement with Saga Petroleum on swapping interests in fields on the Halten Bank and in the North Sea shows that cooperation opens new opportunities.

Statoil has agreed to take a holding of about 20 per cent in the Netra pipeline company that will transport gas from Etzel to eastern Germany. In addition, the group has joined forces with Statkraft and Norsk Hydro to establish Naturkraft. This company's aim is to generate gas-fired electricity for sale in combination with hydropower.

The plan for development and operation of the Yme field, with recoverable reserves of 35 million barrels of oil, was approved by the authorities in early 1995. This project is an important milestone in devising more effective development solutions for small fields on the Norwegian continental shelf.

An extensive seismic survey programme has been implemented off Nigeria by Statoil as operator. As members of a large international consortium, Statoil and BP succeeded in securing a production sharing agreement with the authorities in Azerbaijan for the unitised Azeri, Chirag and Guneshli fields in the Caspian. This agreement provides Statoil with oil reserves totalling 252 million barrels. The group is involved in seismic sur-

veys in Kazakhstan's sector of the Caspian through another international consortium, and has concluded new production sharing agreements in Angola and Vietnam. Statoil and BP have increased their reserve estimates for the Vietnamese gas discovery they made in 1993. The group secured interests in acreage on the Irish continental shelf and expanded its offshore portfolio in the UK. Statoil became the first foreign company to submit a declaration of commerciality for a Danish field, Lulita, and heads a group that has acquired seismic data before starting exploration on the Faeroese continental shelf. Interests are held in a total of 43 licences outside the Norwegian continental shelf.

Research and development in Statoil is intended to improve profitability, safety and environmental protection in the group's operations. Good results have

been achieved in important parts of our value-added chain. These include promising progress in several research and development projects on well technology. The Sumic system for seabed registration of seismic signals represents a substantial advance in the geophysical field. Results in reservoir and drilling technology have been crucial for the drilling and use of extended-reach wells. New types of coating have been created for offshore installations through Statoil's supplier development programme. These help to reduce costs and improve the environment.

#### Organisation and personnel

Skilled and committed employees with a high level of expertise have helped to produce a very

satisfactory annual result for Statoil.

The group's aim is to be a recognised international company known for high quality. This quality is developed by focusing on the human aspect. Good work has been done during 1994 with processes of organisational change covering both operations and development projects.

Statoil is a group rooted in substantial natural resources that are sold in a highly competitive international market. Petroleum operations on the Norwegian continental shelf have contributed to major technological advances.

Many new and good technological solutions have been developed through the ability and

**STATOIL'S OIL AND GAS RESERVES INCREASED IN 1994.**

**STATOIL HOLDS INTERESTS IN 43 LICENCES OUTSIDE THE NORWEGIAN CONTINENTAL SHELF.**



creativity of employees. Simplification and standardisation have been important goals for this work. Technological progress has been driven forward through well-established networks of specialists.

Cooperation between management and unions is structured to promote open dialogue, and functions well. The board is satisfied with the way management and unions have jointly arrived at solutions to difficult issues.

The board regards the working environment in the group as good, and considers that systematic improvement efforts are being pursued. Sick leave in the group is just over three per cent. Efforts to identify and prevent occupational illnesses have been intensified.

Hiving off the group's petrochemical operations involved transferring 2 300 employees to Borealis, leaving group payroll at 12 118 on 31 December 1993. This figure came to 12 630 at the end of 1994.

#### Prospects

The oil market continues to be affected by good availability and low prices. There are no grounds for expecting this position to change significantly in coming years. The oil industry cannot assume that profitability will improve as a result of higher oil prices. In order to compete with the best, it is necessary to focus on continuing improvement efforts in all parts of Statoil's business.

The Norwegian continental shelf is the group's most important priority area, with considerable opportunities for business development in coming years. At the same time, Statoil will devote a larger proportion of its investment than before to projects outside Norway in order to secure long-term access to oil.

Much of the growth in world energy consumption is taking place outside our traditional home markets in Europe. Two markets in particular will be characterised by rising demand for oil. US oil imports are set to expand considerably in the next few years as domestic production declines markedly. This opens interesting market perspectives for Statoil. Oil from the Norwegian continental shelf has already increased its share of the American market, not only because Norway can supply crudes that are in demand but also

because the country is favourably placed for shipments to the US east coast. Economic growth will also boost demand for oil in the Far East.

European demand for gas is on the increase. A steadily sharper focus on environment-friendly energy will increase the competitiveness of gas. Statoil has already positioned itself as one of the biggest sellers of gas to continental Europe, and this position will be reinforced in coming years.

Integration in the downstream market for gas is important to Statoil's overall strategy for optimising the value of its gas resources. The group will remain a leading player in utilising the total infrastructure for production, sale and transport of gas from the Norwegian continental shelf.

The local Scandinavian market is well developed and mature, without potential for a

significant expansion in volumes. Statoil holds a strong position in this market. Political and economic developments throughout the Baltic area have opened interesting market perspectives for oil and oil products.

Refining margins are expected to remain narrow. Improvement programmes will continue at Statoil's two refineries.

The group's most important challenges in a highly competitive market will be to pursue existing operations safely, effectively and with a minimum of disruptions, and to exploit its expertise and resources in ways that open profitable new business opportunities.

**THE OIL MARKET  
WILL CONTINUE  
TO BE AFFECTED BY  
GOOD AVAILABILITY  
AND  
LOW PRICES.**

**STATOIL AIMS  
TO ACHIEVE  
LASTING  
IMPROVEMENTS  
IN ALL ITS  
OPERATIONS.**





*Statoil's board of directors.  
From left: Marit Reutz, Tormod Hermansen, Else Bugge Fougner, deputy chairman Arnfinn Hofstad, Åse Simonsen, Yngve Hågensen, Iver Pehrson, Jetfred Sellevåg and chairman Helge Kvamme.*

STAVANGER, 16 FEBRUARY 1995  
THE BOARD OF DIRECTORS OF DEN NORSKE STATS OLJESELSKAP A.S

  
HELGE KVAMME  
CHAIRMAN

  
ARNFINN HOFSTAD  
DEPUTY CHAIRMAN

  
ELSE BUGGE FOUNGNER

  
MARIT REUTZ

  
IVER PEHRSON

  
JETFRED SELLEVÅG

  
YNGVE HÅGENSEN

  
ÅSE SIMONSEN

  
TORMOD HERMANSEN

**Deputies**

Odd Angelvik, Jan Olav Brekke, Bjørn Torkildsen, Tine Eliassen, Tor Ragnar Pedersen, Oddmund Tunland, Anne R Slind

**Corporate assembly**

Axel Buch, Brit Jacobsen, Jan Reinås, Arve Berg, Kristin Krohn Devold, Kjell Bjørndalen, Jorunn Strand Vestbø, Dagfinn Høybråten, Turid Enoksen, Bjørn Egeland, Sigrun Tonning Søgne, Terje Nustad

**Deputies**

Knut Engdahl, Ragnhild Setsaas, Kari Austenå, Kjell Lund, Siri Bentsen, Jan Schøpp, Per Hasler, Amaradasa Ranaweera, Lill Heidi Bakkerud, Anders Storseth, Stein Bredal, Annbjørg Algerøy, Harry Tindeland

**Observers**

Per Audun Hole, Jan-Eirik Feste



**Article 1**

The corporate object of Den norske stats oljeselskap a.s is, either by itself or through participation in or together with other companies, to carry out exploration, production, transportation, refining and marketing of petroleum and petroleum-derived products, as well as other business.

**Article 2**

The Company shall be situated in Stavanger.

**Article 3**

The share capital of the Company is NOK 4 939 714 000 divided into 49 397 140 shares of NOK 100 each.

**Article 4**

The Board of Directors of the Company shall be composed of a maximum of nine directors. A maximum of six of the directors including chairman and vice-chairman, shall be elected by the General Meeting. A maximum of three of the directors shall be elected by and among the employees in accordance with regulations made under provisions of the Norwegian Companies Act concerning the right of employees to be represented on the Board of Directors and in the Corporate Assembly of companies limited by shares. Five alternate directors shall be elected in respect of the directors elected by and among the employees, and these alternates shall be summoned in the order in which they are elected. Two alternate directors may be elected in respect of the other directors, one as first alternate and one as second alternate. The normal term of office for the directors is two years.

**Article 5**

Any two directors jointly may sign for the Company. The Board may grant power of procuration.

**Article 6**

The Board shall appoint the Company's President and stipulate his salary.

**Article 7**

The Company shall have a Corporate Assembly consisting of 12 members. Members and alternates shall be elected for two years at a time. The General Meeting shall elect eight members and three alternate members for these eight. Four members and alternates for these four shall be elected by and among the employees of the Company in accordance with regulations pursuant to the Norwegian Companies Act concerning the rights of employees to be represented on the Board of Directors and in the Corporate Assembly of companies limited by shares.

The Corporate Assembly shall elect a chairman and a vice-chairman from and among its members.

The Corporate Assembly shall hold at least two meetings annually.

**Article 8**

The ordinary General Meeting shall be held each year before the end of June. General Meetings shall be held in Stavanger or in Oslo. Extraordinary General Meetings shall be summoned at the request of the Shareholder, the Board, or two members of the Corporate Assembly.

**Article 9**

The ordinary General Meeting shall deal with and decide the following matters:

- a) Adoption of the profit and loss account and the balance sheet.

- b) Application of the annual profit or coverage of loss as shown in the adopted balance sheet, and the declaration of dividends.
- c) Adoption of the consolidated profit and loss account and the consolidated balance sheet.
- d) Any other matters which are referred to the General Meeting by law or the Articles of Association.

**Article 10**

The Board shall submit to the General Meeting, ordinary or extraordinary, all matters which must be presumed to be of political importance or importance in principle and/or which may have essential effects on the nation and its economy.

Such matters shall be deemed to include, but not be limited to:

- a) Plans for the subsequent years, as well as perspectives for the intermediate term, including economic surveys. Such submission shall take place every two years.
- b) Essential changes in such plans and perspectives as mentioned in a) above.
- c) Plans for projects of significant importance in relation to the Company's overall business.
- d) Matters which may necessitate State appropriation of shareholder's equity or loan capital.
- e) Plans for establishing new types of business of any essential extent.

Matters which the Board submits to the General Meeting pursuant to this Article and to the extent possible such matters as the Ministry may have announced its wish to consider at such a General Meeting, shall, to the extent possible, be presented in writing and delivered to the Ministry in ample time prior to the General Meeting.

Should there be no opportunity to submit the above-mentioned matters in advance to the General Meeting, the General Meeting shall be notified promptly of the Board's resolution.

Whenever possible, matters as mentioned in item a) above should be submitted to the Corporate Assembly for comments.

The General Meeting shall decide whether to take note of the Board's proposals under this Article, to approve them or alter them.

**Article 11**

The Company is responsible for managing the interests of the Government related to the direct financial involvement the Government retains for itself in joint ventures for exploration, development, production and transportation of petroleum on or in association with the Norwegian continental shelf.

This task is executed through the Company's general professional and managerial organization and in accordance with the guidelines applicable to the Company's own involvement on the Norwegian continental shelf.

The Company prepares accounts for the Government's direct financial involvement. These accounts are carried out in accordance with the regulations governing economic administration in the ministries stipulated by Royal Decree and the economic instructions stipulated by the Ministry of Petroleum and Energy.

**Article 12**

The provisions of the Norwegian Companies Act shall be supplementary to these Articles of Association.



**4**  
Statoil's operations are presented  
in this annual report  
through four business areas.  
The group was restructured  
into 15 business areas  
on 1 March 1995.  
**15**

*The production ship and seabed wells for Norne were presented by Statoil in 1994.*







The Exploration & Production business area is responsible for Statoil's overall involvement in exploration, development and production of oil and gas. At 31 December 1994, the business area was involved in 11 countries and had 4 961 employees.

#### Highlights:

Statoil's oil production in 1994 was the highest to date. Estimated recoverable reserves in the Statoil-operated Statfjord, Gullfaks and Veslefrikk fields were upgraded by a total of 447 million barrels of oil, roughly equal to oil reserves in the Norne field.

The plan for development and operation of Norne was submitted to the authorities in September.

Statoil made a substantial gas and condensate discovery in block 34/11 in the northern North Sea. This was the biggest find on the Norwegian continental shelf in 1994.

A cooperation agreement was concluded with Saga on preparing development proposals for the Smørbukk, Smørbukk South and Midgard fields off mid-Norway.

The production sharing agreement for the Azeri, Chirag and Guneshli fields in Azerbaijan was signed and approved by the Azeri parliament. Recoverable reserves in these fields are put at roughly four billion barrels of oil, on a par with Statfjord. Statoil's share is roughly eight per cent.

Statoil and BP appraised an interesting gas find in Vietnam.

#### Key figures (NOK million)

Income statement	1994	1993	1992
Operating revenue	23 372	23 188	23 179
Operating costs	8 962	9 196	9 411
Exploration costs	1 527	1 427	1 508
Depreciation	4 193	3 830	3 698
Operating profit	8 690	8 735	8 562

#### Balance sheet at 31 December

Current assets	3 244	3 636	3 499
Fixed assets	36 427	35 200	32 180
Total assets	39 671	38 836	35 679



## Results

Exploration & Production achieved an operating profit of NOK 8 690 million in 1994 as against NOK 8 735 million the year before. The decline in operating profit reflects lower oil prices. Higher production and substantial cost reductions almost offset the effect of the price fall.

## Norwegian continental shelf

### Resources

The Norwegian continental shelf ranks today as a fairly mature exploration province. Although the discovery rate was relatively high during 1994, all but a few of the finds have been small.

Statoil's gas and condensate discovery in block 34/11 was the biggest on the Norwegian continental shelf in 1994. It is estimated to contain 60 billion cubic metres of gas and 125 million barrels of condensate, and has a potential for further reserves in addition to those already discovered. Statoil's well in block 6204/11 off mid-Norway also seems promising.

Exploration in 1994 disclosed about 450 million barrels of oil, of which Statoil's share is 57 million barrels. Corresponding figures for gas were 35 and 17 billion cubic metres. The increment in oil resources accordingly replaced only half the volume produced in 1994. For gas, however, the increment is roughly on a par with volumes produced during the year. Total reserves have nevertheless been maintained by upgrading fields on stream.

Statoil's equity share of commercially recoverable oil reserves corresponds to 10 years of production at the present rate. The picture is significantly different for gas, where Norway holds reserves for 50 years based on current sales agreements. This also applies to Statoil's equity share.

### Exploration

Exploration wells completed on the Norwegian continental shelf in 1993 break down as follows:

Operator	Exploration wells	Appraisal wells
Statoil	8	1
Others	16	3

The overall level of exploration on the Norwegian continental shelf in 1994 was on a par with the year before. A total of 28 exploration wells, including 24 wildcats, were completed as against 26 during 1993. Discoveries were made in 20 of the wildcats, but at least a third of these finds must be regarded as non-commercial with current technology.

With no less than 22 of 28 wells drilled

offshore Norway, the North Sea remained the principal focus for exploration on the Norwegian continental shelf. The proportion of wells drilled by Statoil as operator outside the North Sea is clearly increasing. Three of the nine wells completed in 1994 were in the Norwegian Sea and one in the Barents Sea. Statoil and four other oil companies have formed a group to assess future exploration strategy in the Barents Sea.

### Operations

Good production results were again achieved from fields operated by Statoil on the Norwegian continental shelf in 1994. These results exceeded plans for the year. Production was characterised by high availability and few shut-downs. Safety results showed progress on every front. Operating costs were sharply reduced, and financial results are above budget. Overall reserve estimates for Statfjord, Gullfaks and Veslefrikk rose by 447 million barrels of oil. Statfjord achieved an average daily oil production of 637 000 barrels, somewhat lower than the year before but far above earlier forecasts for 1994. A daily average of 172 000 barrels of oil from Snorre was also processed on Statfjord A.

Norwegian and British interests in Statfjord were redetermined on 1 July, increasing Norway's share by 0.23 per cent to 85.47 per cent.

Statfjord East started producing on 1 October 1994, followed by Statfjord North in early 1995. These developments employ a new generation of subsea production equipment that helps to reduce costs. Extensive modifications to Statfjord C were completed without serious accidents. Average daily output from Statfjord East totalled 54 000 barrels in December.

A vessel to collect and process oil was employed for the first time on the Norwegian continental shelf during well testing on Statfjord North. This initiative avoids flaring on the field and curbs pollution of sea and air.

Gullfaks had its best year ever in 1994, with high and stable production. Daily output averaged 528 000 barrels. Gullfaks West came on stream in May, and has made a positive contribution to production and financial results.

Improved reservoir understanding and management, combined with technology development, have contributed to this increase.

Veslefrikk production also exceeded expectations throughout the year. Estimated reserves have been upgraded and several additional structures were approved for development and production.

Sleipner East entered its second year of deliveries in October. A daily production of more than 20 million cubic metres of sales gas towards the



end of the year is more or less equivalent to design capacity.

A new agreement on delivery and processing of Tommeliten output by the Edda platform will extend the productive life of Tommeliten Gamma by one-two years. Work is also under way on plans for a possible development of Tommeliten Alpha.

Preparations for starting up Heidrun and Troll Phase I are in full swing and on schedule. About 300 Statoil personnel from Statfjord, Gullfaks and Veslefrikk have been transferred to new duties during the year, many of them on Heidrun and Troll Gas.

