petoro

Annual report 2001

SDFI and Petoro AS

Contents

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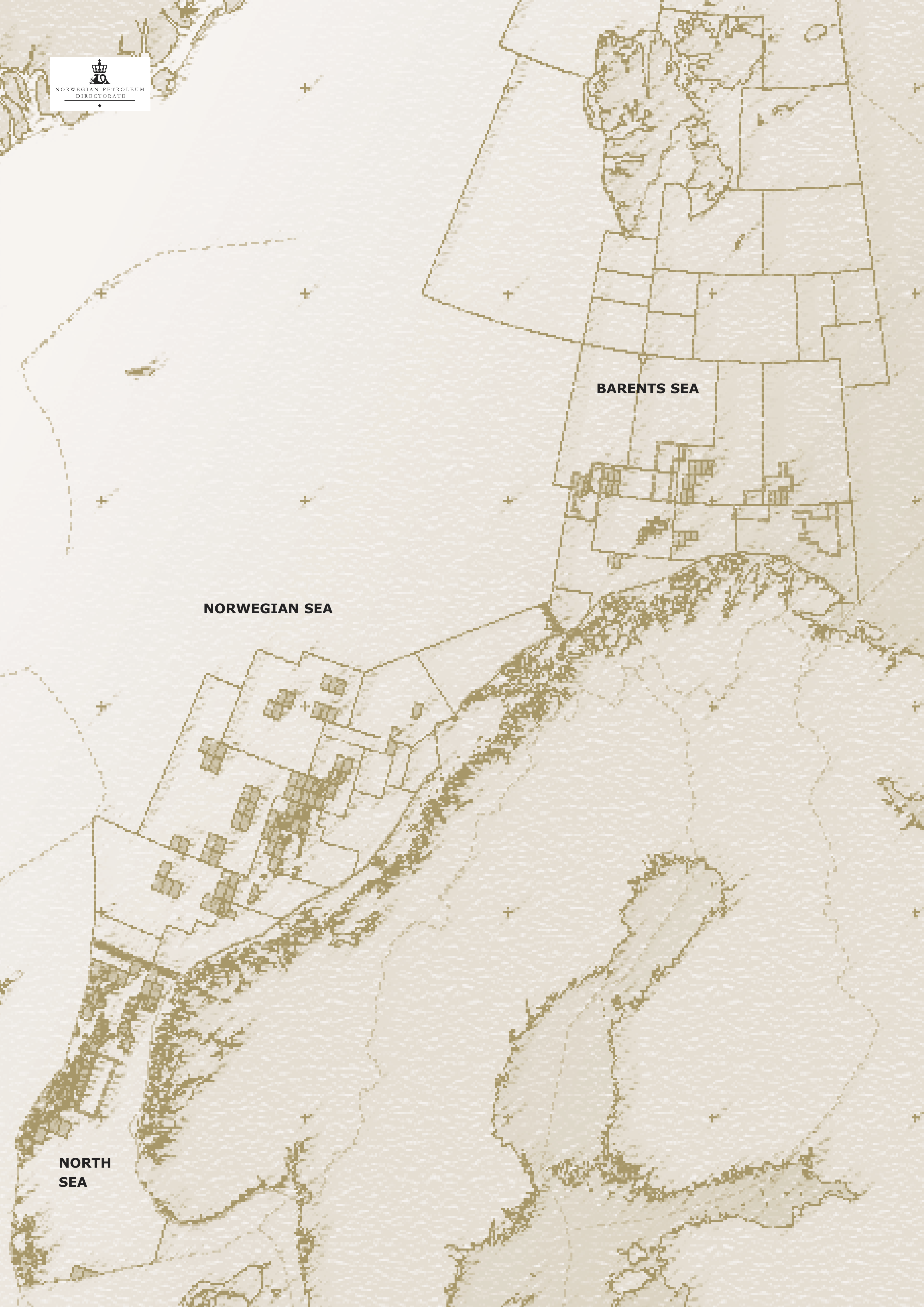


Petoro - the best partner

Kjell Pedersen, president and CEO

The establishment of Petoro followed from the decision of the Storting (parliament) in the spring of 2001 that commercial aspects of the state's direct financial interest (SDFI) on the Norwegian continental shelf (NCS) should be managed by a wholly state-owned limited company.

On that basis, Petoro will act as the licensee for the interests which it manages on behalf of the government. This means in practice that Petoro has the rights and duties of a participant as specified in joint operating agreements between licensees, and otherwise as a licensee under the regulations governing offshore operations.

In discharging its responsibilities, Petoro will set the highest possible performance standards. The company's daily operations will aim to realise its vision of being the best partner. Petoro intends to be an active partner, contributing to increased value creation through unified assessments.

The company must add something new or better if it is to make "a positive difference", and to create more value than purely passive ownership.

Petoro will not cover the same range of activities as the other players. Its overall operations will provide a platform to enhance value creation on the NCS beyond the level which would otherwise be attained.

The company will devote all its attention, expertise and capital to developing Norwegian resources. Its large and broad participation provides opportunities for gathering information, building knowledge, comparing performances and applying unified perspectives to increase value creation.

In order to follow up its focus, Petoro's knowledge and influence must find expression in the relevant fora – and in accordance with the rules of the game which apply on the NCS. To a great extent, therefore, the arena for the company's operations is the individual licences and projects, while its greatest contribution will be to see opportunities for increased value creation in a broader context.

Petoro must give priority to the areas – and the phases in decision-making processes – where it can make a constructive contribution in the most targeted and effective way as a proactive partner and value creator.

This is Petoro

Petoro manages large assets on behalf of the Norwegian state. Its principal job is to create the largest financial value, on a commercial basis, from the government's oil and gas portfolio. The company's key duties are accordingly:

- managing the state's direct financial interest (SDFI) in those partnerships where such holdings exist at any given time
- monitoring Statoil's sale of the petroleum produced from the SDFI, as specified in the sales and marketing instruction issued to Statoil
- financial management, including accounting, for the SDFI.

After some 21.5 per cent of the SDFI's assets have been sold off, Petoro is a licensee in 80 production licences as well as terminals and processing facilities at Kårstø, Kollsnes, Zeebrugge, Emden, St Fergus, Dunkerque, Tjeldbergodden and Mongstad.

The main features of its mandate are:

- Petoro will manage, as the licensee, the SDFI on the NCS
- it will have the same rights and duties as other licensees
- it will provide acceptable management in accordance with commercial principles
- its aim is to achieve the best possible result for the government as owner – a common owner strategy.

On the basis of its mandate and portfolio, Petoro is characterised by five unique features which provide a foundation for its work:

- **it will be focused on the NCS**
- **the size, breadth and value of its portfolio make Petoro a very significant player**
- **a strong position is held in gas fields and infrastructure**
- **it will be a professional partner – not an operator**
- **its ownership and resources lay the basis for a long-term commercial involvement.**

These unique features will be developed to provide Petoro's character and strength.

On the basis of the knowledge and information gained from work in the licences, three perspectives are central for value creation:

• The NCS perspective
This involves a focus on issues which will be relevant for the whole NCS as well as for developing the composition of the SDFI portfolio. Examples include research and development, new applictions for information technology/infrastructure, environmental issues, development of small fields, improved recovery and efficient systems and operations.

• Area perspective/oil focus
A partner who participates in a number of licences in an area will be able to take an overall view more easily than others and obtain area-wide gains. Active coordination across licences – for both development and operation – could reduce unit costs and enhance recovery in an area. Revenues from the oil side will play a key role in the SDFI portfolio over the next few years, and this requires a high level of attention. Petoro will both contribute to higher value creation and ensure that the government receives its rightful share.

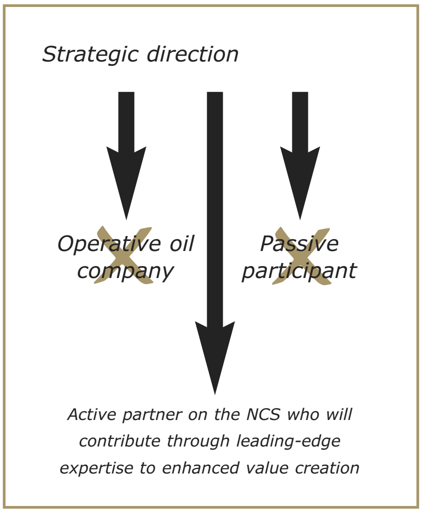
• Gas perspective
Gas plays a crucial role in Norwegian resource management, both because it is used to improve oil production and because the cost structure and field properties make coordination of the gas business essential. The termination of the gas negotiating and gas supply committees (GFU/FU) provides new incentives for the players, changes motivating forces and collaborative patterns in the Norwegian gas business, and strengthens the need for unified assessments.

In its work on these perspectives, Petoro has defined the following mode of working and two principal roles:
• Licence monitoring/financial management
- licences are central for monitoring results and exerting selective influence on areas with the highest potential
- major assets demand professional financial management and reporting of results.
Examples:
- following up targets in licences
- HSE monitoring
- unitisation/redetermination
- SDFI budget and accounts
- Petoro budgeting and cost control
- basis for valuations and performance targets.

• Proactive partner
- licence know-how combined with the various perspectives provides opportunities for acting as a proactive partner in value-creating activities.
Examples:
- Tampen area towards its final phase
- improved recovery on the NCS/in specific areas
- new concepts for unitisation/redetermination
- environmental challenges for the industry
- step-change within safety.

Petoro will create lasting value from oil and gas through commercial operations which also take account of the environment and help ensure that health and safety standards are met. It is important that the company's permanent staff commands a significant part of the expertise needed to fulfil its responsibilities. However, interaction with external expertise will be important for operating effectively with a small, flexible organisation. Even with its very extensive portfolio, Petoro is intended to have a lean permanent staff of about 60 people, supplemented by outsourcing certain tasks.

