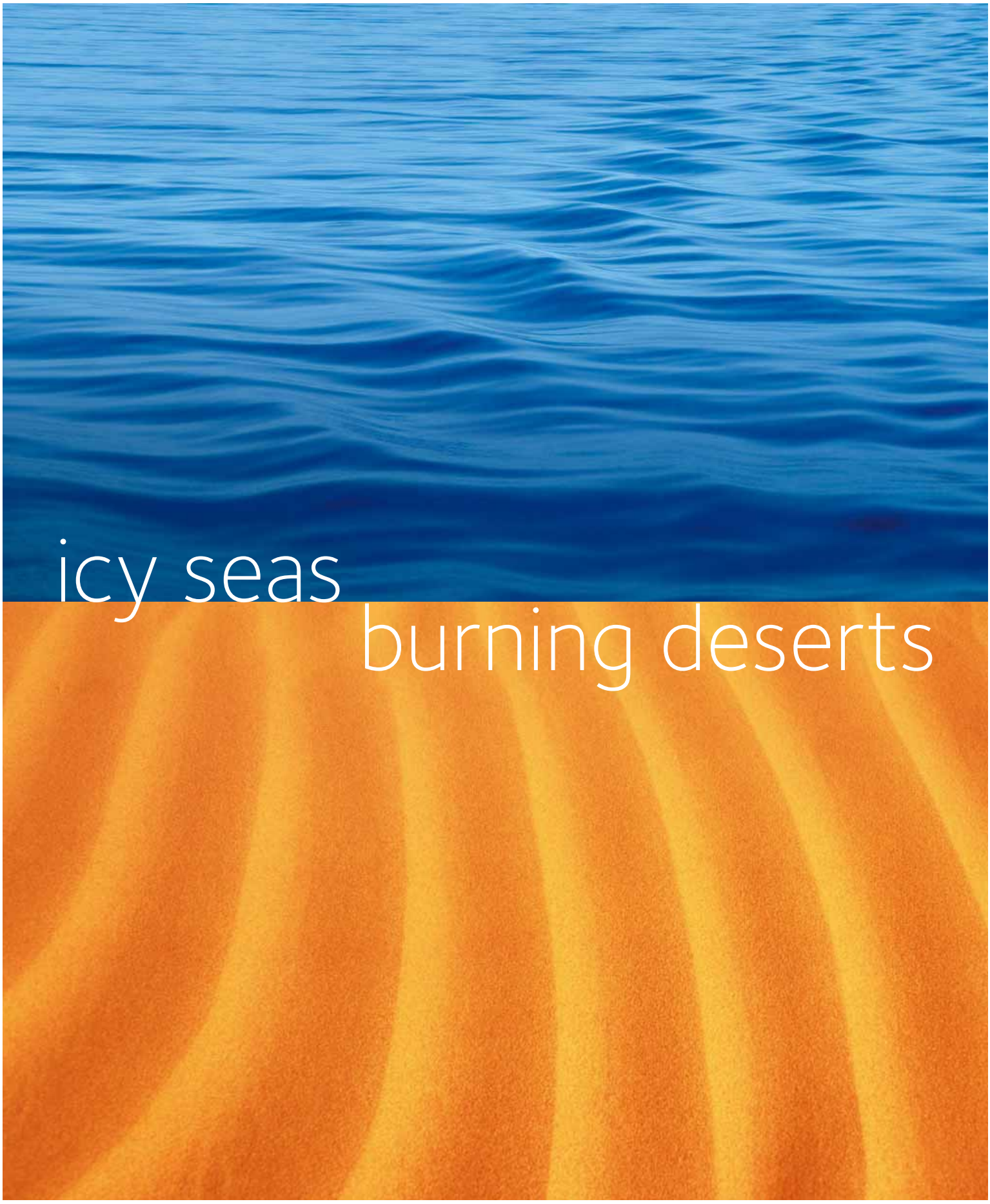


Annual report and accounts 2005

STATOIL

On course towards new goals

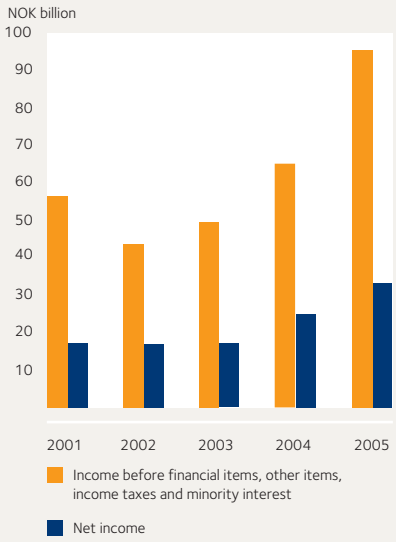
A liquefied natural gas carrier in open seas provides a good illustration of the way we have expanded the scope of our activities. From producing and selling Norwegian gas to European customers, we are now also a player in the transatlantic market.

This vessel and its wide horizon is also a metaphor for a group experiencing strong international growth. We are currently represented in 33 countries, and our non-Norwegian oil and gas production grew by 60% in 2005. That makes our internationalisation a natural theme in this annual report.

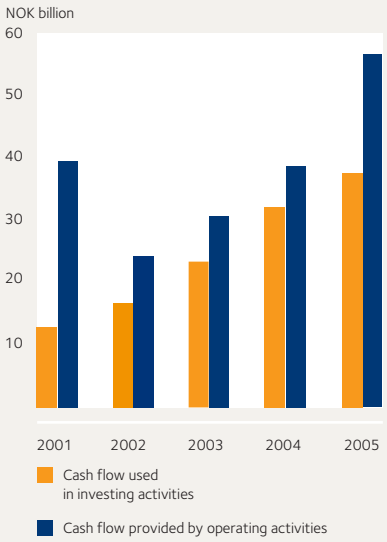
Many of the challenges we face will not be solved by good profits alone. The way we achieve our financial results is just as important as the results themselves. As a consequence, this annual report and our report on sustainable development – which are published concurrently – contain a good deal of information about the way we are creating a value-based performance culture in a group which is undergoing rapid international expansion.