Safety results continued to improve on Statoil-operated fields. Great attention and efforts were devoted to curbing gas and oil leaks in 1994. The results of this work are very good, since the number of serious leaks throughout the operation were cut from 21 in 1993 to 11. Statfjord leaks fell from 12 to two over the same period.

Positive progress was also made with emissions to air and water. Statoil took an important step to improve the environment when the flares on Gullfaks A and C were extinguished in 1994. Several technological innovations underlie this move, which will substantially reduce carbon dioxide emissions. No serious emissions to sea or air occurred in 1994. Fewer chemicals were used, and extensive research is under way to reduce the use and effect of chemicals even further. The volume of oil in produced water discharged to the sea was below the official ceiling throughout.

### Project development

The plan for development and operation of Norne was submitted to the authorities in September. Recoverable reserves are about 450 million barrels of oil. Norne is the largest oil field discovered on the Norwegian continental shelf over the past decade. It will be developed with a production ship and subsea-completed wells, at an estimated investment of NOK 7.8 billion. This price tag makes Norne one of the world's most cost-effective offshore field developments. Most of the principles for project work proposed by the government-commissioned Norsok study into cost reductions on the Norwegian continental shelf are already implemented in the Norne scheme.

An agreement between Statoil and Saga Petroleum in 1994 aims at a profitable and competitive development of Smørbukkk, Smørbukkk South and Midgard on the Halten Bank. Statoil will take over as operator for Midgard under this agreement, which assumes a unitised development of the three fields. Saga will take over the Fenris operatorship in the North Sea from Statoil. At the same time, Statoil and Saga will work as equal

partners in the project development phase for the Halten Bank fields. The agreement also involves a harmonisation of interests in Smørbukkk, Smørbukkk South and Midgard.

A Gullfaks satellites development - embracing Rimfaks and Gullfaks South - could be decided in 1995. Subsea systems tied back directly to Gullfaks A are the most likely development solution. Recoverable reserves from the satellites total 380 million barrels of oil and condensate plus 70-80 billion cubic metres of gas. Work in 1994 has helped to reduce investment by almost 30 per cent in relation to earlier estimates.

### Development

The Statfjord satellites project was completed in 1994. Development costs inclusive of drilling came to NOK 7.4 billion. Recoverable reserves in these satellites total 300 million barrels of oil.

Development of Sleipner West is on schedule. Estimated costs were reduced during 1994 and now come to NOK 10.7 billion for offshore work. Due to come on stream in spring 1996, Sleipner West is being developed with a treatment platform linked to the Sleipner A facility on Sleipner East. A wellhead platform will also be installed on Sleipner West.

The plan for development and operation of Yme was approved by the authorities in January 1995. Recoverable reserves in the field have been upgraded to about 35 million barrels of oil. The development is based on a jack-up platform with processing facilities and quarters. A dedicated ship will be used for oil storage. Production is due to start in autumn 1995.

Production from the Heidrun field will begin in autumn 1995. Conoco is operator for the development phase, with Statoil scheduled to take over the operatorship for the production phase.

Troll Phase I is on schedule. Statoil will be the production operator, and preparations for bringing the project on stream are being pursued in close cooperation with development operator Norske Shell. Statoil takes over the operatorship in summer 1996, with gas deliveries contractually scheduled to begin on 1 October 1996.

The start of production on Troll Oil, with Norsk Hydro as operator, has been brought forward from January 1996 to autumn 1995. Statoil is operator for a separate partnership responsible for building and operating an oil pipeline from Troll to Mongstad.

New central facilities are due to be installed on Ekofisk as a result of seabed subsidence. This scheme embraces two new jacket-supported platforms, with the new processing installation due to come on stream in 1998.



### International operations

A production sharing agreement for the Azeri, Chirag and Guneshli fields in Azerbaijan's sector of the Caspian was signed in September. These fields contain around four billion barrels of recoverable oil. The agreement has been approved by the Azeri parliament. A separate company established for development and operation of the field will be staffed by personnel from the participating companies. Statoil's share is about eight per cent, and the agreement has brought the group 252 million barrels of probable, commercially recoverable oil.

The international consortium that will undertake seismic surveys in Kazakhstan's sector of the Caspian has been established. Statoil is participating with six other western oil companies and national oil company Kazakhstancaspishelf.

In Russia, the well workover programme initiated in 1993 was terminated in early 1994.

Statoil is now involved in four licences in Nigeria, and is operator for three of them. A very extensive seismic programme was implemented by the group off Nigeria in 1994. This survey was completed significantly faster and at substantially lower cost than originally planned. Statoil has concluded a letter of intent with Texaco covering the divestment of interests in the three deepwater licences for which the group is operator.

Interests are now held by Statoil in 23 licences on the UK continental shelf. The group was awarded interests in three new blocks during Britain's 15th offshore licensing round. It also participates in the Hyde and Victor gas fields, both on stream, while the Jupiter field is under development.

Statoil is also operator for a licence covering 11 blocks on the Irish continental shelf.

The Lulita field operated by Statoil on the Danish continental shelf was declared commercial in 1994.

Statoil participates in the production sharing agreement for block 17 off Angola, operated by Exxon. An extensive seismic programme was implemented in 1994. The group has also agreed to farm into Elf-operated block 15, subject to approval from the Angolan authorities.

In Namibia, Statoil is participating in an exploration licence together with Norsk Hydro (operator) and Saga Petroleum.

Statoil has interests in four Vietnamese licences. A gas discovery has been made in block 6/12 in the Saigon basin. Probable, commercially recoverable reserves are put at 57 billion cubic metres.

A 10 per cent interest is held by Statoil in Thailand's Bongkot gas field, which is on stream.

The final well commitment for the Chinese licences in which Statoil has participated was completed in 1994, and the licence will be relinquished. China is still considered an interesting area.

Statoil participates in 43 licences outside Norway's continental shelf.







The Natural Gas business area is responsible for the Statoil group's activities related to marketing, source planning, development and operation of transport systems for natural gas, and production and marketing of methanol.

At 31 December 1994, Natural Gas had 894 employees.

#### Highlights:

The first renegotiation of the Troll contracts was completed with all the buyer companies.

A new export contract was concluded with Gaz de France covering annual deliveries of four billion cubic metres from the Norwegian continental shelf over 20 years.

Statoil took a holding in Germany's Netra company, which will own and operate a 290-kilometre pipeline from Etzel to Salzwedel.

Together with Statkraft and Norsk Hydro, Statoil established Naturkraft as a company to generate and sell gas-fired electricity in combination with hydropower.

23

#### Key figures (NOK million)

Income statement	1994	1993	1992
Operating revenue	8 686	8 191	7 936
Operating costs	3 698	3 681	3 407
Depreciation	736	911	814
Operating profit	4 252	3 599	3 715

#### Balance sheet at 31 December

Current assets	2 342	2 446	1 681
Fixed assets	11 370	11 045	10 332
Total assets	13 712	13 491	12 013



**Results**

Natural Gas showed a 1994 operating profit of NOK 4 252 million as against NOK 3 599 million the year before. This improvement reflects higher volumes and transport revenues as well as the sale of 70 per cent of the group's interest in the Etzel gas storage facility.

**Markets**

Gas consumption in western Europe rose from 285 billion cubic metres in 1992 to 300 billion in the following year. Preliminary figures for the first half of 1994 show a 5.8 per cent increase from January-June 1993. West European gas consumption is expected to continue rising. The International Energy Agency forecasts an increase to about 360 billion cubic metres by 2000. Consumption is likely to grow most strongly in the power generation sector as a result of new technology, greater environmental awareness and structural changes in the electricity industry.

Statoil's gas exports totalled 7.2 billion cubic metres in 1994, including 3.3 billion as the government's direct financial interest (GDFI). Gas exports by the group totalled 4.8 billion cubic metres in 1993. Total foreign sales of Norwegian gas in 1994 came to 27.9 billion cubic metres as against 24.9 billion the year before. Deliveries under the Troll agreements in 1994 were five billion cubic metres.

Renegotiation of contracts under the Troll agreements was completed during 1994 with buyers in France, Belgium, the Netherlands and Austria. Discussions with German buyers were completed in 1993, so that the first round of renegotiations has now been completed with all the companies concerned.

In connection with these renegotiations, a contract covering four billion cubic metres in additional annual deliveries over 20 years was signed with Gaz de France. This contract means the French company will be receiving 12 billion cubic metres annually when deliveries under the Troll agreements reach their plateau level just after 2000. In addition, the company is receiving gas under earlier contracts.

Contracts for gas deliveries totalling 10 and 3.2 billion cubic metres were also signed with Mobil Erdgas-Erdöl and Scottish Power respectively. In addition, short-term gas deliveries were contracted with Enagas in Spain and Belgium's Distrigaz. Such deals help to optimise use of production and transport capacity.

Gas contracts signed in 1993 and 1994, plus several options exercised under the Troll agreements, mean that an annual sales commitment of about 20 billion cubic metres has yet to be allocated to a supply field. The gas can be delivered

from the northern North Sea or the Halten Bank. Following disagreement in the Gas Supply Committee about which delivery solutions and contract fields to recommend, the Storting (parliament) resolved in June 1994 to postpone an allocation decision for a year to permit a maturation of relevant fields off mid-Norway. Until a decision is reached, Statoil and Total hold contractual responsibility for deliveries to Gaz de France, Mobil and Verbundnetz Gas.

Statoil acquired 38.1 per cent of the shares in Eastern Group during 1994. This US gas company both produces and trades in natural gas, and had 1994 revenues of NOK 2 billion. The acquisition gives Statoil new commercial opportunities in the US energy market.

With Statkraft and Norsk Hydro as equal partners, Statoil has established the Naturkraft company to generate gas-fired electricity and market it in combination with hydropower. Providing sales contracts can be secured, Naturkraft plans to build and operate a Norwegian gas-fired power station at one of the country's three pipeline landfalls for natural gas - Kårstø, Kollsnes or Tjeldbergodden.

Gasnor, at present Norway's only gas distribution company, initiated deliveries to two industrial customers north of Stavanger in 1994. Statoil owns 20.5 per cent of this company.

**Transport systems**

Systems in operation	Interest	Operator
Norpipe	50.0%	Phillips
Statpipe	58.3%	Statoil
Zeepipe	15.0%	Statoil
Oseberg Transport	14.0%	Hydro
Ula Transport	100.0%	Statoil
Sleipner East condensate	20.0%	Statoil
Frigg Transport	24.0%	Total
Frostpipe	20.0%	Elf

**Systems under construction**

Europipe	20.0%	Statoil
Haltenpipe	11.3%	Statoil
Troll Oil Line	11.9%	Statoil

**Transport systems in operation**

Statpipe carried 7.8 billion cubic metres of rich gas to Kårstø in 1994, and 8.3 billion cubic metres of dry gas to Emden via Norpipe. Shipments of natural gas liquids and condensate from Kårstø totalled 4.4 million tonnes - more than double the figure for 1993. Kårstø will be established in 1995 as the largest supplier of NGL and condensate to the European market.



Statfjord accounted for 33 per cent of the total dry gas carried by Statpipe, Heimdal for 30 per cent, Gullfaks for 23 per cent, Snorre for six per cent, Veslefrikk for four per cent, Brage for three per cent and Tordis for one per cent.

Zeepipe carried 5.4 billion cubic metres of dry gas to Zeebrugge in 1994, including four billion cubic metres from Sleipner East.

The Ula transport system carried 63 million barrels of oil and condensate, while Norpipe transported 187 million barrels of oil to Teesside and 18.3 billion cubic metres of natural gas to Emden.

Frigg Transport delivered 2.9 billion cubic metres of dry gas.

The regularity of gas deliveries during 1994 has been very satisfactory. Deliveries at the Zeepipe terminal suffered no interruptions at all. Gas deliveries at Emden achieved a regularity of 99.6 per cent, substantially better than in 1993. This reflects not least the use of the Etzel gas storage facility. The 16/11-E riser platform was installed and linked by bridge to 16/11-S as part of the Europipe project without disrupting gas deliveries through Statpipe and Zeepipe.

Statoil sold 70 per cent of its holding in the Etzel gas storage facility to Ruhrgas during 1994.

Flaring at the Kårstø terminal was high during certain periods as a result of running-in problems with new compressors and the Sleipner condensate processing facilities, and coordination with the new Sleipner East and Tordis fields.

The revised plan for development and operation of Ekofisk has been approved by the authorities. Production from the new facilities is due to begin in 1998. The expiry date for the Ekofisk licence and Norpipe has been extended to 2028. This involves changes to transport terms as well as company and ownership relations, and opens the way for Statoil to reach agreement on becoming operator for the Ekofisk-Emden gas transport system.

#### New transport systems

Statoil and Norsk Hydro acquired interests in the Norddeutsche Erdgas-Transversale GmbH (Netra) pipeline company. The other shareholders are Ruhrgas and BEB. Statoil's holding of about 20 per cent can be increased to almost 25 per cent. Netra will operate a 290-kilometre pipeline system to link Etzel with Salzwedel on the former East German border. Construction of this system will be completed in 1995.

Several new transport systems are under construction by the Natural Gas business area. The third Norwegian transport system to continental Europe - Europipe - is approaching completion and will be in regular operation from autumn 1995 at the latest. As Europipe operator, Statoil

built a 2.5-kilometre landfall tunnel under Lower Saxony's Wattenmeer national park in northern Germany during 1994. Crossing this national park represented one of the biggest environmental challenges the group has faced. Laying of the pipeline at sea and through the coastal areas has been completed, and a line has been laid parallel to Europipe through the entire coastal zone. This allows a new export line to Germany to be tied in. Despite the construction work, plant availability at 16/11-S was 99.8 per cent. In August 1994, the 16/11-S platform passed six years without a lost-time injury to its own personnel. The first export line from Kollsnes - Zeepipe II A - will run to the Sleipner A platform. With 225 out of 300 kilometres laid, this facility is due to be completed in 1995 and to come on stream in autumn 1996. Intended to run from Kollsnes to the 16/11 area, Zeepipe II B will be ready to begin operating a year later.

Detail engineering of the Haltenpipe line from Heidrun to Tjeldbergodden has been completed, and the principal contracts are awarded. Pipelaying will take place in 1996, with the line starting operation in December of the same year.

The 86-kilometre oil pipeline from Troll to Mongstad will be laid during 1995, and is due to begin operating in October. This line will cross water depths down to 540 metres, making it the deepest on the Norwegian continental shelf.

Statoil concluded agreements on steel purchases for new pipelines worth almost NOK 8 billion in 1994. Covering 1.5 million tonnes of steel, these contracts were agreed with manufacturers in the UK, Italy, France, Germany and Japan. They relate to Zeepipe II B, new export pipelines to Germany and France, a bypass around Ekofisk and a possible line to link the Halten Bank with the North Sea. All the contracts are subject to approval by the authorities and the partnerships that will be established for the various projects.

#### Methanol

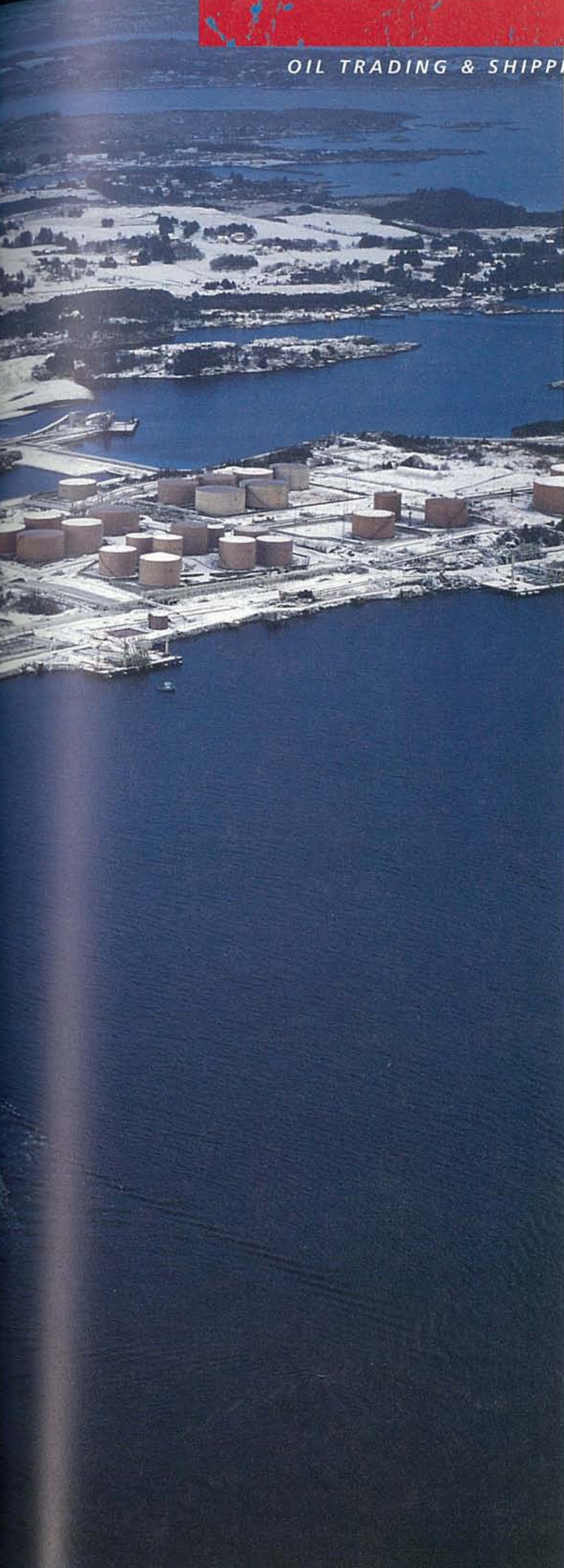
Plants for methanol, air separation and reception of natural gas from the Heidrun field are under construction at Tjeldbergodden in Møre og Romsdal county. The methanol plant is owned 81.875 per cent by Statoil and 18.125 per cent by Conoco/Du Pont. Tjeldbergodden can produce 800 000 tonnes of methanol per annum, corresponding to about 25 per cent of western Europe's production capacity and 13 per cent of its methanol consumption. The plant is due to start operations at the end of 1996.