LICENCE MANAGEMENT
Petoro is the licensee and commercial manager of the state's direct interests on the NCS. The job of the



licence management department is to maximise value creation for the owner through its work in the various production licences and by identifying and achieving synergy gains between various licences in specific areas of the NCS. Its staff will accomplish this by stretching themselves to fulfil the vision of being the best partner, which guides behaviour in relation to the authorities, the industry and the community to which Petoro belongs.

Petoro will be a small, knowledge-based organisation managing the largest portfolio on the NCS in accordance with commercial principles. This means that the licence management department will focus its resources on fields and area with the greatest potential for value creation. Agreements to provide business management on Petoro's behalf could be concluded for other fields.

John Vemmestad (53), vice president licence management. Graduate engineer. Previous experience includes the Norwegian Petroleum Directorate (NPD) and BP, where he was area manager for the southern NCS.

INFRASTRUCTURE
The infrastructure department will maximise value creation for the

owner by managing the state's extensive interests in pipeline systems and land-based facilities. To ensure the largest possible value creation from oil and gas fields, Petoro will lay the basis for commercial utilisation of the infrastructure. The company is actively involved in further development of the NCS, both as manager of the largest infrastructure holdings and as a field licensee.

Anne-Grethe Jacobsen (39), vice president infrastructure. MSc in business economics/MBA in strategy. Comes from Statoil, where she worked in such areas as corporate strategy, field operation and petrochemicals.

OIL AND GAS MARKET AND SALES

The main job of the oil and gas market and sales department is to ensure the highest possible value from the state's oil and gas products under the government's sales and marketing instruction. This includes monitoring Statoil, which will be responsible under the instruction for marketing and sales.

To fulfil its role under this instruction, the company will develop expertise about the energy market. The gas market in particular faces great changes in Europe, where the SDFI will rank as one of the largest gas suppliers. These European developments could have considerable impact on government assets.

Frank Sivertsen (44), vice president oil and gas market and sales. MSc in business economics. Comes from the post of deputy chief executive at Norske Conoco. Almost 20 years of experience at Conoco, including various management posts in the USA, Dubai, Sweden and Norway.

FINANCE AND PROCUREMENT

Organising and implementing overall planning, budgeting, accounting and reporting for the SDFI portfolio is a key role for Petoro. The finance and procurement department will handle the company's finance, accounting and procurement functions, including financial management and accounting for the SDFI as well as Petoro's company accounts. The department's main focus will be on reporting to the board and owner, managing budget processes and discharging the controller function for the SDFI portfolio.

Nina Lie (40), chief financial officer. Finance degree, Stavanger University College and Norwegian School of Economics in Bergen. Comes from post of chief financial controller at Dolphin AS, and was previously controller at Navis ASA and chief financial officer for SE Labels ASA.

TECHNOLOGY AND ICT

Petoro intends to be the best partner and a knowledge-based company. To meet such goals, it must be a leader in applying technology.

Efficient analysis of large volumes of data represents a priority area, which is important in exploiting Petoro's competitive advantage on the NCS - interests which are generally large in many licences – to create added value for the owner.

Other technology priorities are increased safety for people and the environment, and improved recovery from the reservoirs.

Tor Rasmus Skjærpe (52), vice president technology and ICT. Graduate engineer, Norwegian Institute of Technology (NTH). Long experience from oil and gas operations. Previously head of Norsk Hydro's operations in the Tampen area of the northern North Sea.

COMMERCIAL

The commercial department is responsible for financial analysis, portfolio management and negotiations, and for preparing an overall strategy which creates the largest possible value from the SDFI portfolio. It will assist the organisation with planning and support for commercial decisions.

Dag Omre (44), vice president commercial. Economics graduate, University of Oslo. Previously head of exploration and licence awards at the Ministry of Petroleum and Energy (MPE). Participated in the work of privatising Statoil. Has previously held a number of management posts in the ministry.

LEGAL AFFAIRS

The legal affairs department is responsible for legal issues and advice. Its vice president serves as secretary to the board.

Olav Boye Sivertsen (51), vice president legal affairs. Law degree, University of Oslo. Previously with the legal department at ExxonMobil, before that head of legal affairs at Mobil. Has earlier worked for the MPE, the Ministry of Local Government and the NPD.

International experience from Mobil's US operations. Has served in a number of capacities with the Norwegian Oil Industry Association (OLF).

EXTERNAL AFFAIRS

To be the best partner, Petoro will be characterised by great openness and collaboration with the authorities, other licensees and the rest of the oil industry, and in relation to the Norwegian community through good contacts with politicians, the media, various interest groups and others.

Sveinung Sletten (49), vice president external affairs. Previously manager of government and public affairs at BP Norge and before that at Amoco. He has been editor-in-chief at Statoil and Noroil Publishing House, and a journalist with *Stavanger Aftenblad* and other publications.

HUMAN RESOURCES

To succeed, Petoro must create an effective culture of collaboration through networks and teamwork. The first major challenge for the human resources department will be to motivate a staff with very solid and diverse backgrounds and expertise to develop a culture characterised by respect for individual skills and a desire for constructive collaboration.

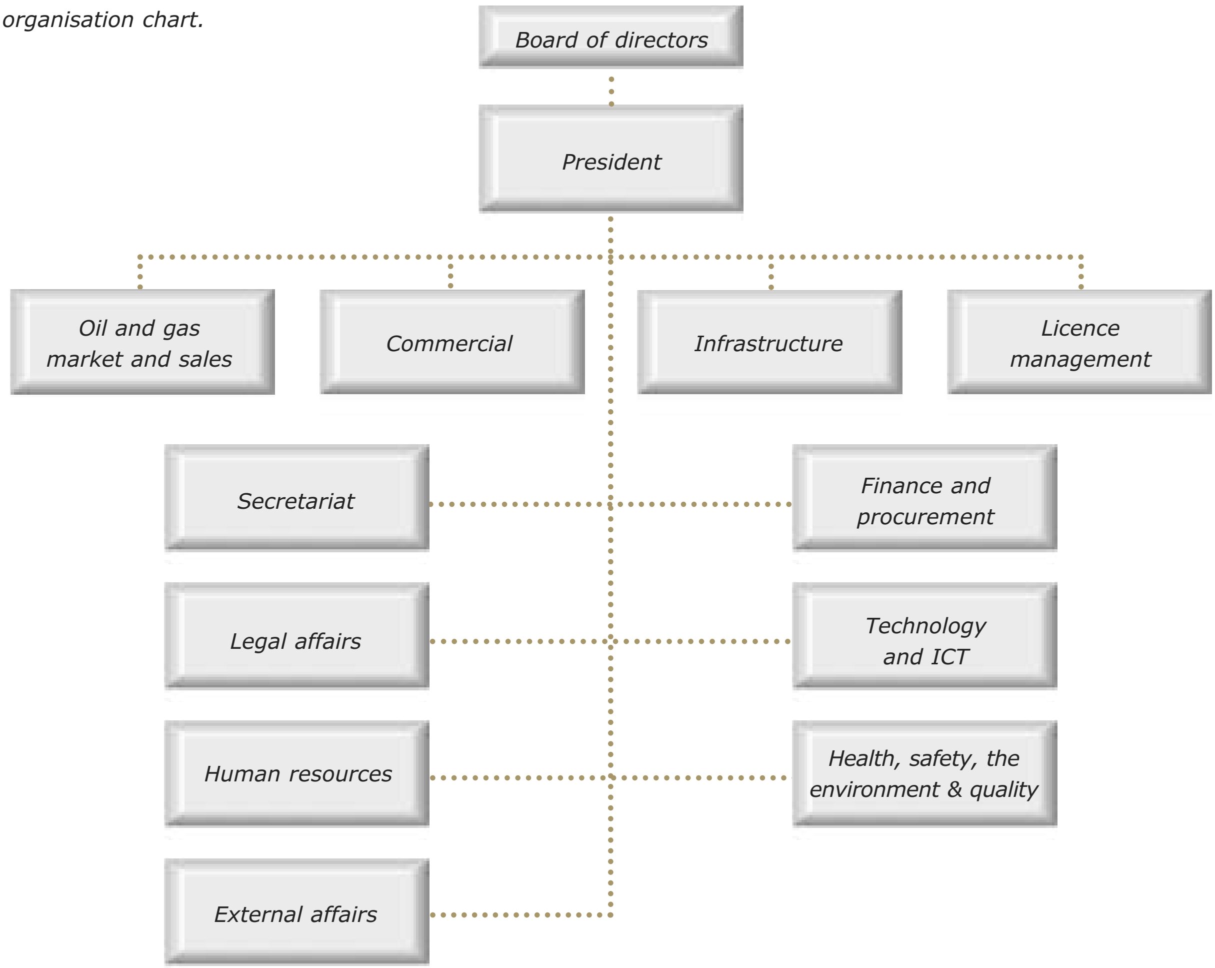
Ellinor Grude (42), vice president human resources. MBA, Indiana University. Comes from the post of executive vice president for strategy and organisation processes at the Kverneland group. She worked there with organisational development on an international basis, with the main emphasis on acquired companies.

HEALTH, SAFETY, THE ENVIRONMENT AND QUALITY

The department for health, safety, the environment and quality (HSEQ) contributes to creating and maintaining management systems and self-regulation routines for the business. HSEQ is responsible for initiating and pursuing the development of values, goals and plans for this area throughout the company.

Kjell Ravndal (42), vice president HSEQ. Comes from the post of general manager for PWC Consulting in Stavanger. Has 18 years of experience from Elf Aquitaine, BP and Saga Petroleum, with management roles in HSE, logistics, production operations and efficiency improvements.