Key figures

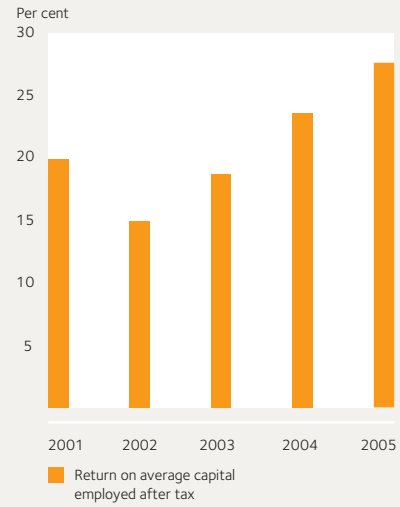
INCOME



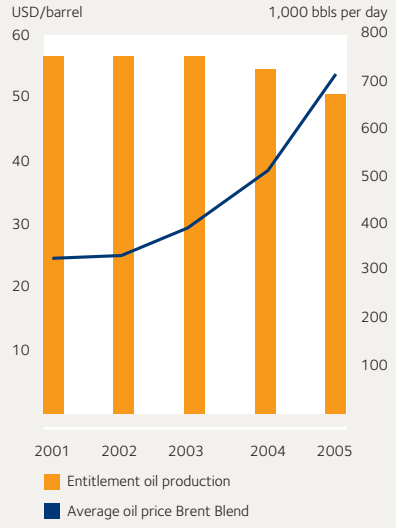
CASH FLOW



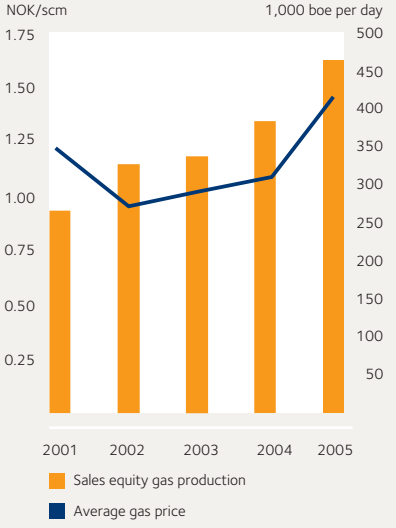
RETURN



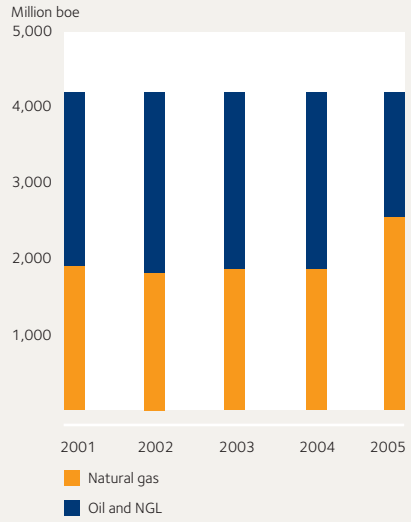
OIL PRODUCTION/PRICE



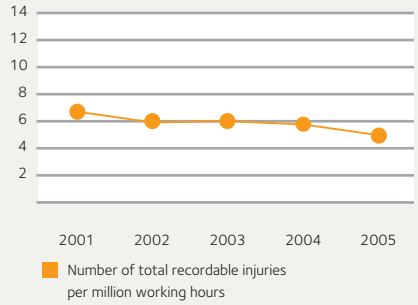
GAS PRODUCTION/PRICE



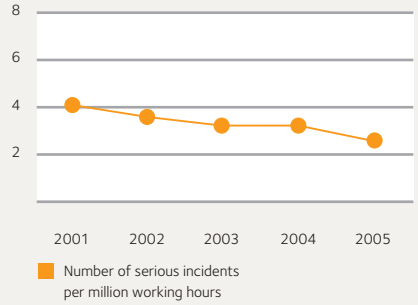
PROVED OIL/GAS RESERVES



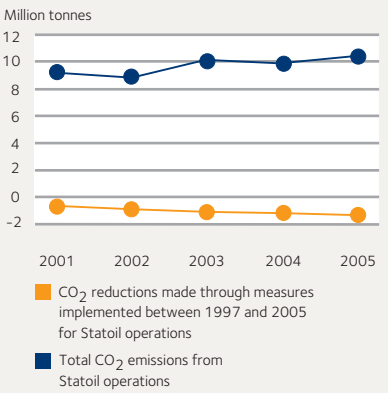
TOTAL RECORDABLE INJURY FREQUENCY



SERIOUS INCIDENT FREQUENCY



CARBON DIOXIDE (CO_2)



USGAAP – Financial highlights

	2005	2004	2003	2002	2001
Financial information (NOK million)					
Total revenues	**393,298**	306,218	249,375	243,814	236,961
Income before financial items, other items, income taxes and minority interest	**95,096**	65,107	48,916	43,102	56,154
Net income	**30,730**	24,916	16,554	16,846	17,245
Cash flow provided by operating activities	**56,250**	38,807	30,797	24,023	39,173
Cash flow used in investing activities	**37,664**	31,959	23,198	16,756	12,838
Interest-bearing debt	**34,198**	36,189	37,278	37,128	41,795
Net interest-bearing debt	**19,492**	20,326	20,906	23,592	34,077
Net debt to capital employed	**15.3%**	19.0%	22.6%	28.7%	39.0%
Return on average capital employed after tax	**27.6%**	23.5%	18.7%	14.9%	19.9%
Operational information					
Combined oil and gas production (thousand boe/day)	**1,169**	1,106	1,080	1,074	1,007
Proved oil and gas reserves (million boe)	**4,295**	4,289	4,264	4,267	4,277
Production cost (NOK/boe)	**22.2**	23.3	22.4	*	*
Reserve replacement ratio (three-year average)	**1.02**	1.01	0.95	0.78	0.68
Share information (in NOK, except number of shares)					
Net income per share	**14.19**	11.50	7.64	7.78	8.31
Share price at Oslo Stock Exchange 31 December	**155.00**	95.00	74.75	58.50	61.50
Weighted average number of ordinary shares outstanding	**2,165,740,054**	2,166,142,636	2,166,143,693	2,165,422,239	2,076,180,942

* Follow-up changed from USD/boe to NOK/boe.

Definitions

Net interest-bearing debt =
Gross interest-bearing debt less cash and cash equivalents.

Net debt to capital employed =
The relationship between net interest-bearing debt and capital employed.

Average capital employed =
Average of the capital employed at the beginning and end of the accounting period. Capital employed is net interest-bearing debt plus shareholders' equity and minority interest.

Return on average capital employed after tax =
Net income plus minority interest and net financial expenses after tax as a percentage of capital employed.

Production costs per barrel oil equivalent=
Operating expenses associated with production of oil and natural gas divided by total production (lifting) of oil and natural gas.

Reserve replacement ratio =
Additions to proved reserves, including acquisitions and disposals, divided by volumes produced.

Barrel of oil equivalent (boe) =
Oil and gas volumes expressed as a common unit of measurement. One boe is equal to one barrel of crude, or 159 standard cubic metres of gas.

Carbon dioxide (CO_2) =
Carbon dioxide emissions from Statoil operations embrace all sources such as turbines, boilers, furnaces, engines, flares, drilling of exploration and production wells and well testing/workovers. Reductions in emissions are accumulated for the period 1997-2005.

Total recordable injury frequency =
The number of total recordable injuries per million working hours. Employees of Statoil and its contractors are included.

Serious incident frequency =
The number of incidents of a very serious nature per million working hours. An incident is an event or chain of events which has caused or could have caused injury, illness and/or damage to/loss of property, the environment or a third party.

Contents

Our future

Our operations

Our results

In addition to this report we publish the sustainability report, the financial statements according to the Norwegian accounting principles and the 20-F report as specified by the US Securities and Exchange Commission. Read more about these reports on page 144.

International value creation

by chief executive Helge Lund

We have never been better positioned, either industrially or financially, after presenting a profit for fiscal 2005 which represents our best-ever result. Since being listed on the stock market in 2001, we have set ambitious targets for production, for the build-up of new reserves and for return on capital employed. And we have delivered in line with our promises.

In the years ahead we will continue to create growth, profitability and value for our shareholders and the communities in which we operate. We will also conduct our business on the basis of high standards for environmental and safety work. It is gratifying to note that we achieved a substantial reduction in serious personal injuries and other serious incidents in 2005 compared with the year before. That reflects conscious work, which will be maintained with great commitment. But the safety picture is not uniformly positive, and we must continue to improve. Our goal is zero harm to people and the environment.

Within relatively few years, we have developed our international activity from a fairly modest level to representation in 33 countries. Our non-Norwegian production increased by 60% from 2004 to 2005. This international expansion coincides with a continued strong commitment to the Norwegian continental shelf (NCS), where we can take pleasure from new discoveries, new projects and a high level of exploration activity.

Our successful commitment in other countries has been made possible by expertise built up through demanding and innovative projects on the NCS. These waters will remain the cornerstone of our oil and gas production for many years to come. Activities there will continue to present new challenges in maintaining a high level of production. We also have exciting opportunities in the far north, both on the NCS and further east in cooperation with the Russian oil industry.

The challenges ahead of us will be tougher than those we have dealt with so far. This is because new oil and gas resources will be more difficult to produce and bring to market. Based on our historical results, we are confident of mastering these challenges. We have brought the Kristin field on stream under conditions of extreme pressure and temperature which make this a global pioneering project. Our technological solution for improving recovery from Tordis means that this field will become the first in the world with subsea processing.

We must also meet tougher environmental standards. The International Energy Agency (IEA) expects that two-thirds of the world's energy needs in 25 years' time must be met by oil and natural gas. For the industry, the key question is how we can help to cover this growth in demand while simultaneously cutting the amount of greenhouse gases released.

Carbon capture and storage occupy a key place in our efforts to reduce emissions. In this context, we will build further on experience gained from the world's most extensive storage of large carbon dioxide volumes in geological formations beneath the seabed. We are also pursuing other solutions based on a concept of converting carbon dioxide into a commercial product.

In collaboration with Shell, we are working to develop the world's largest offshore project for the use of carbon dioxide for improved oil recovery. The project entails generating electricity at a gas-fired power station, with carbon capture and use of carbon dioxide to enhance oil recovery from two fields off mid-Norway. The gas will then be stored in the subsurface. The gas-fired power station will also be able to supply electricity to several offshore fields, enabling them to cease their own energy production and thereby cut their carbon and nitrogen oxide emissions. The project is pioneering in that it will make a strong contribution to solving the long-term problem of carbon emissions.

It is our leaders and employees, in close cooperation with our contractors and partners, who must solve the many new challenges we face. We will achieve these results in a sound performance culture entrenched in our values. These values form the basis for our confidence that we can continue to create growth, profitability and value for our shareholders and positive spin-offs in those communities where we pursue our operations.

Helge Lund
President and CEO

Statoil's strategy

Globally competitive

A unique workplace for performance and development

Statoil aims to be able to compete with the best in priority areas, both in its domestic markets and where it participates internationally. The group's key operational objectives in the years ahead are:

- maintain an equity production of one million barrels of oil equivalent per day from the Norwegian continental shelf (NCS) after 2010
- build up an international portfolio which helps the group to achieve a long-term growth of 2-4% in 2007-10
- double sales of equity gas to 50 billion cubic metres per annum by 2015
- increase value creation in manufacturing and marketing through improvements to the business, integration and world-class operations
- be acknowledged as a project developer with first-class expertise and technology.