Site preparations began in January 1994, and were completed by the end of the year. Just over NOK 4 billion will be invested at Tjeldbergodden. Contracts worth about NOK 2 billion had been









The Oil Trading & Shipping business area is responsible for sales of crude oil - including the government's crudes - refined products and natural gas liquids, and for shipping operations. At 31 December 1994, the business area had 220 employees in Norway, the UK, Singapore and the USA.

#### Highlights:

Statoil is the world's third largest net trader of crude oil.

The group has become the leading supplier of feedstock to Europe's petrochemicals industry.

Statoil has developed a multipurpose vessel that can be employed for offshore loading, storage and/or production.

New contracts make Statoil the leading operator of shuttle tankers off the UK as well as the Norwegian continental shelf.

#### Key figures (NOK million)

<b>Income statement</b>	<i>1994</i>	<i>1993</i>	<i>1992</i>
Operating revenue	65 191	59 628	53 496
Operating costs	64 090	58 952	52 681
Depreciation	300	241	225
Operating profit	801	435	590

#### Balance sheet at 31 December

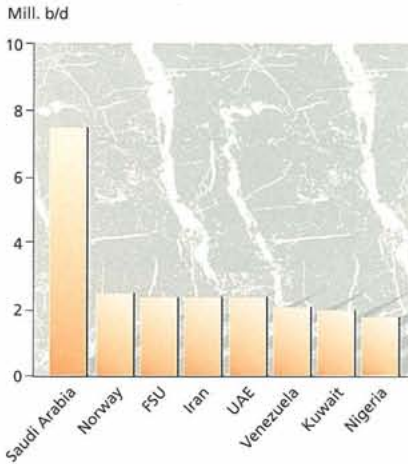
Current assets	10 095	7 931	7 350
Fixed assets	2 513	2 071	1 732
Total assets	12 608	10 002	9 082



## Results

Oil Trading & Shipping made an operating profit of NOK 801 million in 1994 as against NOK 435 million the year before.

This improvement in result reflects higher volumes, favourably-timed crude sales and effective utilisation of storage capacity, as well as increased activity and improved rates for Statoil's fleet of ships.



Net export of crude oil.

## Crude oil sales

Statoil traded 582 million barrels of oil in 1994, corresponding to 1.6 million barrels per day. This is 16 per cent up from the year before. The increase reflects higher production from the Norwegian continental shelf and purchases of oil from other regions.

Ranked as the world's third largest net trader of crude oil, the group is the biggest exporter of oil from the North Sea.

North-western Europe remained the main market for Statoil's crude oil in 1994, but ever-growing volumes have been shipped to the east coast of North America and the Gulf of Mexico. Statoil accounted at times for about eight per cent of North American oil imports.

The Mongstad oil terminal plays an important role in Statoil's crude sales. Terminal capacity available to the group was increased last year in both Europe and the USA, and Statoil has access to about 10 million barrels of storage at Mongstad and in the Bahamas. This helps to secure the value of Statoil and government crudes in periods when oil prices have come under heavy pressure.

In a market with plentiful supplies of crude oil, Statoil has been able to respond to enhanced customer requirements for flexibility in terms of volumes, price concept and delivery dates.

The price of Brent Blend, the North Sea reference crude, averaged USD 15.80 per barrel in 1994 as against USD 17 per barrel in 1993.

Oil prices were USD 14 per barrel at the beginning of 1994. Cold winter weather boosted consumption, while Opec resolved to leave its 1993 production quota unchanged. Combined with political unrest in several petroleum-producing countries, these developments pushed up the price per barrel of oil from a low for the year of USD 12.60 in mid-February to a 1994 peak of USD 18.72 in early August. During the latter month, however, the Brent Blend price fell by

USD 3.5 per barrel. A seasonal increase in demand contributed to a brief strengthening of crude prices in October and November. But reduced demand for oil products as a result of extremely mild winter weather in both Europe and the USA caused the oil price to decline towards the end of the year. At 31 December, Brent Blend for immediate delivery was priced at USD 16.08 per barrel.

## Product sales

Statoil sold 13.5 million tonnes of refined oil products to customers outside its internal marketing system in 1994, as against NOK 12.9 million the year before.

Most of these sales were to customers in north-western Europe. External processing agreements have allowed Statoil to market oil products in North America. Leased terminal capacity has contributed to increased sales in new markets, including the Mediterranean and South-East Asia.

The global market for refined oil products was affected for much of 1994 by plentiful supplies of petrol and a good balance in the gas oil market. Heavier products, such as heating oil, have been in short supply for periods. US requirements for reformulated petrol towards the end of the year reduced European petrol exports to the USA and boosted the over-supply of petrol in Europe. Part of this surplus has been sold to new customers in eastern Europe, the Mediterranean area and Asia.

## NGL sales

Statoil's supplies of NGL and liquefied petroleum gases in 1994 totalled about 3.4 million tonnes as against 1.9 million tonnes the year before.

Since Sleipner East came on stream, Norwegian production of condensate totals 200 000 tonnes per month. Statoil handles 50 per cent of this volume.

## Shipping

Results for Statoil's shipping operations improved substantially in 1994 compared with the year before. This improvement reflects increased activity and higher freight rates for conventional tankers. Statoil operates a fleet of 37 vessels, including one owned by the group. In addition come seven ships on order, of which three are specialised vessels wholly or partly owned by Statoil. Thirteen shuttle tankers are deployed on the Norwegian and UK continental shelves, making Statoil the world's largest offshore loading operator.

Development of the new submerged turret loading (STL) system was extended by Statoil in 1994 to produce a new multipurpose tanker and a

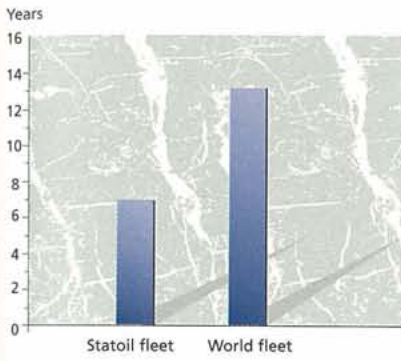


recently developed production swivel. These products are the result of close collaboration with Norwegian industry. The first multipurpose vessel, which can be used as a shuttle tanker, storage vessel or production ship, has been ordered and will be owned in partnership with shipping company Bergesen d.y.

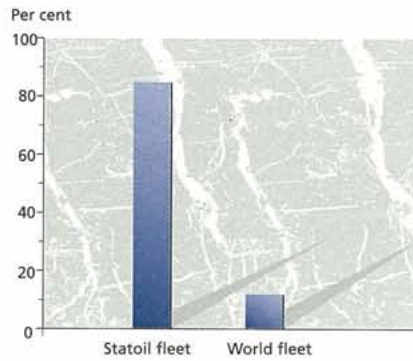
in the Atlantic market will sustain pressure on prices for light products. Consumption of oil products in the Asia-Pacific region is expected to rise by 700 000 barrels per day during 1995. This corresponds to half the increase in global demand for oil outside the former Soviet Union.

**Market prospects**

A healthy expansion in demand is expected to colour the global crude oil market during 1995. At the same time, crude oil supplies are likely to increase - particularly from non-Opec producers. Strong growth in upgrading capacity at refineries



*Average age of world tankers.*



*Ships with double bottoms and/or sides.*



*The Trabant was a symbol of the former East Germany. Today, owners of these cars fill up at Statoil's service stations in eastern Germany.*





OIL



The Refining & Marketing business area is responsible for the Statoil group's refining operations and retailing of oil products. At the end of 1994, the business area had operations in 10 countries with 4 669 employees, some 1 900 service stations and two refineries.

#### Highlights:

Statoil is Scandinavia's leading petrol retailer with 25 per cent of the petrol market.

Development of a network of petrol stations in eastern Germany, Poland, Estonia, Latvia and Lithuania is on schedule. Statoil had 35 stations operating in these countries at the end of 1994.

Refining margins reached an historic low point.

A successful improvement programme at the Mongstad refinery is continuing.

Construction of a condensate refinery at the Kalundborg facility will be delayed and cost more than originally planned. This plant is due to start regular operation in autumn 1995.

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#### Key figures (NOK million)

<b>Income statement</b>	1994	1993	1992
Operating revenue	25 650	25 198	24 437
Operating costs	24 022	23 594	23 112
Depreciation	1 462	1 338	1 284
Operating profit	166	266	41

#### Balance sheet at 31 December

Current assets	5 006	4 571	5 749
Fixed assets	15 419	14 352	12 754
Total assets	20 425	18 896	18 503

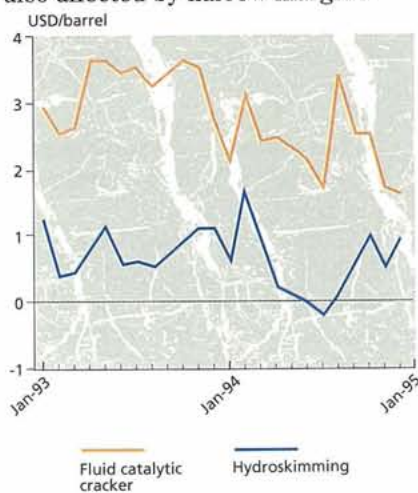


## Results

Operating profit for Refining & Marketing totalled NOK 166 million in 1994 as against NOK 266 million the year before. The retailing companies have made positive progress, but the overall result is undermined by generally weak refining margins.

## Refining

Statoil produced about 10.4 million tonnes of refined products in 1994 as against 10.6 million in 1993. Mongstad accounted for 7.3 million tonnes of this figure, unchanged from the year before. Margins for highly-upgraded refineries have been extremely narrow in 1994, not least because of weak petrol and gas oil prices for much of the year. Results for the Kalundborg refinery were also affected by narrow margins.



Refining margins 1993-1994.

The Mongstad facility strengthened its competitive position through an extensive improvement programme. The goal of a NOK 375 million improvement, based on prices and margins in 1992, was achieved through reduced costs, better plant availability and higher capacity utilisation.

A new facility to remove sulphur from gas oils will be completed in 1996. Construction is also under way on a treatment plant for oily waste. All official emission ceilings have been observed. A large petrol leak suffered by the Mongstad refinery in 1994 caused no pollution damage.

Construction of the condensate refinery at Kalundborg is delayed. Plans call for the plant to come on stream in the fourth quarter of 1995 at an estimated total cost of DKK 3 440 million, which is DKK 1 286 million above the original estimate. Following changes to the project organisation, progress under the revised schedule has been good. After the expansion, Kalundborg will be able to produce up to 4.8 million tonnes of oil products per annum. The expanded facility will

be an important supplier of refined products to Statoil's own retailing companies and external customers in northern Europe.

## Retailing

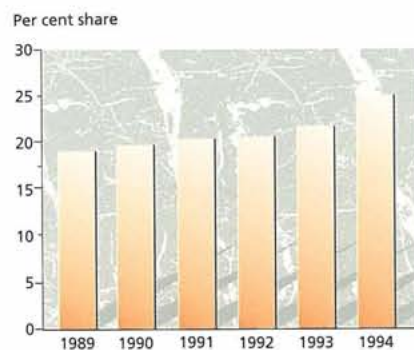
Statoil confirmed its position as Scandinavia's leading retailer of oil products. The group had about 25 per cent of the petrol market in 1994, compared with roughly 22 per cent the year before. Market share for all products was around 23 per cent, on a par with 1993. The retailing subsidiaries in Scandinavia achieved good financial results and improved their competitive position in the market.

There were 1 900 Statoil service stations in 10 countries at the end of 1994.

The group's petrol charge card can be used by long-distance hauliers at 13 000 stations in Europe through the Routex collaboration. The commitment to Statoil's Premium Club will continue.

Statoil Norge achieved a market share of roughly 30 per cent in 1994. The company is the leading oil retailer in Norway. Surveys show that Statoil has the strongest brand image among oil companies in the Norwegian market, and a positive image among customers for service, opening hours, bonuses, discounts and product range.

Svenska Statoil was named the oil company in Sweden with the largest number of satisfied customers in 1994. An expansion in consumption boosted sales of refined products. A new petrol grade containing less benzene and sulphur than ordinary varieties was introduced during the year. Statoil has about 20 per cent of the Swedish market.



Market share for petrol in Scandinavia.

Statoil also succeeded in retaining a strong position in the Danish petrol market, and a share of roughly 20 per cent of petrol sales was unchanged in 1994. Market share for all products was also about 20 per cent.

Twenty-three new service stations were built in the Baltic area during 1993. Statoil's service station concept has been well received in the new markets.



By the end of the year, the group had 35 stations operating in Germany, Poland and the Baltic States and 19 under construction. Statoil has maintained its position in the Irish market, with about 190 stations and a 10 per cent share.

Statoil was hit by two tragic accidents during 1994.

Nine Svenska Statoil employees and three from Borealis were lost in the *Estonia* passenger ferry disaster. Three Statoil employees were among the survivors.

The Statoil bunkering ship *Stathav*, which carried oil products around the Faeroes for many years, sank in the autumn with the loss of two crew.

### Market prospects

Statoil's refineries face stricter requirements for their products. Investments at the Kalundborg and Mongstad facilities put the group in a better position to meet customer demands for high quality. Statoil is actively involved in a Europe-wide collaboration between the European Commission, the oil industry and car manufacturers on shaping future environmental standards for motor fuels.

A surplus of refined products is expected to persist in Europe during 1995. As a result, refinery margins are likely to remain narrow.

Demand for motor fuels in the group's new markets around the Baltic is expected to increase. No further growth in oil consumption is foreseen in the Scandinavian markets, where competition will make increased demands on service and cost-effective operation.



The aim of research and development in Statoil is to contribute to improved profitability, safety and environmental protection in the group's present and future business operations. These activities had a budget of NOK 588 million in 1994. In addition, Statoil's Research Centre did work worth NOK 60 million for the Borealis petrochemicals company and offshore licences.

Systematic improvement efforts were pursued at Statoil's Research Centre during 1994. A general focus on improvements, good knowledge of the group's business challenges and portfolio analysis tools ensure that R&D efforts are managed in line with commercial criteria.

Statoil is also pursuing substantial research programmes aimed at charting and limiting possible environmental impacts from the offshore industry. The results of this commitment are covered in greater detail in the group's annual environmental report, which is published separately.

- Research results presented by Statoil in 1994 contribute to significant technological progress in the acquisition of seismic data.
- The Heidrun operators have obtained a new tool for better and more effective training in field operation.
- Results achieved in reservoir engineering and drilling technology increase Statoil's lead over its competitors in the use of extended-reach wells.
- Realistic studies on existing field installations provided increased expertise about the formation and prevention of hydrate plugs.

#### Improved reservoir models

Good reservoir simulation tools provide more secure oil production forecasts and reduce the risk of making the wrong investments. Statoil pursues research to improve important elements in these tools.

A group of Statoil and BP researchers has studied and mapped how variations in reservoir properties on various scales affect oil production using different recovery methods. These studies make use of mathematical models. The result is new knowledge about which reservoir properties must be identified with great accuracy, and how variations in these should be described in the reservoir simulation models.

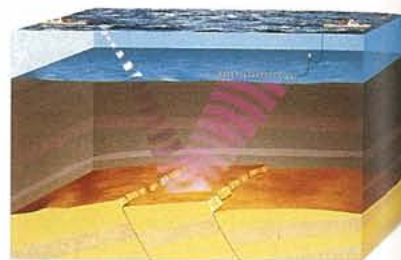
Detailed studies of how water and gas displace oil from rock pores have given researchers valuable insights into the physical mechanisms controlling the process. This work employs micromodels comprising glass plates etched with realistic pore structures. A microscope and video camera can then be used to study oil, gas and water flow through the pores.

#### Technical breakthrough for exploration

A new method for recording seismic data on the seabed has been developed by Statoil researchers. This subsea seismic (Sumic) solution makes it easier to identify reservoir rocks and see whether they contain oil, gas or water. By reducing the risk of dry wells and improving reservoir mapping, this method could offer several hundred million kroner in increased earnings every year.

Commercialisation of Sumic is being pursued by Schlumberger Geco Prakla, a leading supplier of seismic services, under an agreement with Statoil.

*A greater number of underground echoes are registered more precisely by seabed hydrophones in the new Sumic system.*



The principle of seismic surveying is based on transmitting powerful sound waves into the Earth's crust and registering the echoes reflected from geological strata.

Sound propagates through water as pressure- or P - waves. When these hit the seabed and underlying strata, part of this sonic energy is converted into shear (S) waves - minute vibrations in the bedrock. Comparing the echoes received with the original acoustic signal allows geophysicists and geologists to form a picture of the structure and the physical properties of the various strata. The S waves give more information than the P variant, particularly on the question of whether a reservoir contains oil, gas or water.

The problem with S waves is that they do not propagate through water, but must be collected at the seabed. This has previously been expensive and technically complex. The Sumic project has developed technology that allows cost-effective seabed data acquisition.