Petoro's organisation chart.



Petoro AS Directors' report 2001

INTRODUCTION
Petoro AS was established by the MPE on behalf of the Norwegian government on 9 May 2001. The company's object is to be responsible for and manage the commercial aspects of the state's direct financial interest (SDFI) on the NCS, and activities associated with this.

As a consequence of a common ownership strategy and the government's status as the majority shareholder of Statoil ASA and owner of the SDFI, Statoil is to handle sales and marketing of the government's petroleum. Petoro will be responsible for ensuring that Statoil discharges this duty in accordance with the government's sales and marketing instruction.

The company's business office is in Stavanger.

COMMERCIAL BASIS
The management arrangement for the SDFI based on creating a new state-owned limited company was enshrined in a new chapter 11 to the Petroleum Act of 19 November 1996, passed by the Storting on 26 April 2001. The object reflected in Odelsting Proposition no 48 (2000-2001) is to secure the best possible management of the resources and the highest possible value creation. Management will be based on commercial principles.

Petoro is the licensee for the interests managed by the company in production licences, pipelines and terminals, and also manages the state's commercial interests in Mongstad Terminal DA and Vestprosess DA as well as the shares in Norsea Gas AS. Revenues generated from the portfolio belong to the government, and the company's expenses are covered by appropriations over the central government budget.

Separate accounts are kept by Petoro for revenues and expenses relating to the SDFI, and cash flows in the latter are accordingly regarded as separate from the company's annual accounts. Petoro produces separate annual accounts for the SDFI, with details of the interests managed by the company and an associated overview of resources.

ACTIVITIES IN 2001
The main focus for the company since its creation on 9 May 2001 has been to establish Petoro within the framework defined in Storting Proposition no 36 (2000-2001) and Odelsting Proposition no 48 (2000-2001).

Active efforts have been made by the board to establish the company's strategy on the basis of the guidelines provided by the owner when establishing Petoro. A significant part of this strategy work has related to describing the vision, basic objectives and strategic direction of the company, which has included defining goals for value development of the portfolio and the required rates of return to be applied when making investment decisions in order to secure a satisfactory return on the portfolio.

Management responsibility was transferred from Statoil to Petoro when chapter 11 of the Petroleum Act came into force on 17 June 2001. Because Petoro was in a start-up phase, a management agreement concluded with Statoil made the latter responsible for following up a number of production licences on behalf of Petoro.

Significant activities at the company in the autumn of 2001 included building up the organisation, with staff, information and communication technology (ICT) systems and infrastructure, concluding agreements with long-term partners, and managing production licences directly and in cooperation with Statoil. In general, Petoro opted to concentrate its own resources on four key production licences: Snøhvit, Kristin, Troll and Ormen Lange. As Petoro builds up its organisation through the last quarter of 2001 and the first half of 2002, it will take over management of the portfolio for itself. The company is considering the possibility of contracting out the management of the least important interests to business managers. An opportunity to do this is provided by the company's objectives.

From the creation of Petoro and up to 31 December 2001, Statoil provided accounting and financial management services for the SDFI accounts on Petoro's behalf. Accounting data, routines and procedures for the SDFI portfolio were transferred from Statoil in such a way that Petoro was operational with its own finance and accounting function on 1 January 2002.

ORGANISATION

Petoro used external consultants in 2001 to handle part of its duties. At the same time, the build-up of its own organisation was a priority. The company had a working chair during 2001, and the president took office on 1 September 2001.

Five people were employed by the company at 31 December 2001. In addition, 29 employment contracts had been concluded. This meant that key positions were filled at 31 December. The company's management team was put in place during the first quarter, and transferring assignments and expertise from the start-up team was a priority. At April 2002, 41 employees had begun work in the company, and roughly 50 permanent employees are due to be in place during the spring of 2002.

WORKING ENVIRONMENT AND PERSONNEL

As part of its start-up activities, the company awarded a contract for an occupational health service which covers routine medical checks for staff as well as advice on the working environment when occupying office premises and on establishing and running a working environment committee. Elections of safety delegates/chief safety delegate and the formal establishment of the working environment committee will take place during the spring of 2002 when the staff are in place.

The company will lay the basis for good collaborative conditions and a good working environment through a combination of offering challenging jobs and a big emphasis on using and developing the individual employee's expertise. One of Petoro's objectives is to create a good health, safety and environmental (HSE) culture through active involvement of employees in HSE processes at work, reporting of undesirable incidents/conditions, and regular events with HSE as the general theme. The aim is that no employee will suffer occupational illness or injury.

No absences through working accidents or ill-health were recorded in 2001.

ENVIRONMENTAL REPORTING

As a licensee, Petoro is subject to the same statutory and regulatory requirements as other licensees concerning measures to protect the environment and reduce emissions/discharges. The company will take a lead in this area towards operators of licences with state participation. Petoro's goal is to contribute to a sustainable development based on the principle of zero injuries and zero environmentally-harmful emissions/discharges. Through cooperation with the other players on the NCS, the company will help to achieve the goal of continuous HSE improvements.

In parallel with the transfer of practical assignments from Statoil, Petoro will work to develop strategies and performance criteria, and to review operations in the HSE area.

PROSPECTS

The SDFI represents a substantial proportion of Norway's national wealth, and must be managed in a long-term perspective. In addition to direct interests in 80 production licences, the state has holdings in terminals and processing facilities at Kårstø, Kollsnes, Zeebrugge, Emden, St Fergus, Dunkerque, Tjeldbergodden and Mongstad. Petoro's main job is to manage the SDFI's assets in accordance with commercial principles. In each licence, this means that it will identify the best decision both for that licence and for the portfolio as a whole. The authorities determine the extent to which new holdings will be taken in future licence awards.

Measured in oil equivalent, oil production from the portfolio was three times larger than gas output in 2001. Revenues from oil are expected to be considerable higher than from gas over the next few years. But these income flows should approach parity over a 10-year period. Gas plays an important role in Norwegian resource management, both because it makes a big contribution to improving oil recovery and because the cost structure and field properties make coordination of the gas business essential. Gas production has a significantly longer timeframe for Norway than oil output. Petoro is the biggest partner in production licences with gas resources and in gas pipelines on the NCS, and will accordingly give priority to making a constructive contribution in this area.

Acting on a commercial basis, the company will create the largest possible economic value from the oil and gas portfolio.

SHARE CAPITAL AND SHAREHOLDERS

Petoro's share capital at 31 December 2001 was NOK 10 million, spread over 10 000 shares. The MPE is the sole owner of the company, on behalf of the Norwegian government.

ANNUAL RESULTS AND ALLOCATIONS

Income for the year comprised NOK 50 million in appropriations from central government and interest of NOK 500 000 on the company's surplus liquidity.

Operating expenses for the year primarily comprised NOK 12.4 million in pay and recruitment expenses and NOK 40.2 million in consultant fees – including fees paid to Statoil as business manager for the SDFI portfolio (NOK 6.1 million) and for accounting services (NOK 4 million).

The loss for the year came to NOK 8.5 million. The board proposes that this be booked as an uncovered loss.

The loss of NOK 8.5 million will be covered in the appropriation for 2002.

GOING CONCERN

Funds for Petoro's operation are appropriated by central government, which is directly responsible for the commitments incurred by the company under contract or in other ways.

The annual accounts have been prepared under the assumption that the company is a going concern.

Stavanger, 21 May 2002

Tore I Sandvold
Chair

Bente Rathe
Deputy chair

Ola Mestad

Ingelise Arntsen

Svein Rennemo

Kjell Pedersen
President and CEO

SDFI Directors' report 2001

INTRODUCTION

The management arrangement for the SDFI based on the creation of a new state-owned limited company was enshrined in a new chapter 11 to the Petroleum Act of 19 November 1996, passed by the Storting on 26 April 2001.

When establishing Petoro, the crucial requirement was to identify the form of organisation which would have the best prospects of meeting the objective. As expressed by Odelsting Proposition no 48 (2000-2001), this is to secure the best possible management of resources and the highest possible value creation from the SDFI.

Petoro AS was established by the MPE on behalf of the Norwegian government on 9 May 2001. The company's object is to be responsible for and manage the commercial aspects of the state's direct financial interest (SDFI) on the NCS, and activities associated with this.

As a consequence of a common ownership strategy and the government's status as the majority shareholder of Statoil ASA and owner of the SDFI, Statoil is to handle sales and marketing of the government's petroleum. Petoro will be responsible for ensuring that Statoil discharges this duty in accordance with the government's sales and marketing instruction.

Petoro is the licensee for the interests managed by the company in production licences, pipelines and terminals, and also manages the state's commercial interests in Mongstad Terminal DA and Vestprosess DA as well as the shares in Norsea Gas AS.

ANNUAL RESULTS FOR THE SDFI PORTFOLIO

The annual accounts have been prepared both on a cash basis and in accordance with the accruals principle. Cash accounting is used for compiling Norwegian government accounts. The difference between these two principles lies primarily in the adjustment of expense and revenue accruals to cash amounts, with a corresponding adjustment of receivables and liabilities in the balance sheet. All amounts in this annual report are based on the accounts prepared using the accruals principle, unless otherwise specified.

In 2001, the portfolio generated revenues of NOK 125.6 billion, a reduction of NOK 18.4 billion from the year before. This primarily reflected the sale of about 15 per cent of the assets to Statoil. Sales of crude oil and natural gas liquids accounted for 75 per cent of the revenues, while lean gas accounted for 21 per cent. Other revenues totalled NOK 5.1 billion.

Oil production for the year averaged 1.1 million barrels per day at an average price of NOK 216 per barrel (corresponding to USD 24 per barrel and an average NOK/USD exchange rate of 9).