High oil and gas prices combined with a high level of production gave Statoil the best results in its history for 2005. The group has a strong financial position, which provides the basis for future freedom of action and growth. At the same time, it is important to recognise that most international oil companies have benefited from high petroleum prices, and that competition over access to new projects will become tougher.

Based on projects already sanctioned, Statoil expects its production to increase by about 8% per year in 2004-07. From 2007-10 annual growth is expected to be 2-4%.

Investment and future growth

To achieve future growth, Statoil will invest in the order of NOK 110-115 billion in 2005-07. Statoil's faith in the NCS has also been strengthened. The group's strong commitment in coming years will depend on meeting its requirements for profitability and robustness.

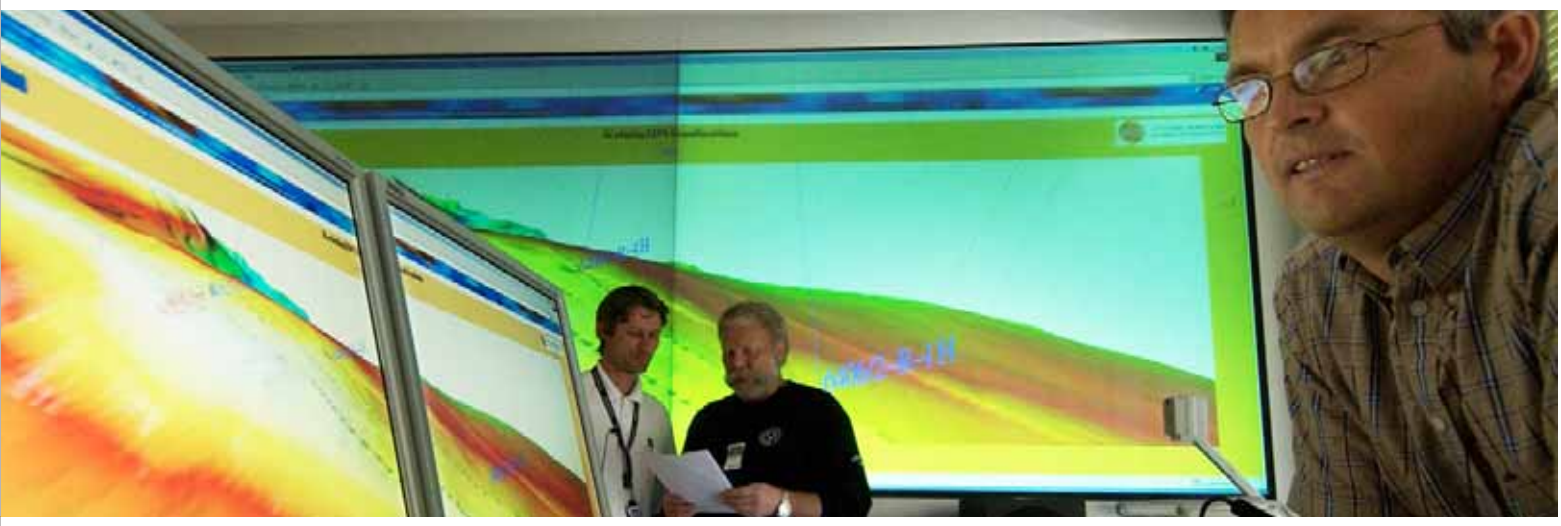
Statoil started a series of initiatives in the autumn of 2004 to achieve improvements in activities which are significant for future growth and earnings. These have made good progress, something which is also necessary in a highly competitive market.

HSE and financial results

Great attention is devoted to work on health, safety and the environment, which has high priority. Statoil can report improvements in most areas where HSE results are measured. A close relationship has also been demonstrated generally between a good HSE performance and a company's financial results. The group's work with social responsibility and sustainability is important, and this commitment was rewarded in 2005 when it came top among oil companies in the Dow Jones sustainability index.

Expertise, values and culture

Amid ever tougher competition, the expertise and experience of Statoil's employees will be increasingly



Exploration and reservoir management are important priority areas in Statoil's technology strategy. At the centre for operations support in Stjørdal near Trondheim, data from wells being drilled can be sent to the centre and analysed during the drilling process.

important. Strong international growth will characterise the group for a number of years to come. This means that both its entities and its employees must display the willingness and ability to adapt swiftly, while the group must also be good at integrating new personnel.

Statoil works actively to create a performance culture which delivers results, and devotes substantial resources to trainee programmes and to building expertise. Strict requirements are specified for the way in which the group is run and results achieved. Statoil will be an enterprise with clear values and leadership.

Statoil's goals

Statoil's goals for 2007 were published in 2004 and reaffirmed in 2005. They embrace production, operations and profitability.

Normalised return on capital employed is used to measure improved profitability in the underlying business. The group's target for normalised return on capital employed is 13% in 2007. At 31 December 2005 Statoil had a normalised return on capital employed of 11.7%.

Statoil's oil and gas production in 2005 averaged 1,169,000 boe per day. The goal is to increase this output to 1,400,000 boe per day in 2007, based on an expected average oil price in 2005-07 of around USD 30 per barrel. That output represents an average annual growth of 8% in 2004-07. The highest percentage of production expansion will take place internationally, but an increase in output on the NCS will also be necessary.

The table below presents Statoil's targets for 2007 as well as results achieved in 2004 and 2005 for total production, normalised return on capital employed, and production costs per barrel.

Financial and operational results and targets	Achieved 2004	Achieved 2005	Target 2007
Production (boe/d)[1]	1,106,000	1,169,000	1,400,000
Return on capital employed[2]	12.3%	11.7%	13%
Production costs (boe) [1,2]	USD 3.5	NOK 22.3	NOK 22.0

1) Target for 2007 based on an average oil price of around USD 30 per barrel in 2005-07

2) Normalised

The Statoil group

Statoil is an integrated oil and gas company with considerable international activities. Represented in 33 countries, it is engaged in exploration and production in 15 of these. The group's head office is in Stavanger, Norway. At 31 December 2005, Statoil had 25,644 employees. Forty-nine per cent work outside Norway.

www.statoil.com/statoils_world

The group is operator for 24 oil and gas fields on the Norwegian continental shelf and accounts for 60% of all Norwegian petroleum production. As operator for 23 seabed facilities, Statoil is a leader in subsea production.

International production is growing strongly. We have substantial industrial activity and operate about 2,000 service stations in the Scandinavian countries, Poland, the Baltic states, Russia and Ireland. We are one of the world's largest sellers of crude oil and a substantial supplier of natural gas to the European market.

Statoil is one of the world's most environmentally-efficient producers and transporters of oil and gas. We aim to conduct our business without causing harm to people or the environment. With our values base as a starting point, we will create value for our owners and the communities in which we work through profitable and safe operations. The Statoil share is listed on the Oslo and New York stock exchanges. In 2005 the group's total revenues came to NOK 393 billion.

History

Statoil was founded by a decision of the Storting (parliament) in 1972, three years after Ekofisk had become the first major oil discovery on Norway's continental shelf. Wholly owned by the Norwegian state, the company's role was to be the government's commercial instrument in the new industry then emerging.

Its development can be divided into four eras:

The 1970s were characterised by the build-up of expertise, national positioning and major challenges relating to the development of Statfjord, one of the world's largest offshore oil discoveries. Statoil has 44% of the unitised field, which came on stream in 1979 with Mobil as operator.

The 1980s saw the group become a big player in the European gas market and lead negotiations on Troll deliveries. It took over as operator on Statfjord and acquired a presence in Denmark and Sweden through the acquisition of Esso's service stations, refineries and petrochemical industries in these countries.

The 1990s were characterised by technological innovation, with floating production facilities and subsea developments. Statoil grew strongly, expanded in product markets and made a commitment to international exploration and production in alliance with BP.

In **2001,** Statoil was partially privatised and its shares secured listings on the Oslo and New York stock exchanges. The group has strengthened its position on the NCS, and its international exploration and production operations are set to increase substantially over the rest of the decade.

Statoil is represented in 33 countries.

Highlights in 2005

- Net income of NOK 30.7 billion – the best-ever result in Statoil's history
- 60% increase in international oil and gas production
- Extensive acquisitions of fields and exploration licences in the Gulf of Mexico, with first field development initiated
- New vigour on the NCS – technological innovation, 12 new developments, 9 finds and 16 new licences awarded
- Record-high reserve replacement ratio

Topic: Internationalisation

From Barents cold

Statoil's annual report for 2002 contained not a single line about Algeria – understandably enough, since the group had no activity in that country. Today, it is a partner in Algeria's third- and fourth-largest gas projects and has also begun exploring Hassi Mouina, a Saharan licence equal to half the land area of Denmark.

to African heat

Twenty-five financial analysts were invited by Statoil to Algeria in September 2005. Representing the largest finance houses in Europe and the USA, they were flown into the Sahara to look at In Salah and In Amenas. These two gas projects will give Statoil a combined energy production of 60-70,000 barrels of oil equivalent (boe) per day. In their efforts to value companies, financial analysts are just as concerned with the way companies prepare for the future as they are with the results being delivered here and now.