During 1994, Statoil developed a simulator for training platform operators that can be run on standard computer equipment. Covering the central part of a platform's process facilities, this solution requires little space and is several times cheaper than a traditional simulator. It has been developed by the Research Centre in close collaboration with the Heidrun licence, and is already installed at the operations organisation for this field in Stjørdal.

Statoil researchers have contributed to the development of a multiphase meter that tests in 1994 proved extremely accurate. Such meters can save several million kroner a year, and may be



crucial in deciding whether a small field development will be profitable.

**Drilling technology**

Extended-reach and horizontal wells have opened new opportunities for profitable production from thin oil zones and reservoir pockets beyond the reach of conventional wells drilled from existing installations. Siting of the well on the seabed is extremely important for this type of oil accumulation. New research results ensure a good commercial return on Statoil's investment in such wells. This commitment has yielded the NextWell interactive simulation programme, which eases and improves the reservoir engineer's job in siting new production wells. Several oil companies have already acquired user licences for this software. NextWell provides a tool for planning the path of a well through the reservoir and for assessing which parts of the well should be opened for production. The system can also be used for evaluating existing wells, and has been employed to plan drilling and well workovers on Statfjord and other fields.

Poslog is a concept for geological positioning of the well path, based on a set of acoustic transmitters and receivers mounted on the drill string immediately behind the bit. Sound waves from the transmitters are reflected from the strata and collected by the receivers. These signals are processed downhole, with the compressed data sent to the surface for interpretation by geologists to determine the position of the bit in relation to its target. An experimental Poslog prototype was developed and tested downhole in 1994. Work is under way on a commercialisation deal with suppliers of well logging services to develop a field prototype and a commercial service.

**Learning more about hydrate**

Many fields in the North Sea suffer problems with ice-like hydrate plugs forming in wells, pipelines and platform systems. Measures to combat hydrate formation can cost several hundred million kroner per field in higher investment and operating costs. A solution to these problems would therefore yield considerable financial benefits. Researchers undertook controlled studies in 1994 on the formation and removal of hydrate plugs on the Tommeliten field, which is tied back to the Edda platform by a 12-kilometre pipeline. These tests, the first of their kind to be performed in full scale, yielded important observations that will have direct significance for choosing development solutions. Work on the problems will continue through laboratory trials and theoretical analyses. A total of 17 plugs were formed. Pressure reduction, chemicals and heat

were used to dissolve the plugs over periods that varied from one to 25 days. These trials yielded new knowledge about the significance of pressure reduction on both sides of the plugs. Reducing pressure on one side only has been the normal practice so far. In the worst case, the studies show, this may not dissolve the plug at all. The tests also indicate that adding inadequate quantities of methanol can increase the risk of plug formation. Methanol is the chemical most widely used today to inhibit hydrate formation.

**New refinery technology**

Extensive tests with new catalyst technology at the Research Centre in Trondheim could save millions of kroner at Statoil's refineries. This work has prompted the Kalundborg facility in Denmark to change the catalysts used to produce petrol. An anticipated tripling of operation time will provide increased revenues of about NOK 20 million per year. On the basis of the tests, Statoil Mongstad has ordered new catalysts for its catalytic cracker that will boost petrol yield and thereby increase annual revenues by an estimated NOK 15 million.

**Research prize**

Statoil's research prize for 1994 was awarded to Professor Anders Holmen at the Norwegian Institute of Technology (NTH) for his work on heterogeneous catalysts. This NOK 150 000 prize is presented annually to Norwegian researchers who have achieved significant results in disciplines that are significant for Statoil's operations.



*Experiments with gas emissions under water are being pursued in the test tank at Statoil's Research Centre in Trondheim.*





*Creating a good and secure working environment is a priority throughout Statoil.*

The driving force in the areas of health, the environment, safety and quality is management and employee involvement in creating positive attitudes. Transfer of experience and improvements have been overall goals for this work.

### Quality

Active efforts to achieve continuous improvements are being made throughout the group. Facts provide an important basis for such improvement work. Position measurement and customer surveys are actively used.

Quality methods such as benchmarking are also being applied. Additional techniques are under consideration. Several benchmarking projects have been initiated. Enquiries are invariably being received from companies and organisations that want to establish a benchmarking collaboration with Statoil.

Satisfied customers are a good guide to quality, and occupy a central place in improvement efforts. Svenska Statoil, for instance, was named by an external survey as the Swedish company with the most satisfied customers.

Conscious efforts are being made to improve the quality of internal working processes in order to secure products and services that satisfy customer expectations. The ISO 9000 standards provide good guidance, and a number of entities have accordingly decided to certify their quality assurance systems to these norms. Twelve of the group's entities now have ISO 9000 certification.

### Health and the work environment

Revised corporate requirements have been introduced for managing health, the environment and safety. Internal control systems have also been reviewed and improved, with more emphasis on specific measures. An expanded international involvement presents new challenges.

A good work environment is essential for qual-

ity and continuous improvement. This is generally the case in Statoil, but systematic efforts are still being made to improve its organisational and physical aspects. Sick leave is just over three per cent. Work on identifying and preventing occupational illnesses has been intensified.

Increased demands for adaptation and improved efficiency have been experienced as burdensome by some entities. Experience, supervision and surveys have shown that cooperation and communication could be better in parts of the organisation, and improvement processes have been initiated. A growing number of entities are using departmental health and work environment surveys as an aid in improvement efforts. Measures were also adopted on the basis of the 1993 corporate culture and work environment survey.

Along with other European oil companies, Statoil has participated in a study of benzene in the air at service stations and terminals. This collaboration has been extended to include benzene measurements at refineries.

### The environment

An environmental report from the group surveys environmental measures, environment-related investment, emissions to air and water, and waste generation. Results in relation to improvement targets are reported.

Statoil breached the regulatory ceiling of 40 milligrams of oil per litre for emissions to the sea. These breaches were small and emissions are now below the limit. No breaches occurred at the land-based facilities, with the exception of a slight excess of chlorine discharged to the sea at Kårstø for two weeks.

There were few accidental emissions. Some small oil spills, amounting to 75 barrels in all, occurred from the platforms, while about 87 barrels of diesel oil was spilt on Sleipner. The Kårstø gas terminal released 370 kilograms of halon, while almost 19 barrels of oil were spilt from a tanker at Mongstad. Petrol was drained from a storage tank at the same location, and about 437 barrels evaporated. But none entered the soil or the sea. Statoil has been reported to the police for a leak of spent caustic at Mongstad.

Purposeful work as well as the development and application of new technology have yielded important environmental gains, such as:

- extinguishing the flares on Gullfaks A and C
- reduced sulphur emissions from the Mongstad refinery
- less use of chemicals and recovery of gas used to dry pipelines
- installation of the first prototype plant for recovering oil vapour from shuttle tankers



*Extinguishing the flares on Gullfaks A and C reduces the emission of greenhouse gases.*



- use of a vessel to process and store oil from well testing, which recovered 10 000 tonnes of crude that would otherwise have been flared.

Systems have been adopted to ensure that environmental considerations become an integral part of business plans, and that environmental assessments form part of commercial decisions.

Strategies have been drawn up for reducing nitrogen oxide emissions and for operations in sensitive areas. Acceptance criteria for operations are being developed with the authorities.

Extensive impact assessments are required before starting new operations in Norway. Statoil makes similar assessments in other countries where it has operations. Environmental studies were undertaken in 1994 off the Nigerian coast and in the Caspian. Environmental monitoring programmes were initiated during the year at the Mongstad refinery and around the Kårstø gas terminal. These schemes provide a continuous overview of emissions and the status of selected environmental parameters.

As oil-field depletion advances, more water is produced. This water is discharged to the sea after treatment. The treated water still contains small quantities of oil, less than 40 parts per million. Possible long-term effects of these discharges on fish and fish larvae are being investigated in cooperation with the authorities. Re-injection into the reservoirs is under consideration.

Several technical environmental analyses have been performed to chart waste flows. Measures have been initiated to reduce waste volumes, increase sorting for recovery and ensure that the necessary end treatment is carried out. Particular emphasis has been placed on reducing the use of chemicals and safe disposal of hazardous waste. Statoil is trying out a new environmental risk model for chemicals on the Gullfaks field. The Mongstad refinery has found good solutions for its hazardous waste.

Cooperation with suppliers has been extended, with several contracts awarded that specify environmental requirements. Two coatings with improved health and environmental properties have been developed in cooperation with Jotun for surface treatment of offshore installations. These products also yield good economics over the lifetime of a field.

Several measures like brochures and journals have been adopted to inform the authorities and neighbours.

Statoil achieved high ratings in external assessments of its environmental efforts. It took fifth place among 100 Norwegian companies in an MMI survey, for instance.

## Safety

Lives were unfortunately lost in Statoil during

1994. Nine staff from the group and three from Borealis died when the *Estonia* ferry sank in the Baltic. Two crew were lost at the end of the year when Statoil's *Stathav* bunkering ship sank off Thorshavn in the Faeroes. These accidents made a deep impression throughout the group.

Major efforts are being pursued to improve safety. Both management and employees have focused attention on injuries and measures to prevent them.

Active work is being done to develop our routines and methods for health, environmental and safety management. Many entities use the International Safety Rating System (ISRS) model as an important basis. Many managers and employees have attended courses on accident investigation and inspection techniques and have made active use of the model in their improvement efforts.

The lost-time injury rate in 1994 was 5.2 per million working hours, including contractor staff.

Other tools for measuring and improving our safety performance have been further developed. Various indicators that focus more on the consequence of incidents have been adopted in addition to the lost-time injury rate.

Statoil has introduced a new and modern system for registering health, environmental and safety data. Used to analyse trends and causes and to set priorities for preventive measures, this system has been developed in cooperation with several other Norwegian industrial companies at Statoil's initiative. It provides opportunities for exchanging data and experience between the companies.

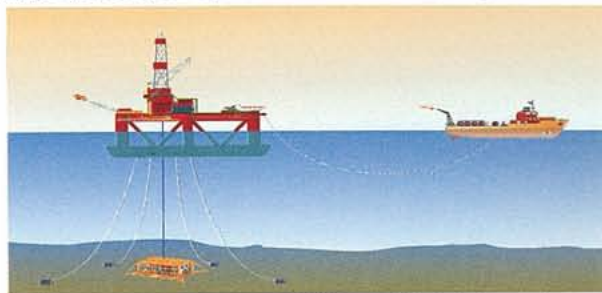
Statoil's contractual requirements have been enhanced. A tool developed in cooperation with Det Norske Veritas is used to evaluate health, environmental and safety management by suppliers. Statoil also performs its own audit of shipping companies and of ships that are ordered.

There were 11 serious gas leaks in 1994, a substantial reduction compared with the year before. Continued focus on this issue and a high level of commitment are very important.

The number of criminal acts against service stations rose in 1994. Active efforts have been made to improve routines to prevent assaults and robberies.

An expanding international involvement is exposing Statoil to a tougher climate in terms of violence and crime. Extensive security routines have been adopted to keep operations secure.

A new system for well testing reduces oil flaring.





Statoil manages the government's direct financial interest (GDFI) on the Norwegian continental shelf, in addition to the group's own equity interests. This is achieved by awarding the overall interests to Statoil, with the state retaining the financial interest related to a specific percentage in each licence, normally 20-65 per cent. The GDFI is included directly in the central government budget and accounts. Statoil's management function is authorised by its articles of association and means that the company represents the overall company and state interest in each licence and partnership. In addition, Statoil is responsible for selling all oil and gas produced for the GDFI. Separate financial statements are kept by the company for the GDFI. Statoil's own financial statements solely reflect its equity share.

The pro forma consolidated figures for Statoil and the GDFI presented here show Statoil's overall management responsibility.

**Production**

Availability of oil, including NGL, totalled 507 million barrels in 1994. Comprising 192 million barrels for Statoil's equity share and 315 million for the GDFI, this figure represents an increase of 68 million barrels on the year before. Production rose by 15 million barrels for Statoil and 53 million for the GDFI.

**Reserves**

Exploration operations proved 186 million barrels of oil and 29 billion cubic metres of gas in 1994.

Combined with farm-ins and an upgrading of earlier proven and probable reserves, these discoveries contributed to an overall six per cent increase in oil reserves to 7 041 million barrels and a one per cent increase in gas reserves to 1 540 billion cubic metres.

Statoil's overall annual production and reserves make it one of the largest players in the industry.

**Results**

Operating profit for the overall management responsibility came to NOK 31 000 million in 1994. Statoil's operating profit came to NOK 14 300 million, while the corresponding figure for the GDFI was NOK 16 700 million.

**Property, plant and equipment**

The net overall addition of these assets amounted to NOK 35 200 million, split between NOK 28 000 million for the GDFI and NOK 7 200 million for Statoil.

Key figures (NOK million)

<b>Income statement</b>	1994	1993
Operating revenue	112 300	110 500
Operating costs	61 500	63 900
Exploration costs	3 000	2 700
Depreciation	16 800	15 700
<b>Operating profit</b>	<b>31 000</b>	<b>28 200</b>
Property, plant and equipment at 1 January	170 500	147 700
Investments (net)	35 200	38 500
Depreciation	16 800	15 700
<b>Property, plant and equipment at 31 December</b>	<b>188 900</b>	<b>170 500</b>





Statoil and Finland's Neste group agreed in 1993 to merge their petrochemical operations in Borealis. Owned 50-50 by Statoil and Neste, this new petrochemicals group was operational on 1 March 1994 with its head office in Copenhagen.

Borealis is one of the largest European petrochemical groups, with its own production facilities in eight countries and 15 sales companies in Europe as well as Asia and the USA. It has 6 300 employees.

Principal products from the group are the base petrochemical feedstocks ethylene and propylene as well as the plastic raw materials polyethylene and polypropylene. Finished products for the car industry, primarily dashboards, are also produced.

Overall operating revenues for the Borealis group came to DKK 16.2 billion in 1994. Operating profit was DKK 1.1 billion, and net profit for the year amounted to DKK 413 million.

The new petrochemicals group was established from a desire to meet ever tougher competition in a demanding market through effective utilisation of technology, financial strength and economies of scale. A positive performance so far demonstrates that the decision was correct. The petrochemicals market is sensitive to cyclical fluctuations, and has been through a serious recession in recent years. Competition has become considerably more global. This trend is expected to continue and strengthen, and provides one motivation for the restructuring now under way throughout the industry. The establishment of Borealis was a response to the new challenges in the market.

Results achieved by Borealis in 1994 were clearly better than expected, mainly because market developments during the year were considerably more positive than forecast. The recovery began sooner than predicted.

Because Borealis was established at a favourable moment, the new group was in a position to capitalise on the positive market trend.

An overall financing solution for the company was put in place during the first six months. Most of the major Nordic banks participated in this funding. The finance market's response to Borealis has been very positive. Almost DKK 3 billion was raised in the external credit market.

The present financial strength of the Borealis group is satisfactory, with an equity ratio of about 40 per cent.

A substantial adaptation has already been made to the demanding conditions in the market by restructuring the sales organisation and by taking advantages of production synergies - not least in Stenungsund, where both Statoil and Neste had large petrochemical operations.

Efforts to capitalise on the opportunities for



Modern products based on plastic raw materials from Borealis.

synergy offered by the establishment of such a large industrial entity are continuing. Forging common attitudes across the different cultures found in the many former Statoil and Neste units is a demanding challenge. However, the employees have positively supported and participated in the processes of change initiated to achieve the goals underlying the establishment of the new company.

Borealis places heavy emphasis on being a good performer in the fields of environmental protection and safety.

Demand remained brisk in the market at the beginning of 1995. However, some flattening of price increases must be expected in the course of 1995.





*The dealing table at Statoil Finance.*

Statoil Finance is responsible for corporate financing, insurance and management of the group's financial risks. These operations are handled by the parent company's finance department, the Statoil Coordination Center NV and Statoil Forsikring a.s subsidiaries in Brussels and Stavanger respectively, and the finance departments of the principal subsidiaries. Financial risk is managed through established group strategies for foreign exchange, interest rates and funding. Trading is also conducted in shares, foreign currencies and interest instruments.

The Statoil group's annual net cash flow in foreign currencies corresponds to about NOK 70 billion, of which roughly 92 per cent is in US dollars. This US dollar exposure is partly offset by the fact that most of the group's borrowing is made in or converted to US dollars. Thanks to this currency strategy, the weakening of the US dollar against the Norwegian krone in 1994 produced an unrealised currency gain of NOK 2.1 billion.

After falling from 4.6 per cent in 1992 to 4.4 per cent the following year, average interest on the group's long-term debt rose to 5.6 per cent in 1994. As a result, the group's interest costs increased from NOK 990 million in 1993 to NOK 1 090 million.

The group's liquid reserves totalled about NOK 10.2 billion at the end of 1994, as against NOK 9.4 billion 12 months earlier. Rating companies Moody's and Standard & Poor's Corporation have given the Statoil group their highest ratings for short-term debt. After its long-term debt was also assessed during 1994, Statoil has been rated AA+ on this count by Standard & Poor's and Aa2 by Moody's.

At the end of the year, the group's long-term

loan portfolio totalled NOK 16.4 million with an average maturity of 7.4 years. Statoil raised three 10-year loans totalling just over JPY 20 billion in the Japanese capital market during 1994. These loans were combined with currency swap agreements to USD.