Operating profit for the year came to NOK 86.3 billion. With the addition of NOK 370 million in net financial earnings, net profit was NOK 86.7 billion, a decline of NOK 18.1 billion from the year before. In addition, the average oil price was 14 per cent lower than in 2000.

Total investment in new fields, plants and infrastructure came to NOK 15 billion. The largest capital projects were Troll Oil at NOK 2.2 billion and Grane at NOK 1.8 billion. Total exploration-related spending came to NOK 1.4 billion, of which NOK 155 million was capitalised as investment. The remainder was charged against income as exploration expenses.

Cash flow from operations amounted to NOK 108.3 billion. After deducting investment and adjusted for changes in liabilities, NOK 94.5 billion was transferred to the government.

The book value of assets totalled NOK 142.1 billion at 31 December. These assets primarily (92 per cent) comprise operating facilities relating to field installations, pipelines and land-based plants. The remainder are current receivables.
Equity at 31 December amounted to NOK 127.3 billion, and the book value of liabilities totalled NOK 14.8 billion. About NOK 9 billion of the latter figure relates to provisions for future removal expenses. Virtually none of the liabilities are interest-bearing.

Financial expenses in the accounts largely related to financial costs in the licences rather than the financial expense of the SDFI's own liabilities.

The appropriation accounts for 2001, prepared on a cash basis, show total revenues of NOK 110.8 billion (net operating revenues less operating, exploration and field development costs) and investment-related expenses of NOK 16.6 billion. This yields a cash flow of NOK 94.2 billion.

The accounts prepared on a cash basis show a book value of NOK 124.5 billion at 31 December.

ACTIVITIES IN 2001

The portfolio comprises 80 production licences (after the sale of about 21.5 per cent during 2001 and the spring of 2002) and participation in 24 pipeline and terminal partnerships. Interests in 10 production licences were sold when roughly 6.5 per cent of the SDFI was disposed of during the spring of 2002, and three new production licences were added from the latest licensing round in the same period.

Responsibility for managing the SDFI was assigned to the board of Petoro on 17 June, the day before Statoil secured a stock market listing. On the same date, Petoro and Statoil concluded a management agreement whereby Statoil would serve as business manager for all the production licences and partnerships which the Petoro board did not decide to take over immediately. Petoro took direct responsibility for Snøhvit and Kristin, because important development decisions were pending for these fields in 2001. In addition, Petoro took over work on Troll and Ormen Lange because these fields are both important for long-term gas management.

The other activities were managed by Statoil on behalf of and in close cooperation with Petoro, and within agreed reporting routines. This proved a constructive collaboration, which allowed Petoro to concentrate its resources on building up the company.

• PDO Snøhvit

Great attention focused in 2001 on work with plans for development and operation (PDO) and installation and operation (PIO) in connection with a decision to develop Snøhvit in the Barents Sea. This is a strategic project which opens a new petroleum province, and work on a gas liquefaction plant is normally demanding. Total investment in the Snøhvit development, including the gas liquefaction plant on land and transport of liquefied natural gas (LNG) to markets in southern Europe and the USA, will be about NOK 40 billion. Petoro's share is 30 per cent.

• PDO Kristin

The Kristin project continues development of the western flank of the Halten Bank area in the Norwegian Sea. It faces major challenges, including high pressure and temperature. Total investment comes to about NOK 17 billion, of which Petoro's share is 18 per cent.

• PDO for Kollsnes NGL and PDO approval for Fram West, Kvitebjørn extension, (Mikkel) and Sigyn

These field plans were considered in 2001 and handled by Petoro in close cooperation with Statoil under the management agreement between them.

The board of directors of Petoro AS.
From left: Ingelise Arntsen, Svein Rennemo, Ola Mestad, Tore I Sandvold and Bente Rathe.

• Production start on Snorre B, Gullfaks satellites and Huldra
These fields came on stream, and all make an important contribution in a mature part of the NCS.

• Åsgard shutdown
Petoro kept abreast of the challenges faced by the Åsgard operator and other licensees in connection with weld fractures and later vibration problems. Åsgard B was shut down, and the companies had to find replacement gas supplies during that period. This was solved through a very flexible and efficient gas production system, with good flexibility in pipeline transport and access to replacement gas.

• GasLed
As the largest licensee, Petoro has made a substantial contribution to the work on GasLed and the process of integrating partnerships for transport systems and land-based plants. Infrastructure management involves large and important asset values.

• Ormen Lange
Continuous efforts have been made to enhance the development decision for Ormen Lange. Petoro has prioritised and carefully followed up this work. An Ormen Lange development is one of the major strategic decisions due to be taken in 2002. This field presents challenges relating to deep water, steep submarine slopes, land terminal versus offshore solution, a strengthened central hub downstream and the selection of markets for ultimate sale of the gas.

• Portfolio restructuring
The MPE sold about 15 per cent of the assets in the SDFI portfolio to Statoil in May 2001. This sale embraced holdings in 85 production licences and five pipelines, and earned NOK 38.6 billion (net after tax). About 6.5 per cent of the SDFI's assets, embracing 30 production licences, were sold by the MPE in March 2002 to nine companies. This earned NOK 8.4 billion in all. The buyers were Norsk Hydro Produksjon AS, TotalFinaElf Exploration Norge AS, A/S Norske Shell, Norske Conoco AS, Marathon International Petroleum Ltd, Paladin Resources Norge AS, Gaz de France Norge AS, Idemitsu Petroleum Norge AS and Dong Norge AS.

HEALTH, SAFETY AND THE ENVIRONMENT

As the largest licensee on the NCS, Petoro must share responsibility for imposing environmental burdens on the sea and air. At the same time, it is committed to sustainable development and to showing responsibility for HSE. A focus on new technology and solutions is required to help achieve the Kyoto obligations. Discharges of produced water and carbon dioxide emissions will be areas attracting attention in coming years.

The board would emphasise that great attention will be devoted to HSE efforts, and that the company will establish systems which fully meet reporting requirements for the SDFI portfolio that include quantitative HSE results for the business. Through cooperation with other players, interest groups and offshore participants, Petoro will contribute expertise to help achieve the goal of continuous HSE improvement.

Petoro's broad participation on the NCS will put the company in a special position on access to information as well as management and performance indicators. The volume represents a challenge in itself, while also providing unique insight across Norway's offshore business. Petoro's aim is to utilise these data for enhanced value creation and continuous improvement within the industry.

FUTURE DEVELOPMENT OF THE PORTFOLIO

The SDFI represents a substantial proportion of Norway's national wealth, and must be managed on commercial terms in a long-term perspective.

Measured in oil equivalent, oil production from the portfolio was three times larger than gas output in 2001. Revenues from oil are expected to be considerable higher than from gas over the next few years. But these income flows should approach parity over a 10-year period. Gas plays an important role in Norwegian resource management, both because it makes a big contribution to improving oil recovery and because the cost structure and field properties make coordination of the gas business essential. Gas production has a significantly longer timeframe for Norway than oil output. Petoro is the biggest partner in production licences with gas resources and in gas pipelines on the NCS, and will accordingly give priority to making a constructive contribution in this area.

Petoro will complete work in 2002 on developing a strategy for maximising the return on the portfolio.

Stavanger, 21 May 2002

Tore I Sandvold Chair	Bente Rathe Deputy chair	Ola Mestad
Ingelise Arntsen	Svein Rennemo	Kjell Pedersen President and CEO

The portfolio

The SDFI represents a substantial proportion of Norway's national wealth, and must be managed on commercial terms in a long-term perspective.

All parts of the NCS are represented in the portfolio of production licences and permits for installation and operation of transport systems and terminals. The NCS is divided into the following areas:

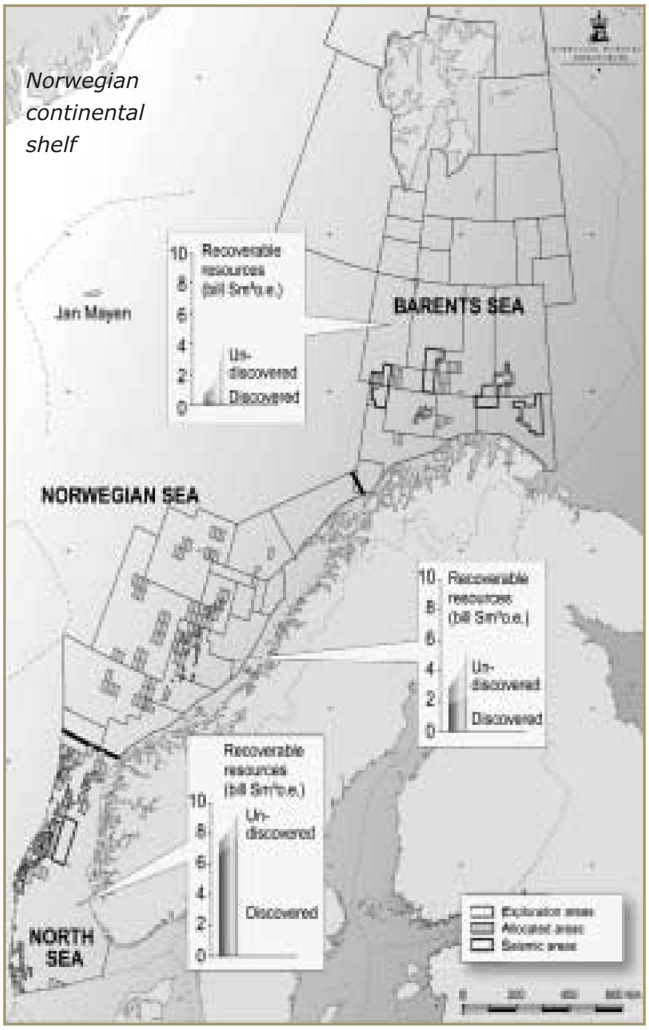
- Barents Sea
- Norwegian Sea (Vøring/Halten Bank)
- Tampen, North Sea
- Troll/Oseberg/Heimdal area, North Sea
- Southernmost NCS.