"We accordingly felt it was important to let them see for themselves how we're making a commitment in Algeria in order to realise our international growth ambition," says Peter Mellbye, executive vice president for the International Exploration & Production (INT) business area. "I believe that offers a good alternative to a briefing in a meeting room."

Statoil's expressed ambition is to be among the companies with the strongest growth. The commitment in Algeria provides a good illustration of this expansion, as do its production figures. At 31 December 2005, INT reached an output of 200,000 boe per day – an increase of 60,000 barrels from a year earlier.

NCS commitment still strong

This international growth is not being pursued at the expense of the group's commitment to the Norwegian continental shelf. There is little distinction between operating a drilling rig amidst Algeria's baking desert sands or in an icy Barents Sea. Expertise acquired through demanding assignments off Norway has permitted a successful commitment in other countries. The NCS will remain the cornerstone of Statoil's oil and gas production for many years, and continue to offer new and demanding challenges. The ambition is to maintain the present production level of more than one million boe per day into the next decade. But the international share will gradually increase.

Operations outside Norway are now making a solid mark on the annual result and 17% of Statoil's net income for 2005 derived from international oil and gas production.

Seeking collaboration with other national oil companies represents an important element in the international strategy. Opportunities have

opened here in Venezuela, Algeria, Libya, Brazil and Russia.

Another strategic element is to exploit Statoil's experience in establishing value chains for natural gas, which derives from producing, transporting and selling substantial volumes of this commodity to European customers.

"That represents important experience, which opens new opportunities," says Mr Mellbye. "Many companies need partners they can cooperate with over market access for gas. It's more complicated and demanding than selling oil once you've completed a development. We can offer experience gained from developing and operating fields and transport systems. We've planned, built and operated most of the pipeline systems on the NCS."

Gas reserves in the Caspian, north Africa and the Barents Sea today offer new supply opportunities for Europe and not least for the USA, where Statoil is already delivering liquefied natural gas by ship.

Had to go international

Statoil was established in 1972 as a wholly state-owned company, primarily to serve as the government's commercial instrument in the new Norwegian oil industry. Management attention also focused in the 1970s and 1980s primarily on building up the company and on the many major challenges faced on the NCS. But Arve Johnsen, who served as chief executive until 1988, was convinced from the start that Statoil had to establish international positions. The group was not going to live and die as a mere reaper of resources on the NCS. The commitment outside Norway nevertheless had the character of pinprick manoeuvres, and the results achieved by the beginning of the 1990s were not impressive. It was accordingly clear to Harald Norvik, Mr Johnsen's successor, that Statoil needed a new strategy for expanding into the wider world.

The answer came in the form of a strategic exploration alliance with BP, concluded in 1990 and lasting until the new millennium. This partnership gave Statoil access to exploration licences in such countries as Angola, Nigeria and Azerbaijan. The group now has

substantial oil and gas output in Angola and Azerbaijan, and is due to start production off Nigeria in 2008.

"Our alliance with BP lifted our international exploration and production activities from a rather tentative activity to a significant business for us," says Mr Mellbye.

Statoil has also taken important international positions outside the BP collaboration. These include production in Algeria, Venezuela, China and the UK continental shelf. It operates a major offshore development in Iran and has many exploration licences on the Faroese and Brazilian continental shelves, in Libya and in the Gulf of Mexico.

Going deep in the Gulf

In 2005, Statoil purchased the deepwater licence interests held by the Canadian company EnCana in the Gulf of Mexico for USD 2 billion – its biggest-ever acquisition. Discoveries have been made in three areas, with the largest being the Tahiti oil field due to come on stream in 2008 and to provide Statoil with 30,000 barrels of oil per day. The group is now building up an organisation in Houston to handle its involvement in the Gulf. Plans call for production to reach 100,000 barrels per day from several fields after 2012.

Statoil's largest international output derives from the Angolan continental shelf, where the first oil consignment was lifted in December 2001. The group will reach an equity production of 100,000 barrels from six fields in 2006.

Leaders from new lands

Although finding new reserves will be demanding, and competition over access to exploration acreage is getting tougher, Mr Mellbye is optimistic.

"There are plenty of doubters, and they didn't believe that we could get as far as we have," he says. "I'm confident that we'll succeed in building up additional reserves and expanding production. We've created an able exploration team, we have interests in a lot of licences and have an extensive drilling programme. Many of the countries in which we've become involved have specialists with a solid education. It's important that we recruit more leaders from these lands for our organisation."

Topic: Internationalisation

International from the start

Statoil's operations have had an international orientation from its earliest years – not so much through exploration, but more in relation to oil and gas sales and borrowing transactions.

As early as 1974, the group began to sell royalty oil received by the Norwegian government from the Ekofisk field. The volumes traded were small, but they provided a new and young team with the knowledge and understanding required to tackle much greater tasks. These arrived with the Statfjord oil, which began flowing on 24 November 1979. This event marked not only the start to production from one of the world's large offshore oil fields, but also the launch of an oil trading business at Statoil which has acquired global dimensions.

The group ranks today as the world's third largest net seller of crude oil. From offering a limited number of oil types, it now trades 25 different crudes from the NCS and its international production.

Klaus Liesen from Ruhrgas (left) and Statoil's Arve Johnsen in 1981, holding the agreement to sell gas from the Statfjord field to a consortium of European gas companies.

Spread over more than 3,600 individual cargoes per year, Statoil ships some 100 million tonnes of crude oil, oil and gas products, and methanol to discharging ports worldwide.

Without Statfjord, Statoil would have been a completely different company today. This field gave the group valuable operator experience and international know-how as an oil trader. In addition, it provided early experience of operating in the international capital market. The subsequent cash flow gave Statoil the financial muscle to invest in service station operation, refining and petrochemicals outside Norway.

This field has also been very significant for the development of Statoil's expertise as a gas company. In addition to huge oil volumes, Statfjord contains substantial quantities of natural gas. The sale of this commodity represented Statoil's first major challenge in a European market where it met demanding customers with considerable negotiating experience.

The tanker *Grena* from shipping company J Ludwig Mowinckel in Bergen, loads oil on the Statfjord field. With the big volumes of oil for sale when Statfjord came on stream in the autumn of 1979, Statoil built up its importance as an international crude oil trader.

Our operations

OPERATIONS

Its shafts extend more than 300 metres from the seabed up to the production deck, but it is not only the physical dimensions of the Troll A platform that are enormous. Its production – which in 2005 amounted to over 20% of Statoil's total gas output – is also considerable.

Natural gas's share of Statoil's total output is growing rapidly. In 2005 it accounted for 40% of the group's total production. In 2001 the figure was 25%.

The following pages of this annual report give a glimpse of Statoil's operations in 2005, a year characterised by a high level of activity and future-oriented decisions. Exploration activities have been considerable. Twenty exploration and appraisal wells were completed, and finds were made in 14 of these.

Eight development projects, five of them on the NCS, were finalised and brought on stream. The technologically-pioneering Kristin project is one of them. Twelve new projects on the NCS were sanctioned and five international development decisions were taken.

In 2005, Statoil made the biggest acquisition in the group's history when it took over the deepwater portfolio in the Gulf of Mexico from the Canadian company, EnCana.

Business strategies

Exploration & Production Norway

The business area is to maintain daily production of one million barrels of oil equivalent from the NCS after 2010. Improved recovery from existing fields, production from new fields and good results within health, safety and the environment (HSE) are important preconditions for success. The development activities are moving northwards in the Norwegian and Barents Seas, and Statoil sees considerable opportunities in these waters. Growing gas exports demand optimum transport solutions for all the key gas markets. Statoil aims to lead the development for all types of field and infrastructure solutions on the NCS.

International Exploration & Production

The International Exploration & Production business area will ensure production growth through improved recovery from producing fields and through developing new fields. Statoil will in addition lay the basis for an annual long-term growth of 2-4% from 2007-10 through effective business development and exploration in potentially resource-rich regions. An important element in the international strategy is exploiting expertise and technology from activities off Norway.

Natural Gas

Statoil aims to develop further its position on the NCS and in the European gas markets through increased production, investments in new fields and infrastructure, and safe operations with high regularity. The business area will develop market positions to supply the European markets with gas from several sources, such as north Africa and the Caspian Sea. NG will also develop further the transatlantic LNG position represented by the Snøhvit development and the Cove Point terminal on the USA's east coast.