Statoil Finance is responsible for fund management of three separate securities portfolios: for the parent company, Statoil Forsikring (insurance) and Statoils Pensjonskasse (pension fund) respectively. Assets of the pension fund, which is organised as an independent trust, are not consolidated in Statoil's balance sheet. Some NOK 6.9 billion of the total funds under management - which amount to roughly NOK 7.9 billion (including NOK 4.8 billion in the pension fund) - was held in the form of bonds, including NOK 0.8 billion in foreign government bonds. The remainder, roughly NOK 1 billion, was placed in the Norwegian stock market.

Property insurance is managed by Statoil Forsikring, which provides the group with cover for offshore and land-based operations as well as transport and third-party liability risks. Statoil Forsikring retains on average about 20 per cent of the risk for its own account, with the remainder placed in the international reinsurance market. Net profit before allocations for Statoil Forsikring in 1994 came to NOK 458 million, and total reserves at the end of the year amounted to NOK 3 billion.



**SPONSORSHIPS -  
A MARKETING INSTRUMENT AND A MEANS OF PROMOTING  
THE GROUP'S IMAGE.**

**Sport**

Statoil was one of the principal sponsors of the winter Olympics at Lillehammer and a member of the Birkebeiner Team of such supporters. The group supplied motor fuel for the Olympic vehicle fleet in Lillehammer, which totalled some 1 800 units during the games. Statoil also delivered the gas for the Olympic torch and torch relay as well as for the Olympic flame.

In addition, the group was a principal sponsor for the winter Paralympic games for the handicapped that were staged at Lillehammer during March 1994.

Statoil extended its Olympic involvement by concluding a major frame agreement with the Norwegian Olympic Committee. This makes the group the principal sponsor for top-class Norwegian sport and for the development of talented athletes in Norway over a three-year period. Support for the National Sports Centre in Oslo has a key place in the agreement.

Under the frame agreement, contracts have been signed with 30 associations covering both summer and winter sports. These subsidiary agreements allow Statoil to use athletes, trainers and managers in its internal and external marketing programmes. In return, the associations are given direct financial support and opportunities to offer athletes a special training programme at the National Sports Centre, which is staffed by Norway's leading specialists in top-class sport.

*The group cooperates with 30 Norwegian sports associations on talent development and a commitment to top-class sporting performances. A three-year cooperation agreement with the Norwegian Olympic Committee makes Statoil the principal sponsor of sport in Norway. The National Sports Centre in Oslo occupies a central place in this agreement. Speed skater Johann Olav Koss (front right), winner of three gold medals at the 1994 winter Olympics, makes frequent use of the centre. So do Norwegian national soccer team members Dag Risnæs (back row, left), Frank Strandli and Øyvind Leonhardsen. Bjørge Stensbøl, head of the top-class sports programme, is at the front left.*



**Culture**

Statoil has collaborated for several years with four successful Norwegian musicians: cellist Truls Mørk, trumpet player Ole Edvard Antonsen, pianist Leif Ove Andsnes and violinist Marianne Thorsen. A two-year agreement was signed with soprano Bodil Arnesen last year. All five have won great acclaim both in Norway and internationally.

The group was also the principal sponsor of the Winterland travelling exhibition of works on the theme of winter from several periods in Norwegian art history. This exhibition was staged in the Olympic cities of Atlanta, Tokyo, Barcelona and Munich during 1993, and during the Olympic games at Lillehammer. HM Queen Sonja chaired the selection committee for Winterland, and was also actively involved at the opening ceremony in several of the exhibition venues. Winterland formed part of the cultural programme for the winter games, and was the responsibility of the Lillehammer Olympic Organising Committee.

Statoil has been an important contributor for many years to the Bergen International Festival, the Festival of Northern Norway, the Steinvikholmen Music Theatre in mid-Norway and the Stavanger Chamber Music Festival. The group has also collaborated with the Stavanger Symphony Orchestra for several years:

**Nature conservation**

The group has provided financial support over the past two years to the Norwegian Society for the Conservation of Nature for preparing an information campaign, which focuses on marine areas along Norway's coast that are particularly worth protecting.

*The young musicians sponsored by Statoil have won international acclaim, and are in great demand for both concerts and recordings.*

*Statoil sponsored the publication of Thor Heyerdahl - The Explorer, published to celebrate Mr Heyerdahl's 80th birthday.*





## FINANCIAL STATEMENTS 1994

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## INCOME STATEMENT - STATOIL GROUP

<i>Norwegian Accounting Principles</i>			<i>NOK million</i>	<i>International Accounting Standards</i>		
1992	1993	1994		1994	1993	1992
<b>Sales and other operating revenue</b>						
86 268	92 876	98 535	Operating revenue	98 450	92 876	86 268
11 742	11 819	14 820	Sales tax, excise duties	14 820	11 819	11 742
74 526	81 057	83 715	Net operating revenue (2, 3)	83 630	81 057	74 526
<b>Operating costs</b>						
33 774	38 559	41 570	Cost of sales	41 567	38 559	33 774
20 117	21 705	19 158	Payroll and other operating costs (4)	19 158	21 705	20 117
1 840	1 702	1 475	Exploration costs (6)	1 528	1 427	1 508
6 078	6 464	6 540	Depreciation (7)	7 076	6 937	6 552
61 809	68 430	68 743	Total operating costs	69 329	68 628	61 951
12 717	12 627	14 972	<b>Operating profit</b>	14 301	12 429	12 575
7	283	448	Share of net profit in associated companies	440	283	7
(1 768)	(1 604)	1 319	Financial items (8, 9)	2 159	(732)	(2 698)
10 956	11 306	16 739	<b>Profit before taxation (19)</b>	16 900	11 980	9 884
8 464	8 297	11 247	Taxation (10)	11 520	8 580	7 581
3	6	1	Minority shareholders' interest	1	6	3
2 489	3 003	5 491	Net profit	5 379	3 394	2 300



# BALANCE SHEET - STATOIL GROUP

At 31 December

<i>Norwegian Accounting Principles</i>			<i>NOK million</i>	<i>International Accounting Standards</i>		
1992	1993	1994		1994	1993	1992
<b>Assets</b>						
<b>Current assets</b>						
<b>Liquid assets (11)</b>						
5 120	2 396	2 677	Bank deposits	2 677	2 396	5 120
2 157	3 058	3 099	Other liquid assets	3 142	3 297	2.157
<b>Short-term receivables (11)</b>						
11 011	10 551	13 063	Accounts receivable	13 063	10 551	11 011
3 090	3 808	2 352	Other short-term receivables	2 354	3 808	3 090
<b>Stocks (11)</b>						
1 257	1 442	1 358	Raw materials	1 358	1 442	1 257
1 863	1 530	1 757	Finished products	1 757	1 530	1 863
24 498	22 785	24 306	<b>Total current assets</b>	<b>24 351</b>	<b>23 024</b>	<b>24 498</b>
<b>Fixed assets</b>						
<b>Shares and long-term investments</b>						
Investments in						
338	487	3 728	associated companies (12)	3 795	487	338
1 078	1 128	1 095	Investments in other companies (12)	1 095	1 128	1 078
1 162	1 421	2 885	Long-term investments (5)	2 885	1 421	1 162
54 951	59 965	60 217	<b>Property, plant and equipm (2, 7)</b>	<b>67 064</b>	<b>66 945</b>	<b>61 488</b>
57 529	63 001	67 925	<b>Total fixed assets</b>	<b>74 839</b>	<b>69 981</b>	<b>64 066</b>
82 027	85 786	92 231	<b>Total assets</b>	<b>99 190</b>	<b>93 005</b>	<b>88 564</b>



# BALANCE SHEET - STATOIL GROUP

At 31 December

Norwegian Accounting Principles			NOK million	International Accounting Standards		
1992	1993	1994		1994	1993	1992
<b>Liabilities and shareholder's equity</b>						
<b>Current liabilities</b>						
4 148	5 984	3 779	✓ Current interest-bearing debt (13)	3 779	5 984	4 148
7 856	6 457	10 088	Accounts payable	10 088	6 457	7 856
3 802	3 133	5 059	Taxes payable (10)	5 059	3 133	3 802
1 252	1 076	1 615	Dividend payable	1 615	1 076	1 252
5 347	5 579	5 468	Other current liabilities	5 468	5 579	5 347
22 405	22 229	26 009	Total current liabilities	26 009	22 229	22 405
<b>Long-term liabilities</b>						
20 465	19 758	16 787	✓ Long-term loans (14)	16 378	19 758	20 458
3 039	3 937	4 279	Other long-term liabilities (15)	4 279	3 937	3 039
13 649	15 480	16 942	Deferred taxation (10)	22 265	20 530	18 418
37 153	39 175	38 008	Total long-term liabilities	42 922	44 225	41 915
39	44	44	Minority shareholders' interest	44	44	39
<b>Shareholder's equity (16, 19)</b>						
4 940	4 940	4 940	Share capital	4 940	4 940	4 940
17 490	19 398	23 230	Retained earnings	25 275	21 567	19 265
22 430	24 338	28 170	Total shareholder's equity	30 215	26 507	24 205
82 027	85 786	92 231	<b>Total liabilities and shareholder's equity</b>	<b>99 190</b>	<b>93 005</b>	<b>88 564</b>

Guarantees and secured liabilities (17)

Other liabilities and commitments (18)

Stavanger, 16 February 1995

Helge Kvamme  
Tormod Hermansen  
Iver Pehrson

Arnfinn Hofstad  
Yngve Hågensen  
Jettefred Sellevåg

Else Bugge Fougner  
Marit Reutz  
Åse Simonsen  
Harald Norvik  
President and  
chairman of the executive board



**CASH FLOW STATEMENT - STATOIL GROUP**

<i>Norwegian Accounting Principles</i>			<i>NOK million</i>	<i>International Accounting Standards</i>		
1992	1993	1994		1994	1993	1992
<b>Cash flow from/(to) operating activities</b>						
73 853	81 517	<b>80 727</b>	Cash receipts from operations	<b>80 727</b>	81 517	73 853
(54 658)	(61 909)	<b>(57 672)</b>	Disbursements to operations	<b>(57 391)</b>	(61 459)	(54 410)
(164)	(758)	<b>(584)</b>	Net financial items	<b>44</b>	(120)	513
(7 045)	(7 348)	<b>(7 644)</b>	Taxes paid	<b>(7 644)</b>	(7 348)	(7 045)
<b>11 986</b>	<b>11 502</b>	<b>14 827</b>	Net cash flow from operating activities	<b>15 736</b>	12 590	12 911
<b>Cash flow from/(to) investing activities</b>						
(9 684)	(12 339)	<b>(11 028)</b>	Acquisition of fixed assets	<b>(11 929)</b>	(13 427)	(10 609)
311	121	<b>1 254</b>	Sale of property, plant, equipm	<b>1 246</b>	121	311
<b>(9 373)</b>	<b>(12 218)</b>	<b>(9 774)</b>	Net cash flow to investing activities	<b>(10 683)</b>	(13 306)	(10 298)
<b>Cash flow from/(to) financing activities</b>						
75	(900)	<b>155</b>	Change in other liquid assets	<b>155</b>	(900)	75
212	750	<b>(1 299)</b>	Change in short-term debt	<b>(1 299)</b>	750	212
3 331	3 142	<b>2 060</b>	New long-term debt	<b>2 060</b>	3 142	3 331
(2 771)	(3 747)	<b>(4 612)</b>	Reduction in long-term debt	<b>(4 612)</b>	(3 747)	(2 771)
(1 402)	(1 253)	<b>(1 076)</b>	Dividend paid	<b>(1 076)</b>	(1 253)	(1 402)
<b>(555)</b>	<b>(2 008)</b>	<b>(4 772)</b>	Net cash flow to financing activities	<b>(4 772)</b>	(2 008)	(555)
<b>2 058</b>	<b>(2 724)</b>	<b>281</b>	Net changes in bank deposits	<b>281</b>	(2 724)	2 058
3 062	5 120	<b>2 396</b>	Bank deposits at 1 January	<b>2 396</b>	5 120	3 062
5 120	2 396	<b>2 677</b>	Bank deposits at 31 December	<b>2 677</b>	2 396	5 120

The exchange of fixed assets in the petrochemical business for shares in Borealis Holding a.s is shown net under cash flow to investing activities.



**1 Accounting policies**

The group accounts have been prepared in accordance with both the International Accounting Standards (IAS), issued by the International Accounting Standards Committee, and the Norwegian generally accepted accounting principles (NGAAP). They include the accounts of the parent company - Den norske stats oljeselskap a.s (Statoil) - and its subsidiaries as described in note 9 to the parent company's accounts.

Significant differences between the NGAAP and IAS accounts are explained in a separate section below.

**Group consolidation**

- Subsidiaries are defined as companies in which Statoil, directly or indirectly, has a majority voting interest. Shares in subsidiaries are eliminated against the cost of investment as shown in Statoil's books. Any assignable excess of purchase price over book value is included in the relevant assets and depreciated accordingly. Other excess value is classified as goodwill.
- Associated companies are defined as companies over which the group has a significant influence and where the ownership position is of a lasting and strategic nature. Shares in such companies are accounted for in accordance with the equity method.
- Shares in jointly-controlled operations are included in the respective income statement and balance sheet items.
- Inter-group transactions and balances are eliminated.

**Foreign currency translation**

On consolidation, income statements in foreign currencies are translated at average rates of exchange for the year, while assets and liabilities are translated at closing rates of exchange. Currency translation differences are posted directly against shareholder's equity.

**Bank deposits**

Bank deposits include cash in hand, time deposits and other liquid assets maturing less than three months from the date of purchase.

**Other liquid assets**

Other liquid assets are assessed at market value and include monetary instruments maturing between three and twelve months from the date of purchase, plus listed securities.

**Stocks**

Stocks are valued at the lower of acquisition

cost as defined by the first-in-first-out principle and anticipated net sales price. Stocks kept in reserve under government decree, and which cannot be used in current operations, are assessed at the lower of the original cost price and anticipated net sales price.

The acquisition cost of produced goods consists of direct materials, direct wages and allocated indirect production costs. Cost price and transport costs are included for purchased goods. Hedged stocks are valued at the lower of acquisition cost and hedged price.

**Gas swapping**

Gas swapping/loan agreements are accounted for in accordance with the sales method, whereby the borrower records the sale as income on delivery to the customer. A simultaneous provision is made for the anticipated future cost of production and possible transport of the gas to be redelivered. When lending gas, the lower of the production cost and the present value of estimated future sales price is capitalised as prepaid cost.

**Over/under-lifting of petroleum**

When the volume of petroleum lifted from a field differs from the participating equity interest, the production cost is adjusted for the over/underlift.

**Fixed assets**

Fixed assets are valued at acquisition cost less accumulated depreciation. Replacements and renewals which significantly increase the capacity or life of the asset are capitalised.

• *Maintenance and site removal costs*

Ordinary maintenance is charged against income when performed. Provisions are made for costs related to periodic maintenance programmes.

Provisions are made for future site removal costs based on the current price level and an anticipated removal concept.

• *Capitalised interest*

Interest costs related to major construction projects are capitalised as part of the cost price and depreciated along with the capital asset.

• *Oil and gas exploration costs*

Drilling of exploratory wells in which hydrocarbons have been found are capitalised, as are acquisitions of exploration acreage. If, on further evaluation, the reserves are not considered commercial, such exploration costs are charged against income.

• *Leasing*

Major lease agreements which are *de facto* finance leases are capitalised and depreciated over the term of the lease. The instal-



ment element of the lease obligation is shown as a long-term loan in the balance sheet, and the leased equipment as a fixed asset.

• **Depreciation**

Ordinary depreciation of production installations and transport systems for oil and gas is calculated for each individual field or field-dedicated transport system, using the unit of production method based on probable, commercially recoverable reserves.

Ordinary depreciation of transport systems used by several fields and of other assets is calculated on the basis of their economic life expectancy, using the straight line method.

**Goodwill**

Goodwill is capitalised and depreciated over its economic life expectancy using the straight line method.

**Norm price and royalty**

The authorities stipulate monthly norm prices for the crude oil produced on the Norwegian continental shelf. This norm price provides the fiscal basis and is also the price paid by Statoil for the government's equity and royalty oil.

The government's royalty oil consists of royalty taken in kind from fields producing oil. The quantities delivered by Statoil as royalty for its participation in the various production licences are booked at the norm price and shown as income and operating costs respectively in the income statement.

**Trading**

Trading of crude oil and products is included in operating revenue and operating costs to the extent that such transactions involve physical deliveries. The net proceeds of transactions not involving physical deliveries are included in operating revenue.

As manager of the government's direct financial interest in the petroleum industry, Statoil markets and sells the government's share of production.

The title to such oil when directly sold from a field to an external customer is not transferred to Statoil. The net result of this trading business is included in operating revenue. The value of government equity crude bought by Statoil for future sale to external customers or for refining is included in operating revenue and operating costs respectively.

Statoil buys all oil received by the government as royalty in kind from fields on the Norwegian continental shelf. Statoil includes the costs of purchase and proceeds from the

sale of this royalty oil in its operating costs and operating revenue respectively.

Unrealised gains and losses on forward sales of crude oil and products are recorded as income/expenses as incurred.

**Research and development**

Costs of research and development are charged against income as incurred.

**Pensions**

Pension rights earned by group employees are mainly secured through pension schemes in insurance companies or the group's own pension fund.

Annual costs and the liability incurred are calculated on the basis of a straight-line earning of pension rights. The liability is compared with the value of the pension funds. Changes in the pension obligation due to altered economic and actuarial assumptions are allocated over the remaining pension-earning period.