All these areas offer long-term perspectives and interesting challenges.

Progress in the Barents Sea relates to the development of Snøhvit and the land-based plant for gas liquefaction and LNG export. The field contains large gas reserves, but lies a long way from markets. Little oil and gas infrastructure has been developed in the area, and environmental issues present challenges. Snøhvit is the only SDFI interest in the Barents Sea, and the only field planned for development.

Challenges in the Norwegian Sea relate to continued development of a large resource potential, both liquid and gaseous. These waters offer good prospects for new discoveries which will be significant for the SDFI's portfolio of licences in the exploration phase. A new gas province is in prospect, with Ormen Lange as a key field for further development in the region off the coast of Møre. Ormen Lange faces special challenges relating to deep water and difficult seabed conditions. Large new developments – such as Kristin, which poses a number of new challenges relating to high reservoir pressure and temperature – have been approved and initiated in the Norwegian Sea. In addition to significant gas production from such fields as Åsgard, the Norwegian Sea yields substantial oil production from a number of developments, including Draugen and Heidrun.

Large resources remain in the Tampen and Oseberg areas, but production is declining and operating expenses are rising for the major fields. These challenges must be tackled over the next few years, and will call for new technology as well as big changes in the area's



organisation and infrastructure. Very large gas resources are concentrated in the Troll area, and provide opportunities for further development of land-based plants and transport systems. Troll dominates the SDFI portfolio in terms of size, partly because of its physical dimensions and partly because of the large state interest in the field. It will occupy a unique position in portfolio for both oil and gas production over many years to come.

The Ekofisk area remains very interesting in the long term. Forty per cent of the original resources in place off Norway lie on the southernmost NCS, and provide long-term challenges for increased reservoir management.

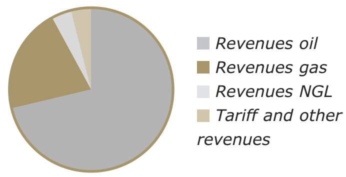
Shares are held by the SDFI in most transport systems and land-based plants related to oil and gas production on the NCS. Taken together, these facilities provide an efficient and flexible infrastructure, and establishing unitised ownership through GasLed will form the basis for further value creation.

An integrated and flexible infrastructure has been built up on the NCS. This comprises pipelines, processing plants and receiving facilities, which link resources and markets into an integrated commercial system. The SDFI is a substantial owner of infrastructure on the NCS.

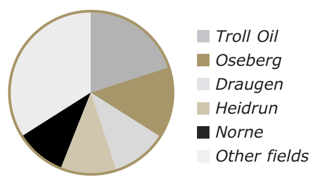
2001

Production in 2001 came to 1.1 million barrels of oil per day and 360 000 barrels of oil equivalent of gas per day. This output generated operating revenues of NOK 125.6 billion.

Operating revenue 2001 by product



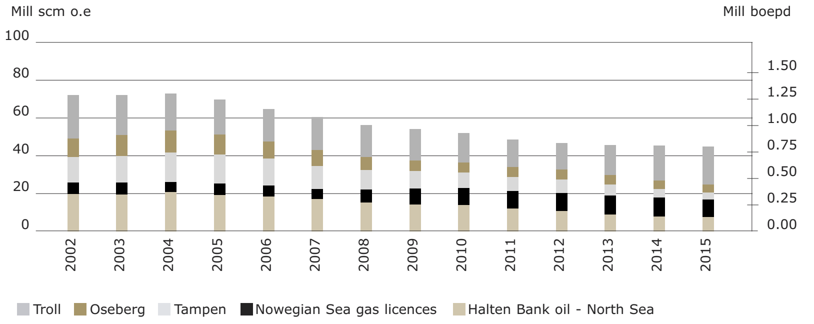
Oil revenues 2001 by area



Gas accounts for about 21 per cent of total revenues, oil and NGL for 75 per cent, and tariff revenues in the infrastructure for the remainder.

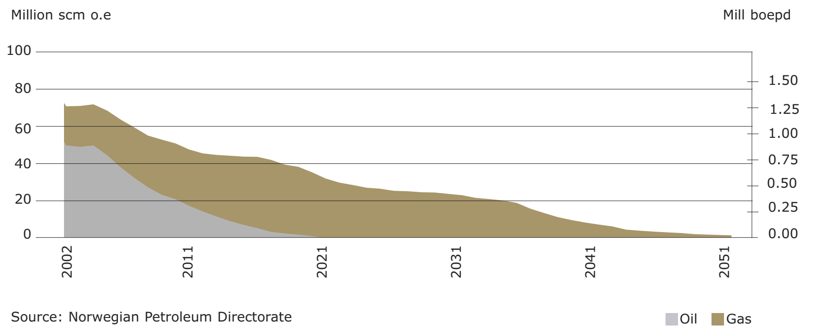
Oil production from the five largest oil producers accounts for two-thirds

Estimated production of oil and gas from the SDFI portfolio by geograpic area



Source: Norwegian Petroleum Directorate

Estimated production of oil and gas from the SDFI portfolio



Source: Norwegian Petroleum Directorate

of total crude output, which indicates a high level of concentration.

Production of oil and gas is concentrated in the Oseberg, Troll, Tampen and Halten Bank areas. Petoro will concentrate its efforts on these areas to enhance the value of the portfolio.

In the longer term, the portfolio will shift from being primarily oil-based to being substantially gas-based. Technological progress is still expected to provide improved recovery and the development of additional resources. This makes it likely that production forecasts will increase over time. The oil forecast will primarily be determined by perspectives for improved recovery and the development of additional resources, while the gas profile will be determined by demand for this commodity.

Oil production accounts for about half the estimated net present value, even though the gas component is rising over time.

In coming years, many of the large, strategically-important decisions are expected to relate to gas. They will cover both gas production from fields on stream and development of new gas sources. Capacity expansions in existing transport facilities and development of new systems are also likely. At the same time, major changes are expected in gas markets, in which Norway has an important role to play. All these decisions are likely to lay a broad base for the future development and profitability of Norwegian gas resources.

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER

All figures in NOK million	**Notes**	**2001**	**2000**
OPERATING INCOME			
Operating revenue	3, 4	125 562	143 969
Total operating income		**125 562**	**143 969**
OPERATING EXPENSES			
Exploration expenses		1 265	1 545
Depreciation and amortisation expenses	2	18 334	17 505
Removal expenses		2 006	1 897
Other operating expenses	5	17 639	18 842
Total operating expenses		**39 244**	**39 789**
Operating profit		**86 318**	**104 180**
FINANCIAL INCOME AND EXPENSES			
Financial income		580	719
Financial expenses	5	210	127
Net financial result		**370**	**592**
Net profit for the year		**86 688**	**104 772**

Stavanger, 21 May 2002

Tore I Sandvold
Chair

Bente Rathe
Deputy chair

Ola Mestad

Ingelise Arntsen

Svein Rennemo

Kjell Pedersen
President and CEO

BALANCE SHEET AT 31 DECEMBER

All figures in NOK million	**Notes**	**2001**	**2000**
ASSETS			
Fixed assets			
Equipment, property	2, 9	131 207	158 997
Total fixed assets		**131 207**	**158 997**
Current assets			
Other receivables	10	10 887	14 650
Total current assets		**10 887**	**14 650**
Total assets		**142 094**	**173 647**
EQUITY AND LIABILITIES			
Equity	11	127 302	156 502
Equity		**127 302**	**156 502**
Liabilities	12	10 216	12 276
Long-term liabilities		**10 216**	**12 276**
Current liabilities			
Open account Statoil		784	488
Other current liabilities		3 792	4 381
Total current liabilities	13	**4 576**	**4 869**
Total liabilities		**14 792**	**17 145**
Total equity and liabilities		**142 094**	**173 647**

CASH FLOW STATEMENT

All figures in NOK million	**2001**	**2000**
CASH FLOW FROM OPERATIONS:		
Cash receipts from operations	126 715	142 313
Cash disbursement to operations	(18 741)	(23 001)
Net financial outflow	370	593
Net cash flow from operations	**108 344**	**119 905**
CASH FLOW FROM INVESTMENTS:		
Investment in fixed assets	(16 513)	(21 512)
Net cash from investment	**(16 513)**	**(21 512)**
CASH FLOW FROM FINANCING:		
Short-term financing:		
Change in current liabilities	736	(1 381)
Change in open account Statoil	296	229
Long-term financing:		
Change in long-term liabilities	1 685	1 799
Equity:		
Net transfer to the government	(94 548)	(99 040)
Net cash from financing	**(91 831)**	**(98 393)**
Change in liquid assets	0	0

SDFI

Accounts on a cash basis

APPROPRIATION ACCOUNTS

All figures in NOK million	**Notes**	
Removal		0
Investment	2	16 569
Total costs		**16 569**
Operating income	3, 4	(128 589)
Operating expenses	5	16 765
Exploration and field development expenses		1 539
Depreciation	2	17 892
Interest on fixed capital	6	7 488
Operating profit		**(84 905)**
Depreciation	2	(17 892)
Transfer from Govt Petroleum Insurance Fund	8	(566)
Interest on running accounts	6	29
Interest on fixed capital	6	(7 488)
Total income		**(110 821)**
Cash flow (net income from SDFI)		**(94 252)**

CAPITAL ACCOUNTS

All figures in NOK million	**Notes**			
Open account Statoil				(784)
Real investment before write-down			150 018	
Write-down	2		(24 779)	
Account for real investment	7		125 239	125 239
Total				124 455
Open account government 1 Jan 2001			488	
Total costs		16 569		
Total revenue		(110 821)		
Cash flow		(94 252)	(94 252)	
Net transfer to the government			94 548	
Open account government 31 Dec 2001			784	784
Fixed capital 1 Jan 2001			(151 341)	
Investment this year			(16 569)	
Depreciation this year			17 892	
Write-down	2		24 779	
Fixed capital 31 Dec 2001			(125 239)	(125 239)
Total				(124 455)

NOTES TO THE FINANCIAL STATEMENTS 2001

Accounting principles

ACCOUNTS PREPARED ON A CASH BASIS (CASH ACCOUNTING)

Storting Proposition no 36 (2000-2001) on ownership of Statoil and future management of the SDFI allocates to Petoro the licensee role for the state's direct financial interest (SDFI) in petroleum operations and responsibility for managing these assets. Expenses and revenues for the SDFI appear in the government's accounts and budgets. As specified in the above-mentioned proposition, holdings in the SDFI are not included in the accounts for Petoro (or Statoil), but appear in the accounts for the SDFI.