Manufacturing & Marketing

Statoil's Manufacturing & Marketing business area aims to optimise value creation from the total crude oil, natural gas liquids and refined products available to the group and the Norwegian government. Active efforts are being made to achieve value through improved integration, brand-building, and exploitation of synergies and growth opportunities. The improvement activities at the Mongstad, Kalundborg and Tjeldbergodden facilities will be further developed as industrial centres in the value chain. Statoil intends to strengthen its position in retailing and sale of petroleum products and renewable energy forms in its core markets.

Technology & Projects

The most important commercial challenges within Statoil's technology strategies are to increase the group's oil and gas output from existing fields, help to find new reserves, establish a basis for future business opportunities and strengthen project execution. The most important areas on which this commitment will concentrate are exploration operations and reservoir management, subsea field development, environmental protection, development of the gas value chain, cost efficiency and safe operations.

Facts

Exploration & Production Norway is responsible for Statoil's operations on the Norwegian continental shelf. Fields operated by the group account for about 60% of total Norwegian oil and gas production. Statoil is operator for 24 on-stream oil and gas fields, which comprise 20 platforms or production ships with crew, four unstaffed installations and 23 subsea facilities.
Employees: 6,099, of whom 3,422 work offshore

International Exploration & Production is responsible for Statoil's exploration, development and production of oil and gas outside the NCS. In 2005 the group had production in Angola, Algeria, Azerbaijan, China, the UK and Venezuela. The business area stood for 16% of Statoil's total oil and gas production and output shows strong growth.
Employees: 713, of whom 405 work outside Norway.

Natural Gas is responsible for transporting, processing and marketing Statoil's own gas from the NCS to European destinations. Also marketing supplies belonging to the Norwegian government, it accounts for two-thirds of Norway's gas exports. The business area is responsible for international gas marketing and for Statoil's commitment to the market for liquefied natural gas (LNG). Statoil has large interests in and responsibility for technical operation of export pipelines, land-based facilities and terminals. Employees: 851, of whom 202 work outside Norway.

Manufacturing & Marketing embraces the group's overall operations in transportation of oil, processing, sale of crude oil and refined products and retail activities. Responsible for selling and refining Statoil's and the Norwegian government's crude oil as well as selling natural gas liquids, refined products and natural gas in the Nordic countries. Statoil operates two refineries and one methanol plant, and has more than 2,000 service stations in nine countries.
Employees: 14,149, of whom 12,591 work outside Norway.

Technology & Projects is responsible for Statoil's technology expertise, research and development, and for planning and executing development projects. The group's research centre in Trondheim is part of the business area and has a special responsibility for technological innovation which contributes to finding more oil and gas, and to recovering more of the resources in producing fields. It is in charge of commercialising technology and industrial rights.
Employees: 1,916, of whom 89 work outside Norway.

Key events in 2005

- Plan for development and operation of Statfjord late life and the Tampen Link gas pipeline approved by the Storting (parliament) in June
- Production start-up on the Kristin field. Plan for development and operation submitted for Tyrihans – Kristin's satellite
- Statoil was awarded 10 operatorships in a new licensing round
- Delayed start to deliveries and increased costs on the Snøhvit project

- Operating result and production increased by 100% and 60% respectively compared with 2004
- Opening of the Baku-Tbilisi-Ceyhan oil pipeline
- Acquisition of deepwater licences with discoveries and exploration prospects in the US Gulf of Mexico
- New exploration acreage secured in Libya, Brazil, Nigeria, the Faeroes and the UK
- NOK 2.2 billion write-down related to a delayed start-up and increased costs on the South Pars project in Iran

- Record gas sales and virtually full utilisation of production permits
- Ambition established of doubling annual equity gas production from 25 to 50 billion cubic metres by 2015
- New gas sales contracts with Scottish Power and Verbundnetz Gas AG
- Successful completion of the KEP2005 expansion project at Kårstø

- Record oil prices, with Brent Blend reference crude trading at USD 67.3 per barrel
- Record refining margins and high operating regularity for the group's refineries
- Statoil sold its 50% interest in the Borealis petrochemicals company for EUR 1 billion
- The group strengthened global trading with liquefied petroleum gases, and secured access to the US market with a 10-year terminal contract

- Tordis became the world's first field with subsea processing
- Tyrihans will be the first field with untreated seawater injected directly into its reservoir from seabed installations
- One hundred different measures were pursued to improve oil recovery from the NCS
- A centre for drilling and well operations was established

Exploration & Production Norway

Key figures (NOK million)	2005	2004	2003
Total revenues	97,623	74,050	62,494
Income before financial items, other items, taxes and minority interest	74,132	51,029	37,855
Gross investments	16,257	16,776	13,136

www.statoil.com/norwegian_fields

Statoil's equity production of oil and gas from the Norwegian continental shelf in 2005 averaged 985,000 barrels of oil equivalent (boe) per day. The group has an ambition of maintaining production at one million boe per day beyond 2010. In the short term, its goal is to produce 1.1 million daily boe in 2007.

Continued growth in Halten/Nordland

Ten years of production from Heidrun was celebrated in October 2005. This field marked Statoil's inauguration as a production operator in the Halten/Nordland area of the Norwegian Sea. In 2005, the group averaged some 162,000 boe per day from the Heidrun, Norne, Åsgard, Mikkel, Kristin and Urd fields. The goal is to expand this output over the coming decade through improved recovery from existing fields, development of proven finds and new discoveries in the Norwegian Sea.

A new subsea template began producing on Åsgard in August, while Urd came on stream during November. Comprising the Stær and Svale satellites, the latter development has been tied back to the Norne production ship. These projects ensure good capacity utilisation on their respective main fields.

Kristin – a pioneering project

Kristin came on stream in November and represents a substantial technological leap. Highly-deviated wells have never previously been drilled through subsea templates into a reservoir with such high pressure and temperature.

The technology and experience developed on Kristin equip Statoil and its contractors to solve new challenges both on the NCS and internationally. This development embraces a semi-submersible production platform and four subsea templates. Its gas is piped to Kårstø, while condensate goes to the Åsgard C storage ship. The plan for development and operation of Tyrihans was submitted to the government in July 2005. This will be a subsea satellite to Kristin, with production scheduled to begin in 2009.

Statfjord late life

The Statfjord licensees have resolved to implement a late-life development, and intend to invest NOK 16.0 billion including the Tampen Link gas pipeline. These plans will maintain production towards 2020 and were approved by the Storting (parliament) in June.

Troll

Two new compressors on Troll A began operating on 1 October, on schedule and to budget. These units will help to maintain the existing level of gas production from the field. They rank as the first installations of their kind on the NCS to be driven by electricity transmitted from land. Statoil has launched a study in cooperation with Hydro and Gassco on increasing gas produc-

Proud platform manager on Kristin

A well-pleased Hilde Ådland (38) got her first platform manager job on Kristin, which came on stream in November 2005. She was previously production supervisor on the Heidrun platform where she worked for 10 years. The Kristin field contains gas and condensate and is characterised by high pressure and high temperature in the reservoir. Handling the pressure and temperature conditions on Kristin represents a new stage in technological development. The field lies on the Halten Bank, 240 kilometres off the coast of mid-Norway.

tion from Troll and developing the gas phase in the western segment of the field. This will be the largest new development project on the NCS over the next few years.

Snøhvit costs up

Important milestones were reached by the Snøhvit project during 2005. All pipelines have been laid, the drilling and completion programme is on schedule, and the cooling tower and processing plant were transported and installed on Melkøya as planned. But the project review during the autumn unfortunately made it necessary to expand the investment framework for the land-based plant by NOK 7 billion, and to postpone the scheduled start-up date by eight months. Deliveries of liquefied natural gas are now expected to begin in the autumn of 2007.

Snøhvit was originally expected to cost NOK 39.5 billion. The latest cost revision has increased the anticipated investment from NOK 51.3 billion to NOK 58.3 billion.

Several factors account for this development. Engineering has been delayed, with changes made at a late date. The scope of the work was underestimated, particularly for the electrical discipline. Quality deficiencies with and delays to modules from Europe have created additional work at Melkøya, which extends project execution in the final phase and adds to costs.