**Transactions in foreign currencies**

Items in foreign currency are translated to Norwegian kroner as follows:

- Income, expenses and fixed assets are recorded at a monthly rate of exchange set for accounting purposes.
- Liabilities and current assets are translated at closing rates of exchange.

**Financial instruments**

The following accounting policies are applied for the principal financial instruments:

- **Currency swap agreements**  
For long-term debt exchanged from the original foreign currency to another (open) currency at an agreed rate of exchange, the open currency position is applied when translating the debt to NOK.
- **Forward currency contracts**  
Unrealised gains or losses on hedging contracts are offset against losses or gains on the items hedged. The interest element is allocated over the contract period. Unrealised gains or losses on trading contracts are recorded in the income statement as incurred.
- **Interest swap agreements**  
The net effect of income and costs related to interest swap agreements is allocated over the contract period.

**Taxation**

The taxation item in the income statement represents the total amount of payable and



deferred taxes related to the current year's profit, as well as changes in deferred taxation due to amended tax rates. The deferred taxation liability comprises both future taxes payable on reversal of temporary differences, and deferred tax calculated on assignable values added or reduced on consolidation of subsidiaries in accordance with the acquisition method. Earned uplift has no fiscal effect on future reversals, and is not considered when calculating the deferred taxation liability.

Full provision is made using closing date tax rates and undiscounted amounts.

**Summary of significant differences between group accounts prepared in accordance with Norwegian accounting principles and the International Accounting Standards**

**Exploration costs**

Under Norwegian accounting practice, all exploratory drilling costs and acquisitions of exploration acreage are charged against income as incurred.

**Capitalised interest**

Under Norwegian accounting practice, interest is charged against income as incurred

**Listed securities classified as current assets**

Under Norwegian accounting practice, unrealised gains are not recognised as income.

**Unrealised foreign exchange gains**

Under Norwegian accounting practice, unrealised foreign exchange gains related to long-term liabilities are not recognised as income.

**Forward trading**

Under Norwegian accounting practice, unrealised gains related to forward trading in foreign currency, crude oil and refined products are recognised as income only to the extent that such transactions are made for hedging purposes and where gains are offset by unrealised losses on the hedged object.

**2 Disclosures by business areas and geographic distribution**

**Business areas**

Inter-group sales are recorded at estimated market value

<i>NOK million</i>	<i>Operating revenue</i>	<i>External sales</i>	<i>Operating profit/(loss)</i>	<i>Fixed assets</i>
For 1994 and at 31 December 1994:				
Exploration & Production	23 372	4 310	8 690	36 427
Natural Gas	8 686	7 803	4 252	11 370
Oil Trading & Shipping	65 191	53 432	801	2 513
Refining & Marketing	25 650	17 836	166	15 419
Other operations and eliminations	(39 269)	249	392	9 110
<b>Total</b>	<b>83 630</b>	<b>83 630</b>	<b>14 301</b>	<b>74 839</b>

For 1993 and at 31 December 1993:

Exploration & Production	23 188	4 235	8 735	35 200
Natural Gas	8 191	7 261	3 599	11 045
Oil Trading & Shipping	59 628	47 390	435	2 071
Refining & Marketing	25 198	16 485	266	14 325
Petrochemicals & Plastics	5 524	5 521	(423)	3 114
Other operations and eliminations	(40 672)	165	(183)	4 226
<b>Total</b>	<b>81 057</b>	<b>81 057</b>	<b>12 429</b>	<b>69 981</b>

For 1992 and at 31 December 1992:

Exploration & Production	23 179	4 191	8 562	32 180
Natural Gas	7 936	6 856	3 715	10 332
Oil Trading & Shipping	53 496	41 476	590	1 732
Refining & Marketing	24 437	16 414	41	12 754
Petrochemicals & Plastics	5 508	5 487	(446)	3 502
Other operations and eliminations	(40 030)	102	113	3 566
<b>Total</b>	<b>74 526</b>	<b>74 526</b>	<b>12 575</b>	<b>64 066</b>



## NOTES ON GROUP ACCOUNTS

### Geographic distribution

Distribution based on company location

*NOK million*

	<i>Operating revenue</i>	<i>External sales</i>	<i>Operating profit/(loss)</i>	<i>Fixed assets</i>
For 1994 and at 31 December 1994:				
Norway	69 567	66 454	13 778	61 558
Europe (excl Norway)	14 315	13 647	652	14 879
Other	3 647	3 529	(129)	596
Eliminations	(3 899)			(2 194)
<b>Total</b>	<b>83 630</b>	<b>83 630</b>	<b>14 301</b>	<b>74 839</b>

For 1993 and at 31 December 1993:

Norway	66 751	62 100	12 500	58 205
Europe (excl Norway)	15 983	14 928	80	15 005
Other	4 193	4 029	(151)	487
Eliminations	(5 870)			(3 716)
<b>Total</b>	<b>81 057</b>	<b>81 057</b>	<b>12 429</b>	<b>69 981</b>

For 1992 and at 31 December 1992:

Norway	62 157	57 470	12 319	55 073
Europe (excl Norway)	15 662	14 899	377	11 922
Other	2 166	2 157	(121)	276
Eliminations	(5 459)			(3 205)
<b>Total</b>	<b>74 526</b>	<b>74 526</b>	<b>12 575</b>	<b>64 066</b>

### 3 Operating revenue analysed by product groups

*NOK million*

	<i>1994</i>	<i>1993</i>	<i>1992</i>
Crude oil and NGL	42 360	37 675	35 379
Pipeline transport	5 577	5 566	5 180
Gas	3 204	2 596	2 173
Refined products	26 493	26 514	22 774
Petrochemical products	-	5 485	5 464
Other revenue	5 996	3 221	3 556
<b>Total</b>	<b>83 630</b>	<b>81 057</b>	<b>74 526</b>

Foreign sales, included in above:

Crude oil and NGL	39 422	34 328	31 964
Gas	3 064	2 130	1 704
Refined products	21 942	21 332	18 385
Petrochemical products	-	4 970	4 894
Other revenue	3 880	1 845	2 082
<b>Total</b>	<b>68 308</b>	<b>64 605</b>	<b>59 029</b>

Total crude oil availability includes purchased royalty and government equity crude at NOK 17 453 million. Operating revenue includes royalties of NOK 2 456 million. An equivalent amount is included in other operating costs.



## NOTES ON GROUP ACCOUNTS

### 4 Payroll and other operating costs

<i>NOK million</i>	<i>1994</i>	<i>1993</i>	<i>1992</i>
Payroll and statutory social benefits	5 899	6 557	6 522
Other operating costs	18 701	20 063	18 499
Costs charged to licences	(5 442)	(4 915)	(4 904)
<b>Payroll and other operating costs</b>	<b>19 158</b>	<b>21 705</b>	<b>20 117</b>

#### Pension costs

Most of the group's employees are covered by pension plans entitling them to defined future pension benefits. These benefits are mainly dependent on the number of years of their pensionable service, their final pensionable salary level and the size of National Insurance benefits.

The parent company and Statoil Norge a.s employees are insured through Statoil Pensjonskasse (pension fund), which is organised as an independent trust. Its funds are mainly invested in state, county or municipal bonds.

Employees in subsidiaries are insured through various insurance company plans.

The pension costs of the financial year and the accrued obligation are calculated on the basis of a straight-line earning of pension rights.

The group's accrued pensions are analysed as follows:

<i>NOK million</i>	<i>1994</i>	<i>1993</i>	<i>1992</i>
Vested pension benefits earned	(3 438)	(4 115)	(2 578)
Non-vested early retirement benefits earned	(54)	(112)	(96)
Pension funds	4 805	3 986	2 895
Unrealised effect of changed estimates	75	856	-
<b>Total</b>	<b>1 388</b>	<b>615</b>	<b>221</b>

Accrued pensions are classified in the financial statements as:

Long-term investment	1 887	1 139	755
Other long-term liabilities	499	524	534
Discount rate/assumed rate of return	7.5%	6.0%	9.0%
Assumed increase in salaries	4.0%	3.5%	4.5%
Assumed adjustment of the National Insurance base rate	3.0%	3.0%	4.5%

The latest actuarial analysis was made in 1994.

Net pension costs are analysed as follows:

<i>NOK million</i>	<i>1994</i>	<i>1993</i>
Present value of the period's earnings	313	390
Interest cost of pension obligation	202	119
Expected return on pension funds	(324)	(185)
Allocated effect of changes in estimates and allocated difference between actual and expected return	4	45
<b>Pension cost included in payroll and statutory social benefits</b>	<b>195</b>	<b>369</b>

### 5 Long-term investments

Long-term investments include prepaid pension costs of NOK 1 887 million as shown in note 4. A subordinated loan to Borealis Holding a.s of NOK 624 million is also included.



NOTES ON GROUP ACCOUNTS

6 Exploration costs

NOK million	1994	1993	1992
Capitalised at beginning of the year	2 724	2 485	2 179
Incurred during the year	1 475	1 702	1 840
Expensed share of the current year's exploration activities	(1 194)	(1 251)	(1 508)
Expensed, previously capitalised	(333)	(176)	-
Depreciation	(60)	(38)	(37)
Exchange adjustments	(10)	2	11
Capitalised at 31 Dec - IAS	2 602	2 724	2 485

The capitalised amount at 31 Dec 1994 includes NOK 1 718 million in exploration costs in areas still not approved for development.

Under the NGAAP, exploration costs are charged against income as incurred.

7 Property, plant and equipment

NOK million	Machinery, office furniture, vehicles, etc	Prod plant offshore	Prod plant onshore	Buildings and sites	Construction in progress	Chartered vessels	Goodwill	Property, plant, equipm IAS	Adjustments (cf note 1)	Property, plant, equipm NGAAP
Hist cost at 1 Jan 1994	6 933	64 785	30 671	5 444	11 309	1 848	398	121 388	(7 679)	113 709
Additions	412	1 284	842	339	7 993	601	30	11 501	(576)	10 925
Transfers	196	1 070	5	280	(1 551)					
Deletions at historical cost	1 686		5 638	116	103	95	62	7 700	(301)	7 399
Accumulated depreciation at 31 Dec 1994	4 106	36 895	14 636	1 558		755	175	58 125	(1 107)	57 018
Book value at 31 Dec 1994	1 749	30 244	11 244	4 389	17 648	1 599	191	67 064	(6 847)	60 217
Depreciation 1994	357	4 640	1 646	211	-	155	67	7 076	(536)	6 540

Additions to and proceeds from sale of property, plant and equipment (sales price) during the last five years (NGAAP). NOK million

1994		1993		1992		1991		1990	
Addns	Sales	Addns	Sales	Addns	Sales	Addns	Sales	Addns	Sales
10 925	1 246	12 204	71	9 514	276	7 835	518	6 196	243

8 Financial items

The net amount is analysed as follows:

NOK million	1994	1993	1992
Dividend received	37	35	25
Gain/(loss) on sale of securities	(76)	236	(553)
Interest and other financial income	641	874	955
Currency exchange adjustments short-term items	178	283	161
Currency exchange adjustments long-term items	1 885	(1 666)	(787)
Interest and other financial expenses	(1 346)	(1 366)	(1 569)
Net financial items - NGAAP	1 319	(1 604)	(1 768)
Unrealised gains on securities	(196)	233	-
Change unrealised exchange gains, long-term items	409	-	(1 523)
Capitalised building loan interest	627	639	593
Net financial items - IAS	2 159	(732)	(2 698)



## NOTES ON GROUP ACCOUNTS

### 9 Financial instruments not included in the balance sheet

#### Forward currency contracts

Forward currency contracts are mainly used to hedge foreign currency receipts/disbursements and to alter the foreign exchange composition of the group's loan portfolio.

Current forward contracts related to short-term debt at 31 Dec 1994

*Amounts in millions*

Currency sold	Amount		Currency bought	Amount		Average contract rate	Maturity
	Currency	NOK		Currency	NOK		
USD	1 387	9 382	NOK	9 349	9 349	6.7660	1995
USD	65	438	DEM	102	445	1.5746	1995
USD	13	88	FRF	70	89	5.3763	1995
USD	34	232	GBP	22	234	1.5515	1995
DEM	5	21	GBP	2	21	2.4226	1995
DEM	2	9	USD	1	9	1.5579	1995
DEM	143	624	NOK	624	624	436.93	1995
FRF	146	184	USD	27	183	5.3803	1995
DKK	128	142	NOK	142	142	111.37	1995
NOK	1 949	1 949	USD	288	1 947	6.7942	1995
NOK		13 069			13 043		

Unrealised loss, excluding forward premium/discount at 31 Dec 1994, is NOK 26 million.

Current forward contracts related to long-term debt at 31 Dec 1994

*Amounts in millions*

Currency sold	Amount		Currency bought	Amount		Average contract rate	Maturity
	Currency	NOK		Currency	NOK		
USD	15	105	BEF	500	106	32.3380	15 03 95
USD	113	759	CHF	150	773	1.3300	15 03 95
USD	64	429	DEM	100	437	1.5725	15 03 95
USD	47	316	GBP	30	317	0.6416	15 03 95
USD	14	94	JPY	1 400	95	99.4700	15 03 95
USD	61	409	ECU	50	415	0.8262	15 03 95
USD	3	18	NOK	18	18	7.0557	30 11 95
NOK		2 130			2 161		

Unrealised gain, excluding forward premium/discount at 31 Dec 1994, is NOK 31 million.

Converted at closing date exchange rates, the above contracts amount to:

<i>NOK million</i>	<i>1994</i>	<i>1993</i>	<i>1992</i>
Sales contracts	2 130	3 006	5 849
Buying contracts	2 161	2 961	5 937



## NOTES ON GROUP ACCOUNTS

### Foreign currency swaps

Foreign currency swap agreements are used to hedge the group's foreign currency loans. They are all tied to underlying long-term loans.

	<i>Group receives</i>				<i>Group pays</i>			<i>Maturity</i>
	<i>Currency</i>	<i>NOK</i>	<i>Interest rate</i>		<i>Currency</i>	<i>NOK</i>	<i>Interest rate</i>	
BEF	5 000	1 062	7.0350	USD	149	1 009	7.0077	1999
DEM	427	1 865	6.1745	USD	247	1 671	6.16285	1998
DKK	400	444	9.6875	USD	59	396	5.23661	1996
ECU	50	414	7.7500	USD	56	376	5.25	1997
JPY	54 200	3 675	5.0390	USD	436	2 947	6.84736	2004
		7 460				6 399		

Converted at closing date exchange rates, the above contracts amount to:

<i>NOK million</i>	<i>1994</i>	<i>1993</i>	<i>1992</i>
Sales contracts	6 399	6 662	5 469
Buying contracts	7 460	6 908	5 892

### Interest rate swaps

Interest rate swap agreements are executed to strengthen the group's interest rate positions with respect to long-term loans. These agreements involve the exchange of interest obligations based on a nominal amount as the basis for calculating interest.

<i>Nominal amounts</i>	<i>Currency</i>	<i>NOK</i>	<i>Group pays interest</i>	<i>Group receives average interest</i>	<i>Maturity</i>
BEF	7 000	1 487	6.36194	6.34904	1999
DEM	100	436	5.17188	6.59	1998
USD	1 425	9 636	6.18157	6.69305	2023

## 10 Taxation

The taxable base is analysed as follows:

<i>NOK million</i>	<i>IAS</i>		<i>NGAAP</i>	
	<i>1994</i>	<i>1993</i>	<i>1992</i>	<i>1994</i>
Profit before taxation	16 900	11 980	9 884	16 739
Excess tax depreciation	(1 707)	(943)	(1 366)	(2 243)
Other temporary differences	(211)	(896)	2 356	71
Capitalised interest and exploration costs	(576)	(915)	(925)	-
Permanent differences	(656)	811	65	(817)
Taxable base	13 750	10 037	10 014	13 750

Tax expenses are analysed as follows:

Ordinary corporation tax	3 901	2 825	2 852	3 901	2 825	2 852
Special petroleum tax	5 380	4 092	4 588	5 380	4 092	4 588
Adjustment previous years	288	(237)	23	288	(237)	23
Total taxes payable	9 569	6 680	7 463	9 569	6 680	7 463
Deferred tax provision	1 951	1 900	118	1 678	1 617	1 001
Taxation for the year	11 520	8 580	7 581	11 247	8 297	8 464

Uplift benefit for the year	1 982	1 720	1 402	1 982	1 720	1 402
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Deferred taxes are calculated on the basis of temporary differences between financial and tax accounting values at the closing date. Profit retained/loss carried forward in subsidiaries is not included in the deferred taxation calculations. Uplift earned, but not amortised, amounts to NOK 8.3 billion.



## NOTES ON GROUP ACCOUNTS

	1994		1993		1992	
	Base	Deferred tax	Base	Deferred tax	Base	Deferred tax
Excess tax depreciation, offshore	24 881	19 407	23 036	17 968	21 207	16 534
Excess tax depreciation, onshore	6 261	1 852	6 451	1 809	6 214	1 766
Other temporary differences	1 134	1 006	1 145	753	111	118
In accordance with IAS	32 276	22 265	30 632	20 530	27 532	18 418
<b>Adjustments for NGAAP:</b>						
Capitalised exploration costs	(2 602)	(1 901)	(2 724)	(1 960)	(2 485)	(1 863)
Capitalised interest	(4 245)	(3 113)	(4 256)	(3 029)	(4 052)	(2 902)
Unrealised gains	(521)	(309)	(239)	(61)	(7)	(4)
In accordance with NGAAP	24 908	16 942	23 413	15 480	20 988	13 649

The deferred tax liability has been reduced by NOK 216 million through the transfer of the petrochemical business to Borealis.