With effect from 1997, the accounts prepared on a cash basis use the gross method to record licences with net profit agreements. In other words, net payments to the SDFI in a licence in one year are posted as income and net payments from the SDFI are recorded as expenses.

The main difference between accounts using the accruals principle and those calculated on a cash basis is that the latter include investment and exclude depreciation. In addition, corrections are made to income, expenses and investments for changes in receivables and liabilities. With cash accounting, realised currency losses/gains are included in operating expenses and income, while accounts using the accruals principle shows such losses/gains as financial expenses/income and accordingly have no effect on the operating result.

ACCOUNTS PREPARED IN ACCORDANCE WITH THE NORWEGIAN ACCOUNTING ACT (ACCRUALS PRINCIPLE)

The accounts are prepared in accordance with the principles enunciated in the Norwegian Accounting Act and associated standards (Norwegian generally-accepted accounting principles – NGAAP).

CHARGED AGAINST INCOME

- Expenses in the exploration phase which are not expected to result in profitable petroleum production.
- Interest charges and other financial expenses.
- Operating preparations relating to field installations and production facilities on land.
- Procurement of spare parts in the production phase.

CAPITALISED

- Expenses incurred by the project organisation for fields under development.
- Field expenses incurred after approval of the plan for development and operation.

DEPRECIATION

Ordinary depreciation on oil and gas production facilities is calculated for each field and field-dedicated transport system using the unit of production method, based on proven reserves. Proven reserves are defined in accordance with the rules which apply to companies listed on the New York Stock Exchange (prepared by the Securities and Exchange Commission). Ordinary depreciation for transport systems used by several fields is calculated on the basis of their economic life expectancy, using the straight-line method.

GAS SWAPS

Gas and gas borrowing agreements are accrued using the sales method. This means that the borrower records the sale as income on delivery to the buyer. At the same time, a provision is made for the expected future cost of producing and possibly transporting the gas to be returned. When lending gas, the lower of production expense and estimated net present value of the future sales price is capitalised as a pre-paid expense.

PURCHASES AND SALES BETWEEN FIELDS AND/OR TRANSPORT SYSTEMS

Internal expenses and revenues relating to purchases and sales between fields and/or transport systems in which the SDFI has a financial interest are eliminated.

TRANSFER OF PROPRIETARY RIGHTS BETWEEN LICENCES

Proprietary rights are transferred (normally on completion) in some cases from the licence which has paid for an investment to the licence in which the investment has been made. The paying licence then retains the right of use to the capital equipment. Statoil has annually reported to the MPE on new cases of this kind. In

the accounts, the paying licence retains the investment as an asset and depreciates it as if the proprietary right had remained with that licence.

REMOVAL EXPENSES
In accordance with the licence terms, the authorities can require the licensees to remove offshore installations when their production life comes to an end. The size of such removal expenses will depend on the requirements imposed by the authorities in respect of the removal concept for permanent installations, pipeline systems and so forth. After taking account of the likelihood of removal, the SDFI's obligation – including decommissioning of the installation – is calculated using the unit of production method. This obligation relates mainly to fields in production. Since the SDFI does not pay tax, and is accordingly excluded from the government's statutory reimbursement scheme for removal expenses, a provision equal to the full expected share of removal expenses has been made in the SDFI accounts.

CONTINGENT LIABILITIES
Probable and quantifiable losses are charged against income.

Note 1 • Transfer of assets between the SDFI and Statoil

In anticipation of a partial privatisation of Statoil, the government restructured its proprietary interests in oil and gas on the NCS. In this connection, the government sold assets with a gross book value of about NOK 28 billion to Statoil. Settlement for this transaction took the form of NOK 38.6 billion in cash plus interest and foreign currency gain from the valuation date to the settlement date. In addition, certain pipeline interests and other assets with a net book value of about NOK 1.8 billion were sold to the government. The purchase price was based on the valuation at 1 January 2001, with the exception of the sale of the holding in the Mongstad terminal, which is based on the valuation of 1 June 2001. The cash payment was adjusted for the cash flow generated by the transferred assets from the valuation date to the settlement date. The government has unilaterally selected the assets sold between the SDFI and Statoil. Its aim has been to achieve a balance between safeguarding government revenues, continuing to develop the Norwegian oil industry and the competitiveness of the NCS, and securing long-term gas management. The assets sold to Statoil represent about 15 per cent of the SDFI's pre-transfer value. Further sales to other oil companies have been carried out by the government in 2002, totalling some 6.5 per cent of the SDFI's value.

These asset sales have been recorded using the pooling of interests method, since they occurred between units under common control. The pooling of interests method means that assets in the SDFI accounts are reduced by the book value of the transferred assets with equity as the contra entry, while income statement and balance sheet values for the assets transferred from Statoil to the government have been combined with the SDFI's other assets on the basis of historical book values.

By agreement between the government and Statoil, the cash payment for the transferred assets has been a matter between the government and Statoil independently of the SDFI. Had the SDFI been an independent company, the payment would have passed via the SDFI and been shown in equity and the cash flow statement as proceeds of equity. In addition, the transfer of assets to Statoil and cash to the government would have appeared as dividend.

A review of the calculations used to determine the cash payment for the transferred assets has not been completed, and could involve changes to the payment.

The annual accounts for 2001 have been prepared in accordance with the SDFI portfolio before the transfer of assets for the 1 January-31 May period, and in accordance with the portfolio after the transfer for the 1 June-31 December period. Investments are based on the new portfolio for the whole year.

NOTES TO THE FINANCIAL STATEMENTS 2001

Note 2 • Specification of fixed assets

All figures in NOK million

	Book value 31.12.2000	Write-down a) 2001	Addition b) 2001	Depr c) 2001	Adjustment depr d) 2001	Book value 31.12.2001
Brage	597		197	(324)		470
Draugen	3 943		594	(814)		3 722
Ekofisk II	1 016		123	(122)		1 017
Fram H	9		130			139
Glitne	69	(69)				0
Grane	527		1 755			2 282
Gullfaks	13 911	(8 194)	1 099	(1 631)	575	5 759
Gungne	156	(156)		(11)	11	0
Gyda	207		68	(59)		216
Heidrun	13 127		1 176	(1 648)		12 655
Heimdal	63		-29	(3)		30
Huldra	1 279		593	(115)		1 756
Jotun	116		5	(52)		68
Kristin			30			30
Kvitebjørn	222	(56)	753			920
Mikkel	11	(11)				0
Njord	1 387		20	(308)		1 099
Norne	4 361	(79)	384	(1 010)	16	3 672
Norsea Gas		4				4
Oseberg South	2 919		321	(544)		2 696
Oseberg Unit	3 597		541	(603)		3 535
Oseberg East	1 514		304	(431)		1 387
Sigyn	1	(1)				0
Skirne	75		5			79
Sleipner West	3 551	(3 551)		(206)	206	0
Sleipner East	803	(803)		(117)	116	0
Snorre	6 978	(311)	939	(724)	0	6 882
Snøhvit			126			126
Statfjord North	624		44	(88)		580
Statfjord East	336	(87)	117	(104)	9	271
Sygna	589	(141)	6	(197)	38	296
Tommeliten						0
Tambar	100		294	(25)		369
Tordis	1 005	(416)	161	(321)	57	486
Troll Gas	18 502	(2 044)	93	(433)	20	16 137
Troll Oil	13 075	(1 444)	2 188	(4 246)	165	9 739
Tune	348		767			1 114
Varg	62		26	(76)		12
Veslefrikk	1 079		93	(138)		1 034
Vesterled	189		381	(7)		563
Vigdis	1 150	(473)	239	(437)	98	576
Visund	4 195	(1 658)	356	(382)	67	2 578
Yme	17	(17)		(8)	8	0
Åsgard	21 571	(5 261)	764	(968)	101	16 207
Sub-total	123 279	(24 767)	14 661	(16 153)	1 487	98 507