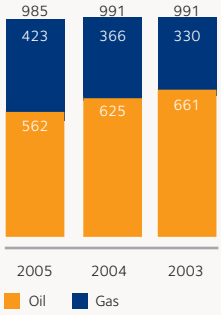
New Barents Sea wells

New wells were spudded in the Barents Sea during 2005. Four are due to be drilled in the North Cape and Hammerfest Basins close to Snøhvit. A major seismic survey is also planned in the area. The aim is

Statoil's average oil and gas production - Norwegian continental shelf

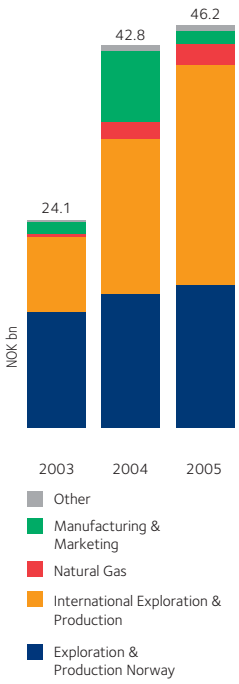
1,000 barrels of oil equivalent/day

Field	2005	Statoil's share
Statfjord	71.3	51.88%
Statfjord East	7.4	25.05%
Statfjord North	9.1	21.88%
Sygna	3.0	24.73%
Gullfaks	179.9	61.00%
Snorre	24.2	15.58%
Vigdis	19.7	28.22%
Visund	9.5	32.90%
Tordis	16.5	28.22%
Troll Gas Phase 1	101.3	20.80%
Kvitebjørn	58.3	43.55%
Sleipner West	119.3	49.50%
Sleipner East	23.9	49.60%
Gungne	17.4	52.60%
Veslefrikk	5.0	18.00%
Huldra	8.5	19.88%
Glitne	8.4	58.90%
Norne	29.8	31.00%
Urd	1.8	50.45%
Kristin	3.1	41.30%
Heidrun	20.2	12.41%
Åsgard	89.0	25.00%
Mikkel	18.5	33.97%
Total Statoil-operated	845.1	
Total partner-operated	139.8	
Total production	984.9	
Underlifting	0.7	
Total lifted production	984.2	



Statoil's share of oil and gas production, Norwegian continental shelf	2005	2004	2003
Oil (thousand barrels per day)	562	625	661
Natural gas (thousand boe per day)	423	366	331
Total production (thousand boe per day)	985	991	991

INVESTMENTS PER BUSINESS AREA



to strengthen the resource base in order to expand the Melkøya facility.

Statoil participated in nine completed exploration and appraisal wells during 2005. Discoveries were made in six of these. Three exploration wells were in progress with Statoil participation at 31 December, and two with the group as operator.

More exploration in 2006

A big expansion in exploration activity on the NCS is planned for 2006. Statoil expects to participate in 15-20 wells, and will be operator for roughly half of these.

Awards in predefined areas (APA) of the NCS for 2005 were announced in December, when the group received 10 operatorships and interests in six other licences. This acreage can help to boost output from and extend the producing life of existing installations in the North and Norwegian Seas.

Gas blowout on Snorre A

Statoil has conducted an extensive causal analysis of the gas blowout on the Snorre A platform in November 2004. This study identified weaknesses in various areas, and measures have been adopted. The group received a NOK 80 million penalty in November 2005 as a result of the incident. On the basis of an overall assessment, it has accepted this penalty.

A contractor employee was killed in January 2005 during work on the Kristin platform while it was being outfitted at Aker Stord.

Weaknesses with lifeboats

In June 2005, design weaknesses were identified during testing with one of the three freefall lifeboats on Veslefrikk B. This prompted a temporary production shutdown. All six of the freefall lifeboats on this installation and on the Kristin platform have been modified and are now back in place. All freefall lifeboats on the NCS are being investigated by the Norwegian Oil Industry Association (OLF), and necessary modifications will be made.

Heading for zero discharges

Statoil is working to reach the target of zero environmentally-harmful discharges to the sea. Work was completed on many of the fields during 2005 in connection with the execution of planned zero-discharge measures, while others will require rather more time. This job will continue in 2006, with the

Projects under development

Field	Statoil's share	Production start	Plateau production Statoil's share[1]	Lifetime-number of years
Ormen Lange[2]	10.84%	2007	49,000	30
Snøhvit	33.53%	2007	40,000	30
Skinfaks/Rimfaks IOR	61.00%	2006	21,000	11
Volve	49.60%	2007	30,000	6
Statfjord late life	44.34%	2007	22,000[3]	12
Tyrihans	46.80%	2009	50,000	17
Fram East[2]	20.00%	2006	9,000	15

1) Boe/day. 2) Partner-operated project. 3) New additional production

Impressive deck load

On 11 July 2005, the world's largest heavy-lift vessel *Blue Marlin* arrived at Melkøya with the process plant for the Hammerfest LNG facility. The 33,000-tonne process plant was constructed as an integrated unit on a barge measuring 154 by 54 metres. It was built in Cadiz, Spain, and the 5,000-kilometre journey to Melkøya took 11 days. Two days after arrival, the process plant was berthed in the Melkøya dock.

emphasis on upgrading equipment, making existing solutions more robust and adopting new technology.

The Norwegian Society for the Conservation of Nature notified the OLF in early 2005 that PFOS, an additive used in fire-extinguishing foam, is very harmful to people and the environment and should be replaced. This replacement process has been virtually completed on production installations operated by Statoil. Similar action will be taken on mobile rigs.

International Exploration & Production

Key figures (NOK million)	2005	2004	2003
Total revenues	19,563	9,765	6,615
Income before financial items, other items, taxes and minority interest	8,364	4,188	1,781
Gross investments	25,295	18,987	8,019

Operating income for the International Exploration & Production (INT) business area doubled from 2004 to 2005. Output increased over the same period by 60%, from 115,000 barrels of oil equivalent (boe) per day to 184,000.

Important strategic steps were also taken in laying the basis for long-term production growth at Statoil through collaboration agreements, licensing rounds, and the acquisition of exploration prospects and proven discoveries. The growth in international exploration and production is reflected in the investment figures, which rose from NOK 8 billion in 2003 to over NOK 25 billion in 2005.

With three new fields due to come on stream in Angola, Azerbaijan and Algeria, 2006 will be another important year. Exploration activity will help to lay the basis for long-term growth. INT expects to participate in 15-20 exploration wells during 2006, including four-five operated by Statoil.

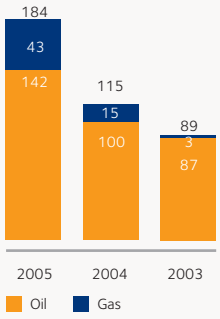
Algeria

The group's portfolio of projects in Algeria comprises the In Salah gas field, on stream since 2004, and the In Amenas gas and condensate development due to start production during the first half of 2006. Statoil also operates the Hassi Mouina exploration block. Seismic was shot over this area in 2005, and plans call for drilling to start during 2006.

Statoil signed a letter of intent in August with Algerian state oil and gas company Sonatrach on cooperation in Algeria, Norway and internationally. The companies will explore opportunities for establishing an integrated project for liquefied natural gas in Algeria. This is likely to embrace exploration, development and marketing of the gas in North America.

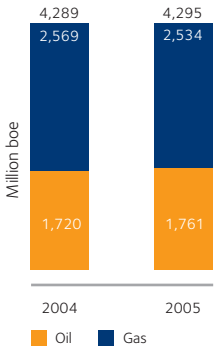
Libya

An office was opened by Statoil in Libya during the summer of 2005. The group secured the operatorship of two licences in an exploration bidding round during October. It is



Statoil's share of oil and gas production outside Norway	2005	2004	2003
Oil (thousand barrels per day)	142	100	87
Natural gas (thousand boe per day)	43	15	3
Total production (thousand boe per day)	184	115	89

STATOIL'S OIL AND GAS RESERVES



sole licensee for Cyrenaica 94, and partners British Gas on a 50-50 basis in Kufra 171. These two licences cover a total of 21,000 square kilometres. Plans call for seismic to be shot in 2007, with the first wildcat expected in 2008 at the earliest.

Angola

The Angolan continental shelf is the largest source of Statoil production outside Norway, and yielded more than 70,000 barrels per day for the group in 2005. That represents about 40% of its combined international oil and gas output.

Statoil has 13.33% of blocks 15, 17 and 31. Kizomba B in block 15 came on stream in July, significantly ahead of schedule. Three new developments on this acreage were sanctioned in 2005 – Mondo, Saxi-Batuque and Marimba. Dalia in block 17 is expected to begin production towards the end of 2006. Statoil again enjoyed exploration success in this country during 2005, with discoveries in seven exploration wells.

Azerbaijan

Phase one of the main field development for Azeri-Chirag-Gunashli (ACG) came on stream in February 2005. The second phase started production in late December 2005. Oil from ACG will be transported through the 1,770-kilometre Baku-Tbilisi-Ceyhan (BTC) pipeline to Turkey for onward shipment. The first shipment is expected in May 2006. Statoil also participates in the Shah Deniz gas and condensate field, which is expected to begin production in the second half of 2006.

Gulf of Mexico

Statoil agreed in April to acquire EnCana's deepwater licences in the US Gulf. With a purchase price of USD 2 billion, this ranks as the group's largest-ever acquisition. The acreage contains several proven finds and very interesting exploration prospects. Statoil believes that the Gulf of Mexico could develop into a key growth area, providing it with more than 100,000 barrels per day.

Venezuela

This country is an important priority area for Statoil. The bulk of the group's production of about 25,000 barrels per day comes from the Sincor field in north-eastern Venezuela. Together with Total, Statoil is in negotiations over a further development of this project. The group is also operator for an exploration licence in block 4 on Plataforma Deltana.