### 11 Current assets

#### Other liquid assets

<i>NOK million</i>	1994	1993	1992
Time deposits	38	215	
Listed shares	369	752	323
Bonds, certificates and other securities	2 735	2 330	1 834
Total IAS	3 142	3 297	2 157

NOK 43 million in unrealised gains at closing date are not included in the NGAAP accounts.

Other liquid assets in Statoil Forsikring a.s are included at NOK 3 022 million. These assets can only to a limited extent be lent to other companies in the group.

#### Short-term receivables

Accounts receivable and other short-term receivables are assessed at face value, but with a deduction for anticipated losses. The provision for bad debts at 31 December 1994 amounted to NOK 150 million.

#### Stocks

Stocks essentially consist of crude oil and refined products. Equity crude is considered as stock on passing the norm price point, normally when loaded on the field. Product stocks include stocks kept in reserve under government decree, assessed at historical cost price, NOK 168 million.

### 12 Shares and long-term investments

#### Investments in associated companies

<i>NOK million</i>	Book value	Share in profit	Equity holding	Par value	Share capital
Borealis Holding a.s	3 192	297	50%	DKK 2 000	DKK 4 000
Norpipe a.s	389	92	50%	NOK 129	NOK 257
Other companies	214	51			
Total	3 795	440			

Voting stock and equity holdings are identical.



## NOTES ON GROUP ACCOUNTS

With financial effect from 1 January 1994, Statoil transferred its petrochemical business to Borealis. The Statoil group does not consider this transfer as a realisation, and the group companies' net gain after tax is eliminated.

The difference between the book value of the shares and the Statoil group's share of the Borealis equity capital amounted to NOK 336 million (badwill) at the time of establishment. This amount is amortised to income on a straight line basis over 10 years.

Under the NGAAP principles, the Borealis investment is recorded at NOK 3 124 million. The difference is due to capitalised interest in the IAS accounts on transfer of the petrochemical business.

Borealis achieved 1994 revenues of DKK 15.6 billion and an after-tax profit of DKK 413 million. After adjustments to comply with Statoil's accounting principles and amortisation of badwill, the Statoil group's share of the profit is NOK 297 million, stated in accordance with International Accounting Standards, and NOK 305 million using the NGAAP.

### Investments in other companies

Investments in other companies totalled NOK 1 095 million, including NOK 807 million for ordinary shares in Saga Petroleum A/S. The equity holding in this company is 9.3 per cent, while 12.4 per cent of the voting stock is held.

A five per cent shareholding in Verbundnetz Gas AG is also included at NOK 218 million.

### 13 Current interest-bearing debt

<i>NOK million</i>	<i>1994</i>	<i>1993</i>	<i>1992</i>
First year's instalment on long-term loans	1 283	2 450	1 549
Short-term bank loans and overdrafts	129	1 427	584
Net payable to co-venturers	2 367	1 928	2 015
Other	-	179	-
<b>Current interest-bearing debt</b>	<b>3 779</b>	<b>5 984</b>	<b>4 148</b>

### 14 Long-term loans

#### Currency positions

<i>Amounts in millions</i>	<i>Long-term loans</i>	<i>Currency swap agreements</i>	<i>Currency position</i>	<i>Exchange rate</i>	<i>Book value NOK</i>
NOK	485		485		485
BEF	5 285	(5 000)	285	21.24	60
CHF	150		150	515.59	773
DEM	526	(427)	99	436.54	430
GBP	30	-	30	10.57	317
DKK	435	(400)	35	111.16	40
ECU	100	(50)	50	8.29	415
JPY	55 600	(54 200)	1 400	6.78	95
USD	1 290	935	2 225	6.76	15 047
<b>Total</b>					<b>17 661</b>
Instalments first year					(1 283)
Long-term loans - IAS					16 378
Unrealised currency translation gains					409
<b>Long-term loans - NGAAP</b>					<b>16 787</b>

Long-term loans include USD 186 million in commitments related to financial leasing, of which USD 20 million falls due in 1995. The loan portfolio's average fixed interest rate period at 31



## NOTES ON GROUP ACCOUNTS

December 1994 was three years.

The average rate of interest in 1994, excluding foreign exchange gains/losses, was 5.6 per cent.

Available borrowing facilities at 31 December 1994 amount to NOK 6 762 million.

### Instalment plan, long-term loans

<i>Year</i>	<i>NOK million</i>
1995	1 283
1996	2 002
1997	2 101
1998	3 648
1999	211
Thereafter	8 416
<b>Total</b>	<b>17 661</b>

First year instalments are included in current interest-bearing debt.

### 15 Other long-term liabilities

This item includes provisions of NOK 2 977 million for various insurance funds in Statoil Forsikring a.s and pension obligations of NOK 499 million as shown in note 4. Accrued future site removal costs of NOK 775 million are also included, of which the current year's provision amounts to NOK 172 million.

### 16 Equity changes IAS

Share capital consists of 49 397 140 shares at NOK 100 each.

<i>NOK million</i>	<i>1994</i>	<i>1993</i>	<i>1992</i>
Equity at 1 January	26 507	24 205	23 210
Net profit for the year	5 379	3 394	2 300
Dividend for the year	(1 615)	(1 076)	(1 252)
Change in foreign currency translation adjustment	(56)	(16)	(53)
<b>Equity at 31 December</b>	<b>30 215</b>	<b>26 507</b>	<b>24 205</b>

For reconciliation to the NGAAP, see note 19.

### 17 Guarantee commitments and secured liabilities

Loan agreements to finance pipelines and terminals tied back to the Ekofisk development were concluded between the owners of the installations and various banks. Statoil's total guarantee commitment under these agreements is NOK 27 million.

Beyond this, group companies have provided guarantees totalling NOK 374 million under various credit facilities.

### 18 Other liabilities and commitments

#### Contingent liabilities and insurance

Like any other licensee, Statoil has unlimited liability for possible compensation claims arising from its offshore operations, including transport systems. The company has taken out insurance to cover this liability up to about NOK 4 500 million for each incident, including liability for claims arising from pollution damage.

Statoil's assets are insured at their estimated replacement value. Offshore installations are covered through Statoil Forsikring a.s, which reinsures most of the risk in the international insurance market. About 20 per cent is retained.



## NOTES ON GROUP ACCOUNTS

### Lease agreements

At 31 December 1994, Statoil had signed one- to eight-year lease agreements for four drilling rigs, seven helicopters and nine supply/stand-by vessels. In addition to the capitalised lease cost of vessels, Statoil has chartered 27 crude oil and product tankers with remaining lease periods ranging from one to 13 years.

Current commitments under non-terminable charter parties and lease agreements are:

<i>Year</i>	<i>NOK million</i>
1995	1 007
1996	862
1997	684
1998	629
1999	513
Thereafter	2 754

### Transport agreements

The group has made only minor commitments to transport oil and gas via transport systems in excess of its equity holdings in the same systems.

### Contractual commitments

<i>NOK million</i>	<i>1995</i>	<i>Thereafter</i>	<i>Total</i>
Contractual commitments made	5 589	538	6 127

The contractual commitments comprise acquisition and construction of properties, plant and equipment.

### Other commitments

As a condition for being awarded oil and gas exploration and production licences, participants are committed to drill a certain number of wells. At the end of 1994, the group was committed to participate in 20 wells offshore Norway and 32 wells abroad, with an average interest of about 20 per cent.

## 19 Reconciliation of accounts in accordance with Norwegian accounting principles to International Accounting Standards

As stated in note 1, the NGAAP differ in some areas from the IAS. A reconciliation of profit before taxation and shareholder's equity from the IAS to the NGAAP is given below.

<i>NOK million</i>	<i>1994</i>	<i>1993</i>	<i>1992</i>
Profit before taxation - IAS	16 900	11 980	9 884
Net capitalised/expensed exploration costs	51	(275)	(332)
Net capitalised interest on building loans	(466)	(639)	(593)
Change in unrealised gains and other IAS differences	(282)	(234)	1 524
Deprec of capitalised exploration costs and building loan interest	536	474	473
Profit before taxation - NGAAP	16 739	11 306	10 956
Shareholder's equity - IAS	30 215	26 507	24 205
Capitalised exploration costs	(2 602)	(2 724)	(2 485)
Capitalised interest	(4 245)	(4 256)	(4 052)
Change in unrealised gains and other IAS differences	(521)	(239)	(7)
Deferred taxation	5 323	5 050	4 769
Shareholder's equity -NGAAP	28 170	24 338	22 430

When transferring the petrochemical business to Borealis, NOK 76 million of capitalised building loan interest was reclassified as unrealised gains and other IAS differences.

As a result of the sale of part of the Etzel gas storage facility in northern Germany, capitalised building loan interest was reduced by NOK 85 million.



**INCOME STATEMENT - STATOIL**

<i>NOK million</i>	<i>1994</i>	<i>1993</i>
<b>Sales and other operating revenue (2)</b>	<b>67 191</b>	<b>63 913</b>
<b>Operating costs</b>		
Cost of sales	32 155	28 623
Payroll and other operating costs (3, 4)	14 247	15 759
Exploration costs	1 150	1 290
Depreciation (5)	5 527	5 401
<b>Total operating costs</b>	<b>53 079</b>	<b>51 073</b>
<b>Operating profit</b>	<b>14 112</b>	<b>12 840</b>
Financial items (6)	1 141	(1 902)
<b>Profit before taxation</b>	<b>15 253</b>	<b>10 938</b>
Taxation (7)	11 032	8 384
<b>Net profit</b>	<b>4 221</b>	<b>2 554</b>
<b>Allocation of net profit:</b>		
Group contribution	( 70)	( 640)
Restricted equity reversing fund	( 41)	( 43)
Statutory reserve	955	280
Dividend	1 614	1 075
Distributable reserve	1 763	1 882
	<b>4 221</b>	<b>2 554</b>



**BALANCE SHEET - STATOIL***At 31 December***Assets**

<i>NOK million</i>		1994	1993
<b>Current assets</b>			
<b>Liquid assets</b>	(8)		
Bank deposits		1 572	476
Other liquid assets		86	328
<b>Short-term receivables</b>			
Accounts receivable	(8)	9 419	6 454
Inter-group receivables		987	1 525
Other short-term receivables		1 687	3 068
<b>Stocks</b>			
Raw materials	(8)	1 255	855
Finished products		599	315
<b>Total current assets</b>		<b>15 605</b>	<b>13 021</b>
<b>Fixed assets</b>			
<b>Long-term receivables and investments</b>			
Investments in subsidiaries	(9)	13 039	10 151
Investments in other companies	(9)	1 054	1 074
Investments in associated companies	(9)	267	135
Long-term investments	(4)	2 480	979
Long-term inter-group receivables		628	1 092
<b>Property, plant and equipment</b>			
	(5)	48 795	46 945
<b>Total fixed assets</b>		<b>66 263</b>	<b>60 376</b>
<b>Total assets</b>		<b>81 868</b>	<b>73 397</b>



## BALANCE SHEET - STATOIL

At 31 December

### Liabilities and shareholder's equity

<i>NOK million</i>	<i>1994</i>	<i>1993</i>
<b>Current liabilities</b>		
Bank loans and overdrafts	520	902
Accounts payable	9 010	5 065
Taxes payable	4 900	3 050
Dividend payable	1 614	1 075
Inter-group payables	1 223	650
Other current liabilities (10)	5 820	6 497
<b>Total current liabilities</b>	<b>23 087</b>	<b>17 239</b>
<b>Long-term liabilities</b>		
Long-term loans (11)	15 306	17 283
Inter-group loans	1 055	1 131
Other long-term liabilities (12)	948	598
Deferred taxation (7)	15 987	14 338
<b>Total long-term liabilities</b>	<b>33 296</b>	<b>33 350</b>
<b>Shareholder's equity</b>		
Share capital (49 397 140 shares at NOK 100 each)	4 940	4 940
Statutory reserve and restricted equity reversing fund	6 980	6 066
Distributable reserve	13 565	11 802
<b>Total shareholder's equity</b>	<b>25 485</b>	<b>22 808</b>
<b>Total liabilities and shareholder's equity</b>	<b>81 868</b>	<b>73 397</b>

Guarantees (13)  
Other liabilities and commitments (14)

Stavanger, 16 February 1995

Helge Kvamme  
Tormod Hermansen  
Iver Pehrson

Arnfinn Hofstad  
Yngve Hågensen  
Jefred Sellevåg

Else Bugge Fougner  
Marit Reutz  
Åse Simonsen  
Harald Norvik  
President and  
chairman of the executive board



## CASH FLOW STATEMENT - STATOIL

<i>NOK million</i>	1994	1993
<b>Cash flow from/(to) operating activities</b>		
Cash receipts from operations	64 461	65 402
Disbursements to operations	(42 531)	(47 850)
Net financial items	( 626)	(1 056)
Taxes paid	(7 533)	(7 232)
Net cash flow from operating activities	<u>13 771</u>	<u>9 264</u>
<b>Cash flow from/(to) investing activities</b>		
Acquisition of fixed assets	(11 191)	(11 108)
Sale of property, plant and equipment	1 127	42
Net cash flow to investing activities	<u>(10 064)</u>	<u>(11 066)</u>
<b>Cash flow from/(to) financing activities</b>		
Short-term financing:		
Change in other liquid assets	305	( 57)
Change in short-term debt	(268)	395
Long-term financing:		
New long-term debt	2 042	2 766
Reduction in long-term debt	(3 615)	(3 472)
Shareholder's equity:		
Dividend paid	(1 075)	( 1 250)
Net cash flow to financing activities	<u>(2 611)</u>	<u>( 1 618)</u>
<b>Net changes in bank deposits</b>	<b>1 096</b>	<b>( 3 420)</b>
Bank deposits at 1 January	476	3 896
<b>Bank deposits at 31 December</b>	<b><u>1 572</u></b>	<b><u>476</u></b>



**1 Accounting policies**

Accounts for Statoil (the parent company) have been prepared in accordance with Norwegian generally accepted accounting principles (NGAAP), as described in note 1 to the group accounts.

**2 Operating revenue**

Operating revenue is analysed as follows:

<i>NOK million</i>	<i>1994</i>	<i>1993</i>
Crude oil and NGL	41 243	38 677
Pipeline transport	5 562	5 515
Gas	2 616	2 324
Refined products	15 409	12 769
Petrochemical products	-	2 670
Other revenue	2 361	1 958
<b>Total</b>	<b>67 191</b>	<b>63 913</b>

Foreign sales, included in above:

Crude oil and NGL	38 415	35 330
Gas	2 475	1 858
Refined products	12 695	9 962
Petrochemical products	-	2 168
Other revenue	1 021	948
<b>Total</b>	<b>54 606</b>	<b>50 266</b>

**3 Payroll and other operating costs**

<i>NOK million</i>	<i>1994</i>	<i>1993</i>
Payroll and statutory social benefits	4 389	4 809
Other operating costs	15 300	15 865
Costs charged to licences	(5 442)	(4 915)
<b>Payroll and other operating costs</b>	<b>14 247</b>	<b>15 759</b>

NOK 242 500 was paid in remuneration to the combined members of the corporate assembly, NOK 1 005 000 to the directors and NOK 45 000 to the supervisory committee. The chief executive received a salary of NOK 1 621 000. If resigning at the request of the board, the chief executive is entitled to severance compensation equivalent to two annual salaries. Audit fees in 1994 amounted to NOK 2 970 000 for regular audit services and NOK 1 250 000 for consultancy services.

**4 Pension costs**

Statoil has pension plans covering a total of 8 635 people. These plans entitle employees to defined future pension benefits that are mainly dependent on the number of years of their pensionable service, their final pensionable salary and the size of the National Insurance benefits. The company's employees are insured through Statoil Pensjonskasse (pension fund), which is organised as an independent trust. Its funds are mainly invested in state, county or municipal bonds.



NOTES ON ACCOUNTS - STATOIL

Statoil's accrued pensions are analysed as follows:

<i>NOK million</i>	1994	1993
Vested pension benefits earned	(2 538)	(3 083)
Non-vested early retirement benefits earned	(54)	(112)
Pension funds Statoils Pensjonskasse	4 048	3 294
Unrealised effect of changed estimates	75	856
<b>Total</b>	<b>1 531</b>	<b>955</b>

A total of NOK 1 711 million is classified as long-term investment and NOK 180 million as other long-term liabilities.

Discount rate/assumed rate of return	7.5%	6.0%
Assumed increase in salaries	4.0%	3.5%
Assumed adjustment of the National Insurance base rate	3.0%	3.0%

The latest actuarial analysis was made in 1994.