Cont note 2 • Specification of fixed assets

All figures in NOK million

	Book value 31.12.2000	Write-down *a)* 2001	Addition *b)* 2001	Depr *c)* 2001	Adjustment depr *d)* 2001	Book value 31.12.2001
Etanor	720		85	(37)		768
Europipe II	4 099	(1 024)	36	(178)	22	2 954
Haltenpipe	1 061	(117)	0	(38)	2	908
Franpipe	3 959		22	(200)		3 781
Dunkerque Terminal	158		1	(8)		151
Mongstad Terminal DA	0	71	2	(7)		65
Oseberg Gas Transp (OGT)	738		20	(40)		719
Oseberg Transp System (OTS)	705		2	(104)		603
Statpipe	0	1 695	25	(100)		1 620
Troll Oil Pipelines I and II	641	(71)	4	(108)	5	471
Vestprosess	669		(32)	(37)		600
Zeepipe/Europipe I	12 720		1	(681)		12 041
Zeepipe Terminal	125		1	(10)		115
Åsgard Transport	3 786		17	(193)		3 611
Total fixed assets excluding capitalised exploration exp	152 662	(24 213)	14 843	(17 893)	1 515	126 915
Capitalised exploration exp	6 335	(1 833)	155	(442)	77	4 292
Total - accruals principle	158 997	(26 046)	14 998	(18 334)	1 592	131 207
Conversion to cash basis	(7 656)	1 833	1 572	442	(1 592)	(5 402)
Conversion to cash basis *e)*		(566)				(566)
Total accounts on a cash basis	151 341	(24 779)	16 569	(17 892)	0	125 239

a) Change in book value at 31 December 2000 owing to the transfer of assets between the SDFI and Statoil

b) Addition 2001: Accords with the SDFI portfolio after the transfer of interests from the SDFI to Statoil for the whole year (new interests)

c) Depreciation 2001 (as recorded in the income statement). Old interests 1 Jan-31 May, new interest 1 Jun-31 Dec.

d) Adjustment depreciation: difference between new and old interests 1 Jan-31 May2001, in other words, adjustment to the column for depreciation 2001c to new interests.

e) Payments from the Government Petroleum Insurance Fund (See note 8).

NOTES TO THE FINANCIAL STATEMENTS 2001

Note 3 • Specification of operating income

All figures in NOK million	2001	2000
Brage	1 281	1 358
Borg	89	32
Draugen	10 005	10 733
Ekofisk	1 842	1 558
Frøy	58	291
Grane	0	4
Gullfaks	10 893	20 238
Gungne	102	191
Gyda	545	604
Heidrun	9 691	9 579
Heimdal	250	0
Huldra	258	0
Jotun	184	352
Njord	1 258	1 970
Norne	9 279	9 233
Oseberg South	2 343	935
Oseberg Unit	11 045	13 190
Oseberg East	2 429	1 859
Sleipner West	2 255	4 559
Sleipner East	1 926	4 462
Snorre	5 446	4 912
Statfjord North	1 148	2 105
Statfjord East	1 339	2 063
Sygna	1 339	230
Tambar	158	0
Tordis	2 873	3 497
Troll Gas	21 596	20 299
Troll Oil	15 766	17 736
Varg	508	776
Veslefrikk	1 128	1 646
Vigdis	2 387	3 492
Visund	1 335	1 721
Yme	98	506
Åsgard	8 749	7 103
Norm price adjustment	(301)	(77)

Cont note 3 • Specification of operating income

All figures in NOK million	2001	2000
Dunkerque Terminal	35	35
Etanor	103	24
Europipe II	758	768
Franpipe	566	473
Frostpipe	0	10
Haltenpipe	192	203
Mongstad Terminal	156	0
Oseberg Gas Transport	100	41
Oseberg Transport System	1 405	1 686
Statpipe	1 585	0
Troll Oil Pipelines I and II	603	653
Vesterled	44	83
Vestprosess	130	119
Zeepipe Terminal	44	42
Zeepipe/Europipe I	2 179	2 717
Åsgard transport	353	26
Exploration licences	0	2
Net profit agreement	531	30
Elimination internal sale	(12 523)	(10 101)
Total - accruals principle	125 562	143 969
Financial income	580	719
Conversion to cash basis	2 447	(2 423)
Total - accounts on a cash basis	128 589	142 265

Note 4 • Specification of external operating income

All figures in NOK million	2001	2000
Crude oil and NGL	94 748	116 977
Gas	25 751	22 592
Transport, processing and other income	4 532	4 370
Net profit agreements	531	30
Total - accruals principle	125 562	143 969
Financial income	580	719
Conversion to cash basis	2 447	(2 423)
Total - accounts on a cash basis	128 589	142 265

NOTES TO THE FINANCIAL STATEMENTS 2001

Note 5 • Specification of other operating expenses

All figures in NOK million	2001	2000
Borg	54	13
Brage	261	345
Draugen	502	388
Ekofisk II	331	258
Fram West	9	0
Frøy	38	185
Glitne	7	6
Grane	72	0
Gullfaks	1 699	2 743
Gungne	8	27
Gyda	139	135
Heidrun	1 788	1 174
Heimdal	233	43
Huldra	214	21
Jotun	-2	37
Kristin	55	0
Kvitebjørn	20	12
Mikkel	6	9
Njord	197	233
Norne	859	400
Oseberg Unit	2 732	2 430
Oseberg East	396	247
Oseberg South	366	199
Skirne	1	0
Sleipner West	763	1 390
Sleipner East	656	1 611
Snorre	1 109	884
Snøhvit	51	0
Statfjord North	224	255
Statfjord East	193	208
Sygna	41	14
Tambar	26	0
Tune	48	30
Tommeliten	273	4
Tordis	299	435
Troll Gas	10 448	9 514
Troll Oil	1 283	1 490
Varg	152	199
Veslefrikk	430	435
Vigdis	273	290
Visund	230	324
Yme	117	263
Åsgard	2 540	1 270

Cont note 5 • Specification of other operating expenses

All figures in NOK million	2001	2000
Dunkerque Terminal	15	15
Etanor	34	25
Europipe II	429	474
Franpipe	162	154
Frostpipe	1	6
Haltenpipe	26	28
Mongstad Terminal	39	0
Oseberg Gas Transport	18	14
Oseberg Transport	204	223
Statpipe	200	0
Troll Oil Pipelines I and II	31	27
Vesterled	78	64
Vestprosess	43	36
Zeepipe Terminal	7	6
Zeepipe/Europipe I	(281)	208
Åsgard Transport	17	19
Elimination internal purchase	(12 523)	(10 101)
Total - accruals principle	17 638	18 718
Financial expenses	210	127
Conversion to cash basis	(1 082)	741
Total - accounts on a cash basis	16 766	19 585

Note 6 • Interest

Interest on the government's fixed capital and on open accounts with the government is included in the income statement. The amount of interest is calculated as specified in Storting Proposition no 1 (the Finance Bill) Amendment no 7 for 1993-94, letter of award to Petoro AS for 2001 from the Ministry of Petroleum and Energy, item 6, and letters to Statoil from the Ministry of Petroleum and Energy of 25 September 2001 and 10 December 2001.

Note 7 • Cash balance

All figures in NOK million	
Open account Statoil	(784)
Account for real investments	125 239
Total	124 455
Open account government	784
Fixed capital 31 Dec 2001	(125 239)
Total	(124 455)

See note 2 for specification of fixed capital.

NOTES TO THE FINANCIAL STATEMENTS 2001

Note 8 • Government Petroleum Insurance Fund/write-down

Transfers from the Government Petroleum Insurance Fund relate to settlements of insurance claims. The amount is added to investments and then recorded as a write-down of investments.

Note 9 • Fixed assets

Fixed assets include NOK 124 513 million for fields in production, NOK 5 668 million for installations under development and NOK 1 026 million for licences in the exploration phase.

Note 10 • Other receivables

All figures in NOK million

Accounts receivable (mainly Statoil)	10 273
Share of net working capital (in licences)	258
Other receivables (provisions)	357
Total	10 887

Other receivables include provisions for possible price changes from the renegotiation of gas prices.

Note 11 • Equity

All figures in NOK million

Cash transfer to the Bank of Norway	(304 225)
Capital contribution	9 082
Accumulated earnings at 1 Jan 2001	357 096
Transfer of interests (See note 1)	(21 339)
Net profit for the year	86 688
Total equity	127 302

Cash transfer to the Bank of Norway is the amount which the government has received from the SDFI (payments from the SDFI minus payments to the SDFI, with the exception of NOK 9 082 million in capital contribution).

Note 12 • Long-term liabilities

Accumulated provisions for removal of installations come to NOK 8 980 million. NOK 604 million is the SDFI's share of prepayment from Electrabel for gas purchases. NOK 402 million represents compensation to gas purchasers in connection with the buy-out of stock liabilities. NOK 230 million represents provisions for tariff costs for transported petroleum from Tommeliten which are regarded as the share of removal liabilities on the Edda platform.

Note 13 • Current liabilities

All figures in NOK million

Share of net working capital (in licences)	1 933
Trade creditors (mainly Statoil)	895
Provisions (mainly tariff costs)	965
Open account Statoil	784
Total current liabilities	4 576

Note 14 • Potential liabilities

On 13 June 2001, Statoil and Norsk Hydro received a complaint from the competition authorities in the European Union. At the beginning of August 2001, 21 other licensees received an equivalent complaint. This is the first step in a formal process which could result in legal action against these companies, possibly lasting for a number of years. The complaint concerns the organisation of gas sales from the Norwegian continental shelf, and alleges that this organisation is contrary to competition rules in the EU/European Economic Area.

The EU has claimed that the process could result in fines and changes to existing sales contracts. No provision has been made for this in the financial statements for 2001.

The Norwegian companies which have received this complaint intend to mount an active defence against the charges if the EU pursues the case. They will maintain that the organisation of Norwegian gas sales has been imposed on the companies by the Norwegian authorities.

The SDFI may be affected by other possible legal actions in which Statoil is involved Statoil does not think that the outcome of these cases will have any substantial effect on the SDFI's financial position, results or cash flow.