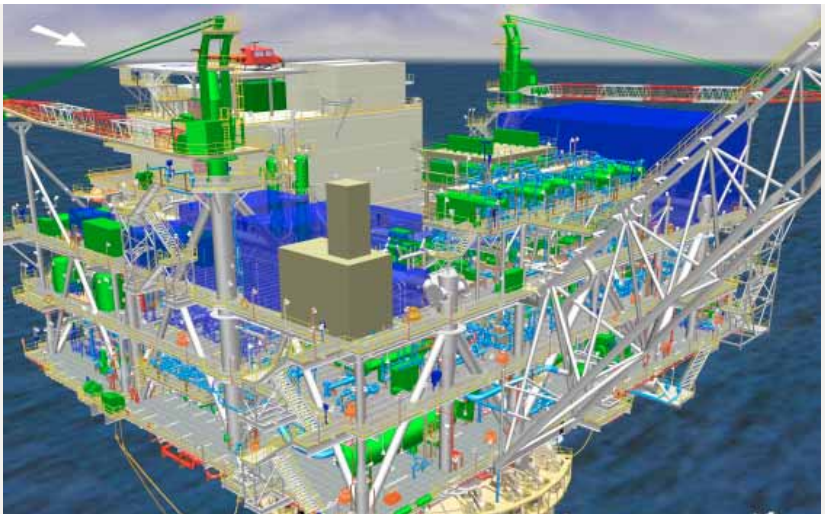
The contractual terms relating to

Statoil's international oil and gas production

(1,000 barrels of oil equivalent/day)

Field	2005	Statoil's share
Girassol+Jasmim, Angola	27.4	13.33%
Xikomba, Angola	5.0	13.33%
Kizomba A, Angola	28.1	13.33%
Kizomba B, Angola	13.7	13.33%
In Salah (gas), Algeria	40.6	31.85%
Azeri-Chirag-Gunashli, Azerbaijan	10.5	8.56%
Azeri (Phase 1&2), Azerbaijan	9.0	8.56%
Sincor, Venezuela	24.2	15.00%
LL652, Venezuela	0.8	27.00%
Lufeng, China	6.8	75.00%
Alba, UK	9.8	17.00%
Dunlin, UK	1.5	28.76%
Merlin, UK	0.05	2.35%
Schiehallion, UK	3.9	5.88%
Caledonia, UK	0.4	21.32%
Jupiter (gas), UK	1.9	30.00%
Total	183.65	

www.statoil.com/statoils_world



Field development in the Gulf of Mexico

In August, a decision was taken to develop the first phase of the Tahiti field in the Gulf of Mexico. Statoil has a 25% interest and its partners are Total and Chevron, which is operator.

The computerised drawing shows the process plant on Tahiti built on a spar floater. Daily production capacity will be 125,000 barrels of oil and two million cubic metres of gas. Tahiti lies in 1,220 metres of water about 300 kilometres south-west of New Orleans. Recoverable reserves are estimated at 400-500 million barrels. The field is expected to come on stream in the summer of 2008.

the present Sincor involvement were tightened during 2005, which means higher royalty payments to the government. This change is being disputed by the partners in the project, who are negotiating with the authorities to arrive at an overall solution for Sincor.

Iran

The group is operator for the offshore part of development phases six-eight on the South Pars gas field, comprising three production platforms and the same number of pipelines to land. The platform jackets and two pipelines have been installed.

Statoil completed the drilling, completion and test programme in January 2006, ahead of schedule and with good test results. However, installation and commissioning of the topsides and laying of the third pipeline have been delayed, with substantial cost increases as a consequence. Statoil wrote down the book value of South Pars six-eight by NOK 2.2 billion in the fourth quarter of 2005.

Russia

In recent years, Statoil has increased its commitment to business development in Russia, and negotiations are being pursued with Gazprom on participation in a Shtokman gas development in the Barents Sea. In late April 2005, Statoil submitted proposals for developing the field. After assessing these, Gazprom has invited the group to collaborate further during the process of reaching a final decision on which companies will form a Shtokman partnership.

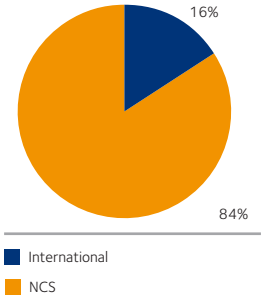
Exploration

Statoil was awarded 45% of block 315 off Nigeria in August, after a bidding round. Petrobras is operator for this licence, which lies in more than 1,500 metres of water off the northern Niger delta.

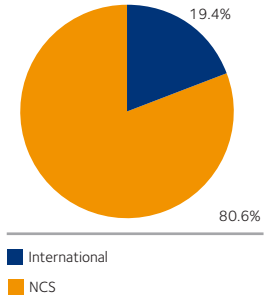
Interests in two further deep-water blocks were awarded to the group in Brazil's seventh licensing round, bringing the number of licences in these waters with Statoil involvement to seven. The group operates three of them.

Statoil was awarded holdings in four blocks during the second Faeroese licensing round in January 2005, including three as operator. Overall, the group now has interests in six licences off the Faroes, and operates five of these.

PRODUCTION IN 2005



DISTRIBUTION OF RESERVES IN 2005



Projects under development

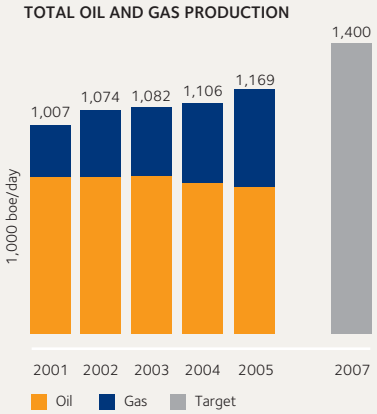
Field	Statoil's share	Production start	Plateau production Statoil's share[1]	Lifetime-number of years
ACG Phase 3	8.56%	2008	20,000	19
Shah Deniz	25.50%	2006	37,000	25
Dalia	13.33%	2006	27,000	20
Rosa	13.33%	2007	18,000	19
Marimba	13.33%	2007	5,000	15
Tahiti	25.00%	2008	30,000	25
Corrib	36.50%	2008	20,000	18
South Pars 6, 7 and 8	37.00%	2007	15,000	4[2]
In Amenas	50.00%	2006	28,000	17
Agbami	18.85%	2008	40,000	17

1) Boe/day based on an oil price of approx USD 30/bbl. 2) Pay-back period.

Venezuela important producer

Yanet Silva works as operative on the Sincor project in which Statoil has a 15% interest. Sincor provided 24,200 boe in 2005, and is one of Statoil's largest international producers. The group also has exploration activities off Venezuela in the Plataforma Deltana field.

TOTAL OIL AND GAS PRODUCTION



Natural Gas

Key figures (NOK million)	2005	2004	2003
Total revenues	45,823	33,326	25,452
Income before financial items, other items, taxes and minority interest	5,901	6,784	6,005
Gross investments	2,542	2,368	860

Statoil ranks today as one of the largest suppliers of natural gas to Europe. The bulk of these deliveries are produced from the Norwegian continental shelf, but the group also has ambitions to continue expanding its international gas business. In June, it presented an ambition of doubling equity production of this commodity by 2015. That involves an increase from some 25 billion cubic metres today to 50 billion through growth both in Norway and internationally.

The gas ambition presents Statoil with three challenges. First, a number of field and infrastructure developments must be pursued on the NCS. Second, access to new gas resources has to be secured internationally through business development and exploration. Finally, market access must be obtained for these additional gas volumes.

European consumption rising

Consumption of natural gas is continuing to rise in Europe, and reached 535 billion cubic metres in 2004. Figures from the International Energy Agency (IEA) show a growth of 3.9% for the first nine months of 2005. The IEA expects European consumption to reach 690 billion cubic metres by 2020. However, today's high gas prices represent a source of uncertainty for the increase in demand, since they open the way for greater use of alternative energy sources. The IEA has accordingly somewhat reduced its forecast for growth in gas consumption.

Prices rose sharply during 2005 for natural gas volumes sold both under long-term contracts, with prices indexed primarily against oil products, and in the open market where prices are set by supply and demand. A tight supply position during the autumn of 2005 resulted in very high spot prices in the UK market. A better balance between supply and demand is expected as new pipelines and receiving terminals for liquefied natural gas come into operation in both Britain and continental Europe.

The North American gas market is also characterised by high gas prices and expectations of rising consumption. According to the IEA, gas demand should grow from today's 772 billion cubic metres to 965 billion in 2020. A flattening-out in domestic US production will open the way to substantial LNG imports, which rose by 28% in 2004 compared with the year before.