Net pension costs are analysed as follows:

<i>NOK million</i>	1994	1993
Present value of the period's earnings	279	330
Interest cost of pension obligation	162	101
Expected return on pension funds	(275)	(159)
Allocated effect of changes in estimates and allocated difference between actual and expected return	4	45
<b>Pension cost included in payroll and statutory social benefits</b>	<b>170</b>	<b>317</b>

5 Property, plant and equipment

	<i>Machinery, office furniture, vehicles, etc</i>	<i>Prod plant offshore</i>	<i>Prod plant onshore</i>	<i>Buildings and sites</i>	<i>Constr in progress</i>	<i>Chart- ered vessels</i>	<i>Good- will</i>	<i>Total</i>
Historical cost at 1.1.94	2 841	58 905	21 780	2 602	7 278	1 169		94 575
Additions	237	1 127	282	67	5 791	587	30	8 121
Transfers	-	847	-	192	(1 039)	-		0
Deletions at historical cost	74	-	2 854	24	154	-		3 106
Accumulated depr at 31.12.94	2 393	35 583	11 641	514	-	663	1	50 795
<b>Book value at 31.12.94</b>	<b>611</b>	<b>25 296</b>	<b>7 567</b>	<b>2 323</b>	<b>11 876</b>	<b>1 093</b>	<b>29</b>	<b>48 795</b>
Depreciation 1994	360	4 014	953	72	-	127	1	5 527

Additions to and proceeds from sale of property, plant and equipment (at sales price) during the last five years:

	1994		1993		1992		1991		1990	
	<i>Addns</i>	<i>Sales</i>	<i>Addns</i>	<i>Sales</i>	<i>Addns</i>	<i>Sales</i>	<i>Addns</i>	<i>Sales</i>	<i>Addns</i>	<i>Sales</i>
<b>Total</b>	<b>8 121</b>	<b>1 127</b>	<b>7 664</b>	<b>42</b>	<b>6 901</b>	<b>16</b>	<b>5 717</b>	<b>323</b>	<b>5 265</b>	<b>173</b>



6 Financial items

The net amount is analysed as follows:

<i>NOK million</i>	1994	1993
Dividend received	115	139
Interest received from subsidiaries	110	74
Interest and other financial income	152	482
Interest paid to subsidiaries	(257)	(170)
Gain/(loss) on currency exchange, short-term items	198	307
Gain/(loss) on currency exchange, long-term items	1 878	(1 666)
Interest and other financial items	(1 055)	(1 068)
Net financial items	1 141	(1 902)

7 Taxation

Tax expenses are analysed as follows:

<i>NOK million</i>	1994	1993
Profit before taxation	15 253	10 938
Excess tax depreciation	(1 655)	(1 220)
Other temporary differences	(533)	(1 383)
Group contribution	70	640
Other permanent differences	132	722
Taxable base	13 267	9 697

The year's taxes are analysed as follows:

Ordinary corporation tax	3 715	2 715
Special petroleum tax	5 380	4 092
Adjustment previous years	288	(237)
Total taxes payable	9 383	6 570
Deferred tax provision	1 649	1 814
Taxation for the year	11 032	8 384
Uplift benefit for the year	1 982	1 720

Deferred taxes are calculated on the basis of temporary differences between financial and tax accounting values at the closing date. Uplift earned, but not amortised, amounts to NOK 8.3 billion.

<i>NOK million</i>	1994		1993	
	Base	Deferred tax	Base	Deferred tax
Excess tax depreciation, offshore	18 619	14 523	16 793	13 099
Excess tax depreciation, onshore	2 368	663	2 539	711
Other temporary differences	957	801	424	528
Total	21 944	15 987	19 756	14 338



8 Current assets

**Liquid assets**

Other liquid assets consist of investments in listed shares.

**Short-term receivables**

Short-term receivables are assessed at face value, but with a deduction for anticipated loss. The provision for bad debts at closing date was NOK 120 million.

**Stocks**

Stocks essentially consist of crude oil and refined products. Equity crude is considered as stock on passing the norm price point, normally when loaded on the field.

9 Investments

**Investments in subsidiaries:**

<i>Amounts in millions</i>	<i>Equity interest</i>	<i>Par value</i>	<i>Total company share capital</i>	<i>Booked value NOK million</i>
Statoil Norge AS	100%	NOK 500	NOK 500	902
Statoil Forsikring a.s	100%	NOK 125	NOK 125	150
Norsk Undervannsteknologisk Center a.s	60%	NOK 18	NOK 30	18
Statoil Danmark A/S	100%	DKK 2 850	DKK 2 850	5 609
Statoil AB	100%	SEK 800	SEK 800	2 386
Statoil (UK) Ltd	100%	GBP 145	GBP 145	1 608
Statoil Deutschland GmbH	100%	DEM 22	DEM 22	1 148
Statoil North America Inc	100%	USD 6	USD 6	42
Statoil (Thailand) Ltd	100%	THB 945	THB 945	317
<b>Statoil Investments</b>				
Ireland Ltd	100%	IEP 20	IEP 20	332
Statoil SIAM (Thailand)	100%	THB 81	THB 81	22
Statoil Far East Pte Ltd	100%	SGD 10	SGD 10	45
Statoil Nigeria a.s	100%	NOK 433	NOK 433	433
Other subsidiaries				27
<b>Total Statoil</b>				<b>13 039</b>

Other subsidiaries include Statoil Coordination Center NV, in which Statoil AB has a holding of 99% and Statoil owns the remaining 1%.

**Investments in other companies**

Investments in other companies totalled NOK 1 054 million, including NOK 807 million for ordinary shares in Saga Petroleum A/S. The equity holding in this company is 9.3 per cent, while 12.4 per cent of the voting stock is held.

A five per cent shareholding in Verbundnetz Gas AG is also included at NOK 218 million.



NOTES ON ACCOUNTS - STATOIL

Investments in associated companies

<i>Amounts in millions</i>	<i>Equity interest</i>	<i>Par value</i>	<i>Company share capital</i>	<i>Book value NOK million</i>
Norpipe a.s	50%	NOK 129	NOK 257	129
Eastern Group Inc	38%	USD 0.01	USD 0.03	111
Other companies				27
Total				267

Recorded at historical cost.

10 Other current liabilities

<i>NOK million</i>	<i>1994</i>	<i>1993</i>
First year's instalment on long-term loans	1 199	2 361
Net payable to co-venturers	2 367	1 928
Other	2 254	2 208
Other current liabilities	5 820	6 497

11 Long-term loans

Currency positions

<i>Amounts in millions</i>	<i>Long-term loans</i>	<i>Currency swap agreements</i>	<i>Currency position</i>	<i>Exchange rate</i>	<i>Book value NOK</i>
NOK	356	(19)	337	-	337
BEF	5 285	(5 000)	285	21.24	60
CHF	150	-	150	515.59	773
DEM	526	(427)	99	436.54	430
DKK	383	(383)	0	-	-
ECU	100	(50)	50	8.29	415
JPY	55 600	(54 200)	1 400	6.78	95
USD	1 290	935	2 225	6.76	15 047
Currency translation reserve					403
Total					17 560
Loans from subsidiaries					(1 055)
Instalments first year					(1 199)
Long-term loans shown in balance sheet					15 306

Long-term loans include commitments of USD 186 million related to financial leasing, of which USD 20 million falls due in 1995.

The loan portfolio's average fixed interest rate period at 31 December 1994 was three years. Available borrowing facilities at 31 December 1994 amount to NOK 6 762 million.

The average rate of interest in 1994, excluding foreign exchange gains/losses, was 5.6 per cent.



**12 Other long-term liabilities**

Closing-date provisions of NOK 180 million were made for pension obligations and NOK 768 million for accrued future site removal costs. The 1994 provision for site removal costs was NOK 170 million.

**13 Guarantee commitments**

The company has provided parent company guarantees for subsidiaries in the USA, Belgium, Nigeria and Namibia.

Other guarantees provided amount to NOK 326 million.

**14 Other liabilities and commitments**

**Contingent liabilities and insurance**

Like any other licensee, Statoil has unlimited liability for possible compensation claims arising from its offshore operations, including transport systems. The company has taken out insurance to cover this liability up to about NOK 4 500 million for each incident, including liability for claims arising from pollution damage.

Statoil's assets are insured at their estimated replacement value. Offshore installations are covered through Statoil Forsikring a.s, which reinsures most of the risk in the international insurance market. About 20 per cent is retained.

**Lease agreements**

At 31 December 1994, Statoil had signed one- to eight-year lease agreements for four drilling rigs, seven helicopters and nine supply/stand-by vessels. In addition to the capitalised lease cost of vessels, Statoil has chartered 27 crude oil and product tankers with remaining lease periods ranging from one to 13 years.

Current commitments under non-terminable charter parties and lease agreements are:

<i>NOK million</i>	
For 1995	862
For 1996	759
For 1997	585
For 1998	543
For 1999	431
Thereafter	1 362

**Contractual commitments**

<i>NOK million</i>	<i>1994</i>	<i>Thereafter</i>	<i>Total</i>
Contractual commitments made	5 162	366	5 528

The contractual commitments comprise acquisition and construction of properties, plant and equipment.

**Other commitments**

As a condition for being awarded oil and gas exploration and production licences, participants are committed to drill a certain number of wells.

At the end of 1994, Statoil was committed to participate in 20 wells offshore Norway and 12 wells abroad, with an average equity interest of about 20 per cent.



To the annual general meeting of Den norske stats oljeselskap a.s:

We have audited the annual report and accounts of Den norske stats oljeselskap a.s for 1994, which show a net profit for the year of NOK 4 221 million for the parent company, a consolidated profit for the year of NOK 5 491 million based on Norwegian accounting principles and NOK 5 379 million based on international accounting standards. The annual report and accounts, which comprise the annual report, income statement, balance sheet, cash flow statement, notes to the accounts and consolidated accounts, are presented by the company's board of directors and its president. The consolidated accounts are prepared both in accordance with Norwegian accounting principles and international accounting standards as issued by the International Accounting Standards Committee.

Our responsibility is to examine the company's annual report and accounts, its accounting records and other related matters.

We have conducted our audit in accordance with relevant laws, regulations and Norwegian generally accepted auditing standards. We have performed those audit procedures which we considered necessary to confirm that the annual report and accounts are free from material misstatements. We have examined selected parts of the evidence supporting the accounts and assessed the accounting principles applied, the estimates made by management and the content and presentation of the annual report and accounts. To the extent required by Norwegian generally accepted auditing standards, we have reviewed the company's internal control and the management of its financial affairs.

The board of directors' proposal for the appropriation of the net profit and transfers between the owner's equity accounts in the parent company is in accordance with the requirements of the Norwegian Joint-Stock Companies Act.

In our opinion, the annual report and accounts have been prepared in accordance with the requirements of the Joint-Stock Companies Act and present fairly the financial position of the company and the group as of 31 December 1994 and the result of the operations for the financial year, in accordance with Norwegian generally accepted accounting principles and international accounting standards.

STAVANGER, 16 FEBRUARY 1995  
ERNST & YOUNG & CO AS



ERNST ALSAKER  
STATE AUTHORISED PUBLIC ACCOUNTANT (NORWAY)

**RECOMMENDATION FROM THE CORPORATE ASSEMBLY**

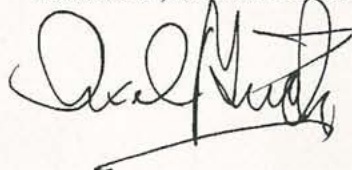
**Resolution:**

At its meeting on 24 February 1995, Statoil's corporate assembly discussed the annual report of the board of directors and the annual accounts of Den norske stats oljeselskap a.s and the Statoil group for 1994.

The corporate assembly recommends that the general meeting approve the annual report as submitted, and adopt the annual accounts in accordance with the proposal presented by the board of directors.

The matter is to be submitted to the general meeting.

STAVANGER, 24 FEBRUARY 1995



AXEL BUCH  
CHAIRMAN, CORPORATE ASSEMBLY



## OIL AND GAS RESERVES

### Statoil's equity holding

	1994		1993		1992	
	Oil	Gas	Oil	Gas	Oil	Gas
<i>Oil* in millions of barrels</i>						
<i>Gas in billions of cu m</i>						
<b>Proven and probable reserves</b>						
Beginning of year	2 023	364	1 967	366	1 951	351
Revisions of previous estimates	144	(7)	149	(5)	132	14
Extensions and discoveries	57	17	85	7	60	3
Purchases of reserves	261	-	11	1	-	2
Sales of reserves	-	-	(12)	-	-	-
Production	(192)	(5)	(177)	(5)	(176)	(4)
End of year	2 293	369	2 023	364	1 967	366
Of which:						
Fields on stream	1 049	40	1 081	44	934	36
Fields under development	301	123	313	125	441	116
Fields awaiting development	943	206	629	195	592	214

### Proven reserves

End of year	2 120	330	1 870	340	1 830	340
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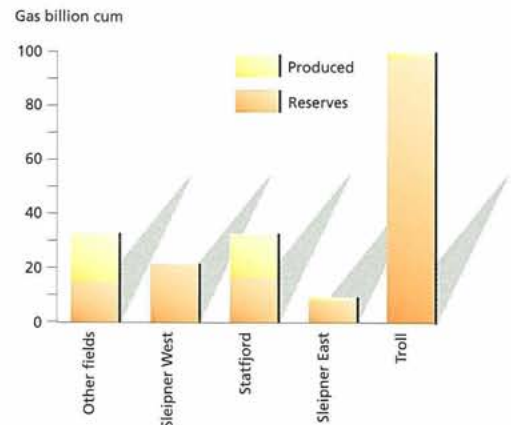
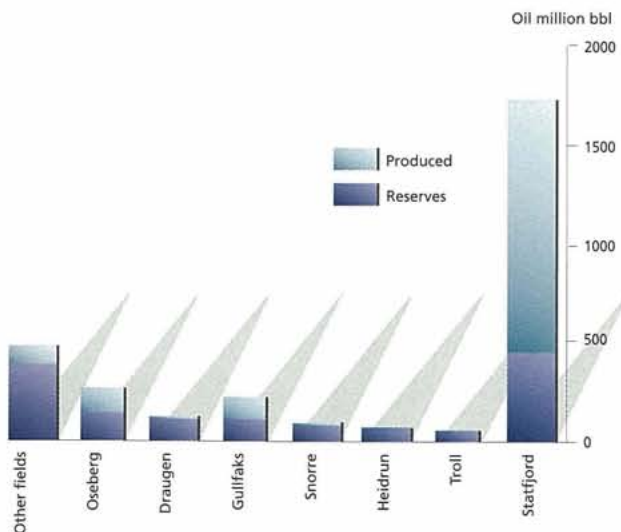
\*) Oil includes natural gas liquids

### Fields on stream - Some important equity holdings

Norway	Holdings	Operator
Statfjord	42.7%	Statoil
Sleipner East	20.0%	Statoil
Gullfaks	12.0%	Statoil
Oseberg	14.0%	Hydro
Snorre	10.0%	Saga
Draugen	19.6%	Shell
Veslefrikk	18.0%	Statoil

### International

Bongkot, Thailand	10.0%	Total
Hyde, UK	45.0%	BP
Victor, UK	10.0%	Conoco





## OIL AND GAS RESERVES

Gas billion cum

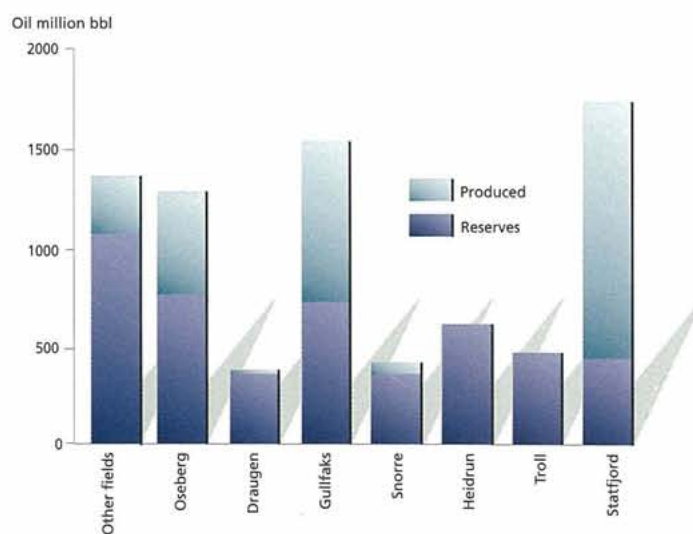
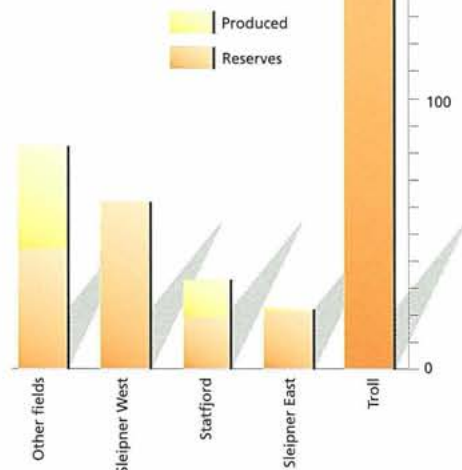
### Statoil's participating share (equity holding + GDFI)

	1994		1993		1992	
Oil* in millions of barrels	Oil	Gas	Oil	Gas	Oil	Gas
Gas in billions of cu m						
<b>Proven and probable reserves</b>						
Beginning of year	6 648	1 519	6 426	1 514	6 252	1 500
Revisions of previous estimates	453	4	441	(2)	344	14
Extensions and discoveries	186	29	233	17	226	8
Purchases of reserves	261	-	11	1	-	2
Sales of reserves	-	-	(24)	-	-	-
Production	(507)	(12)	(439)	(11)	(396)	(10)
End of year	7 041	1 540	6 648	1 519	6 426	1 514
Of which:						
Fields on stream	3 078	75	3 054	80	2 555	65
Fields under development	1 575	684	1 584	674	1 895	556
Fields awaiting development	2 388	781	2 010	765	1 976	893

### Proven reserves

End of year	6 630	1 330	6 240	1 370	6 030	1 360
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\*) Oil includes natural gas liquids





## ADDRESSES

### STATOIL'S OFFICE SITES

#### NORWAY

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Enterprise number:  
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