SDFI

Overview of reserves

EXPECTED SDFI OIL AND GAS RESERVES*

Oil** in millions of barrels	2001		2000		1999	
Gas in billions of scm	Oil	Gas	Oil	Gas	Oil	Gas
Estimated reserves						
at the beginning of the year	4 510	1 157	4 840	1 167	5 650	1 195
Change in estimates	(113)	(20)	15	(8)	(418)	(15)
Extensions and discoveries	90	37	94	21	45	5
Improved recovery	11	0	32	1	(49)	0
Purchase of reserves					73	4
Sale of reserves	(697)	(200)				
Production	(425)	(21)	(471)	(24)	(461)	(22)
Estimated reserves at 31 Dec***	3 376	953	4 510	1 157	4 840	1 167

Estimated reserves in production at 31 December 2001 come to 2 654 million barrels of oil and NGL and 596 billion scm of gas.

* At 31 December 2001, the principle for recording petroleum reserves was changed from compliance the US Securities and Exchange Commission (SEC) requirements to comply with the Norwegian Petroleum Directorate's definition of the estimated value of resources (see the definition below). The figures for 2000 and 1999 have been revised to comply with the same principle.

**Oil includes NGL

***Single entries are rounded off and not corrected to obtain exact totals.

DEFINITION

Estimated reserves represent the estimated value of resources in resource categories 1-3 of the NPD's resource classification system, as specified in the guidelines for classification of petroleum resources on the NCS.

Estimated reserves in production are the sum of remaining recoverable, marketable and deliverable quantities of petroleum which are in production, and also include cases in which production has been temporarily shut down. These quantities satisfy the NPD's resource category 1F.

Petoro AS

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER

Figures in NOK 1 000	**Notes**	**2001**
OPERATING INCOME		
Government contribution	2	50 000
Total operating income		**50 000**
OPERATING EXPENSES		
Payroll expenses	3	5 908
Depreciation and amortisation expenses	4	33
Accounting fee		4 507
Administrative fee		17 344
Recruiting expenses		6 531
Start-up team		18 454
Other operating expenses		6 284
Total operating expenses		**59 061**
Operating profit/(loss)		**(9 061)**
FINANCIAL INCOME AND EXPENSES		
Other interest income		538
Net financial result		**538**
Net profit/(loss) for the year		**(8 523)**

Stavanger, 21 May 2002

Tore I Sandvold
Chair

Bente Rathe
Deputy chair

Ola Mestad

Ingelise Arntsen

Svein Rennemo

Kjell Pedersen
President and CEO

Petoro AS

BALANCE SHEET AT 31 DECEMBER

Figures in NOK 1 000	**Notes**	**2001**
ASSETS		
Tangible fixed assets	4	216
Current assets		
Other debtors	5	2 026
Cash and bank deposits	6	17 743
Total current assets		**19 770**
Total assets		**19 986**
EQUITY AND LIABILITIES		
Equity		
Paid-in capital		
Share capital (10 000 shares at NOK 1 000)	7, 8	10 000
Total paid-in capital		**10 000**
Retained earnings		
Other equity	8	(8 523)
Total retained earnings		**(8 523)**
Total equity		**1 477**
Liabilities		
Provisions		
Pension liabilities	3, 9	666
Total provisions		**666**
Current liabilities		
Trade creditors		10 467
Withheld taxes and social security		1 316
Other current liabilities		6 060
Total current liabilities		**17 843**
Total liabilities		**18 509**
Total equity and liabilities		**19 986**

Petoro AS

CASH FLOW STATEMENT

Figures in NOK 1 000	**2001**
NET CASH FLOW FROM OPERATING ACTIVITIES:	
Cash generated from this year's operations*	-8 490
Change in debtors	-2 026
Change in trade creditors	10 467
Change in other current assets/liabilities	8 042
Net cash provided by operating activities	**7 993**
NET CASH FLOW FROM INVESTING ACTIVITIES:	
Purchase of fixed assets	(249)
Net cash provided by investing activities	**(249)**
NET CASH FLOW FROM FINANCING ACTIVITIES:	
Proceeds from share issue	10 000
Net cash provided by financing activities	**10 000**
Net change in cash and cash equivalents	17 743
Cash and cash equivalents at beginning of the year	0
Cash and cash equivalents at end of the year	**17 743**
*Net profit/(loss) for the year	(8 523)
Depreciation and amortisation expenses	33
Cash generated from this year's operations	(8 490)

NOTES TO THE FINANCIAL STATEMENTS 2001

Note 1 • Accounting principles

VALUATION AND CLASSIFICATION OF ASSETS AND LIABILITIES

Assets meant for permanent ownership or use in the business are classified as fixed assets. Other assets are classified as current assets. Creditors due within one year are classified as current assets. The classification of current and long-term liabilities is based on the same criteria.

Fixed assets are carried at historical cost, but are written down if a decline in fair value below the carrying amount is expected to be permanent. Fixed assets with a limited economic life are depreciated in accordance with a reasonable depreciation schedule. Long-term loans are carried at nominal value.

Current assets are valued at the lower of historical cost and fair value. Current liabilities are carried at nominal value. Current liabilities are not revalued in the event of changes in interest rates.

DEBTORS

Other debtors are carried at face value less provision for expected loss. An estimate is made for doubtful debtors based on a review of all outstanding amounts at year-end. Bad debts are written off in the year in which they are identified.

CASH AND BANK DEPOSITS

Cash and cash equivalents include cash, bank deposits and other monetary instruments with a maturity of less than three months at the date of purchase.

PENSIONS

The basis for recording pension liabilities is the estimated salary level on retirement and the number of years of pensionable service. Deviations from estimates and effects of changes in assumptions are amortised over the expected remaining years of service if they exceed 10 per cent of the greater of pension liabilities and pension funds. Changes in the pension plan are spread over the remaining years of service. The figures include social security tax.

GOVERNMENT CONTRIBUTION

Operating contribution is recognised at the same time as the revenue which the grant will increase or the expenses which it will reduce.

INCOME TAXES

The company is exempt from tax under section 2-30 of the Income Tax Act.

DAY OF FOUNDATION

Petoro AS was established on 9 May 2001, and the company's income statement for 2001 covers the period from 9 May to 31 December 2001.

Note 2 • Government contribution

The company received an operating contribution of NOK 50 000 000 from the Norwegian authorities in 2001.

Petoro AS

Note 3 • Staff costs, number of employees, benefits, loans to employees, etc

Figures in NOK 1 000

PAYROLL EXPENSES	
Wages and salaries	3 787
Social security tax	760
Pensions (see note 9)	666
Other benefits	695
Total	5 908

Number of employees at 31 December 2001	5
Number of employees with a signed contract but not yet started work at 31 December 2001	29

Figures in NOK 1 000

Remuneration of executives, etc	Salaries	Pensions	Other
President and CEO	1 260	666	30
Chair of the board	950		38

The president is entitled to full pension benefits from the age of 62.

DIRECTORS´ FEES

The board of directors received fees of NOK 613 333 in 2001.

AUDITOR'S FEES

Deloitte & Touche received audit fees of NOK 20 000 for the year ended 31 December 2001. In addition, the auditor received NOK 315 925 in fees for non-audit services.

Note 4 • Tangible fixed assets

Figures in NOK 1 000	Equipment etc
Cost 1 January 2001	0
Additions (purchased)	249
Disposals	0
Cost 31 December 2001	249
Accumulated depreciation at 31 December 2001	33
Balance at 31 December 2001	216
Current year depreciation	33
Economic life	3 years
Depreciation schedule	Straight line/ reducing method
Annual operating lease rentals charged against income	559

NOTES TO THE FINANCIAL STATEMENTS 2001

Note 5 • Other debitors

Other debtors consist of prepaid expenses.

Note 6 • Cash and bank deposits

Restricted cash amounted to NOK 823 372.

Note 7 • Share capital and shareholder information

The share capital of the company at 31 December 2001 consisted of 10 000 shares with a nominal value of NOK 1 000 each.

The company is wholly owned by the Ministry of Petroleum and Energy on behalf of the Norwegian government.

Note 8 • Equity

Figures in NOK 1 000	Share capital	Other equity
Equity at 1 January 2001	0	0
Current year changes in shareholder's funds:		
Foundation	100	
Capital increase	9 900	
Net loss for the financial year	0	(8 523)
Equity at 31 December 2001	10 000	(8 523)

Note 9 • Pension costs, funds and obligations

Figures in NOK 1 000	
Net present value of benefits earned during the year	584
Accrued payroll tax	82
Net pension costs (including payroll tax)	666
Estimated benefit obligation	584
Estimated market value of pension fund	0
Net pension liabilities before payroll tax	584
Payroll tax	82
Net pension liabilities after payroll tax	666
FINANCIAL ASSUMPTIONS:	
Discount rate	7%
Expected increase in pensions/national insurance base rate	3%
Expected increase in salaries	5%

Commonly-used assumptions in the insurance industry are applied as the basis for actuarial assumptions concerning demographic factors and retirement.

Petoro AS

AUDITOR'S REPORT FOR 2001

We have audited the annual financial statements of the Petoro AS as of 31 December 2001, showing a loss of NOK 8 522 806. We have also audited the information in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss. The financial statements comprise the balance sheet, the statements of income and cash flows and the accompanying notes. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on the other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and generally accepted auditing standards in Norway. Generally accepted auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and generally accepted auditing standards, an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations and present the financial position of the Company as of 31 December 2001, and the results of its operations and its cash flows for the year then ended, in accordance with generally accepted accounting principles in Norway
- the Company's management has fulfilled its duty to maintain the Company's accounting process in such a proper and well-arranged manner that the accounting process is in accordance with the law and generally accepted accounting practices in Norway
- the information in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss is consistent with the financial statements and complies with the law and regulations.

Stavanger 21.5.2002
DELOITTE & TOUCHE

Jacob Berger
State Authorised Public Accountant (Norway)

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