Strong market position

In addition to its equity production, Statoil markets gas for the state's direct financial interest (SDFI) on the NCS. A realisation of the group's gas ambition will make it possible for Statoil – including the SDFI – to preserve its market positions in an expanding European gas market over the next 10-15 years.

To succeed in these growth ambitions, sufficient capacity must be secured for processing and

Landfall for Langeled

The laying of the southern section of the Langeled line was completed in 2005. The picture shows equipment for pulling the line ashore at Easington on the UK east coast. The line will carry gas from the Ormen Lange field with a capacity equivalent to 20% of present UK gas consumption. Statoil is operator for the pipeline project and Hydro is operator for the field development. At 31 December 2005, 50% of the 1,200-kilometre line had been laid.

transporting gas. It could be necessary to expand the land-based plants at Kårstø, Kollsnes and Melkøya, and to secure additional transport capacity to Europe.

Statoil – including the SDFI – has about 10% of the European market for natural gas. Deliveries are made to 13 countries, with the largest volumes going to Germany, the UK and France. The group had around 15% of the German market in 2004 and met no less than 25% of French demand. Statoil is constantly strengthening its position in the UK market through new contracts.

Positions in north Africa and the Caspian region, in particular, will play a key role for international growth. Statoil is due to begin gas deliveries to Turkey, Georgia and Azerbaijan in 2006. Through the value chain created for LNG from Snøhvit to Cove Point on the US east coast, Statoil will seek to establish new positions for gas liquefaction.

New gas sales

Statoil achieved almost full utilisation of its production permits in 2005, and also generated additional value through trading and optimising its positions. Demand for gas is currently high throughout the European market, and Statoil concluded new sales totalling 20 billion cubic metres in 2005. A 10-year contract covering annual deliveries of 0.5 billion cubic metres from October 2007 was secured from the Scottish Power gas and electricity company. This deal will help to strengthen the group's position in the UK, and to improve utilisation of its expanded transport capacity to that market.

Sales for Norwegian power generation

A contract was signed with Norwegian electricity generator Statkraft to meet that company's fuel needs for the gas-fired power station planned by Naturkraft at Kårstø. Starting in October 2007, this agreement covers about 0.3 billion cubic metres annually for 10 years and represents a major expansion in Statoil's gas sales deals in Norway. The group also extended its existing sales contract with Germany's Verbundnetz Gas AG by six years, which involves additional deliveries of 12 billion cubic metres up to 2022.

Share of power station sold

In January 2006, Statoil sold its 30% stake in Synergen Power which owns the Ringsend gas power station in Ireland's capital, Dublin, to

More capacity at Kårstø

Capacity at the gas processing plant at Kårstø north of Stavanger has been expanded in order to handle output from the Kristin field operated by Statoil in the Norwegian Sea. This project was completed in October 2005 on schedule and at a total cost of NOK 4.1 billion – NOK 1.6 billion below the original investment estimate. The Kårstø expansion project 2005 (KEP2005) ranked as one of Norway's largest industrial developments on land, and increased capacity by 20% to 88 million cubic metres of gas per day. A plant for extracting ethane and carbon dioxide from sales gas also formed part of KEP2005.

The success of this project derived primarily from four important factors – thorough preliminary work before project kick-off, no changes along the way, the right timing of contract awards in relation to price, and good project execution.

the Royal Bank of Scotland Power Investments. The other owner, the Irish Electricity Supply Board International (ESBI) has retained its 70% stake. Statoil will continue to supply gas to Synergen under a long-term agreement to deliver about 600 million cubic metres of gas per year to the power station.

Technical operations expertise

The Norwegian gas transport system is owned by the Gassled joint venture, with state-owned Gassco as operator. Statoil serves as technical service provider (TSP) for the bulk of these facilities. Both as an infrastructure owner through Gassled and as a user of the transport system, Statoil has a strong interest in secure operation with high regularity. In addition, the TSP job allows it to continue developing its operational and technological expertise in gas transport and processing. This know-how is very important to the growth ambitions set for Statoil's gas business, both in Norway and internationally. The TSP role is accordingly important for the group.

Manufacturing & Marketing

Key figures (NOK million)	2005	2004	2003
Total revenues	339,380	267,177	218,642
Income before financial items, other items, taxes and minority interest	7,646	3,921	3,555
Gross investments	1,630	4,162	1,546

Statoil is one of the world's largest net crude oil traders, and sold some 2.1 million barrels per day in 2005. That corresponds to about 10 times Norway's daily domestic requirements.

The international crude oil market was characterised in 2005 by expectations of strong growth in demand and limited spare capacity in members of the Organisation of Petroleum Exporting Countries (Opec). More attention was also increasingly paid in the market to a possible scarcity of products because refining capacity was fully utilised. This drove up the level of prices. Fears of a shortfall materialised in August and September, when hurricanes Katrina and Rita caused a shutdown of all production in the US Gulf. Refinery output in Texas and Louisiana was also sharply reduced.

Record oil prices

Brent Blend reference crude reached a peak of USD 67.3 per barrel, but fell back quickly after the US government and the International Energy Agency (IEA) announced that they would release

www.statoil.com/mongstad

Refinery and terminal

The Mongstad refinery near Bergen is a modern, highly-upgraded oil refinery with a capacity of 10 million tonnes of crude per year. It is owned 79% by Statoil and 21 % by Shell.
Mongstad also has a big terminal for intermediate storage of crude. The oil is stored in large rock caverns with a total storage capacity of 9.4 million barrels.

oil from strategic stocks. The average price for 2005 was a new record at USD 54.5 per barrel.

Refining margins in north-western Europe were significantly stronger in 2005 than the year before. A high level of demand over the past three years has put general pressure on world refining capacity. Statoil refined 16% of its equity oil in 2005 and produced about 15 million tonnes of refined products. The volume sold through the group's retail business accounted for 40% of this quantity. Statoil also sold a large volume of third-party products. Its principal markets were in the Nordic countries, the rest of north-western Europe and North America.

Increased pressure on automotive fuel margins in certain countries and rising oil prices characterised the retail sector in 2005. After the acquisition of ICA's 50% holding in Statoil Detaljhandel Skandinavia (SDS), measures have been implemented to secure the benefits of greater integration between the various countries where the group operates service station networks. This work will continue over the coming year.

Planning to sell Irish business

Early in 2006 Statoil announced its plans to sell its retail and commercial and industrial business in Ireland. Statoil has been in the Irish market since 1992, advancing during this period from fifth place to its present market leadership. Today the company has 20% of the automotive fuels market, 1,100 employees, 236 service stations and interests in terminals and distribution companies for heating oil. The decision to leave the Irish market is of a strategic nature.

Statoil is the leading player in Scandinavia for energy product sales, with more than 25% of the market. It sells heating oil, lubricating and marine oils, jet fuel, liquefied petroleum gases (LPG) and natural gas.

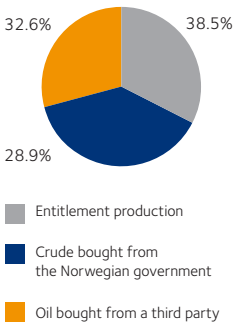
The group has signed a 10-year agreement with the US company Enterprise Products Operating LP, entailing export and storage of LPG products at Enterprise's terminal at Mont Belvieu, Texas. The agreement will form the basis for further development for trading LPG in the US market, an important import market for LPG produced from the North Sea. Enterprise has a substantial business in processing and pipe transport of LPG, oil and gas, and operates the largest terminal for import, storage and export of LPG in the USA. Statoil has a 10% share of the world's waterborne LPG trade.

Disposal of Borealis

Statoil sold its 50% holding in the Borealis petrochemical group in 2005 to Abu Dhabi's International Petroleum Investment Company (IPIC) and OMV AG of Austria. The sales sum was EUR 1 billion, corresponding to NOK 7.8 billion, which gave Statoil a book gain of NOK 1.5 billion.

This disposal was prompted by the fact that Borealis no longer formed part of Statoil's core business. The sale to the IPIC and OMV also represents a good industrial solution for Borealis. Statoil had been a part owner of Borealis since the latter was established in 1994 on the basis of petrochemical operations at Statoil and Finland's Neste. Statoil helped to develop the petrochemical group industrially and financially to the

CRUDE OIL SOLD BY STATOIL



www.statoil.com/traded_products

www.statoil.com/crudeinfo

Oil prices (USD per barrel)	2005	2004
Lowest:	38.2	29.1
Highest:	67.3	52.0
Average:	54.3	37.8

Service stations in nine countries

Statoil has about 2,000 service stations in nine countries. In Russia they are concentrated in the Murmansk area.

	Norway	Sweden	Denmark	Ireland	Poland	Lithuania	Latvia	Estonia	Murmansk
Number of stations	521	587	305	208	195	65	60	51	6
Market position	1	1	3	1	3*	2	1	1	1
Market share (%)	27	24	16	16	5	22	21	30	48

*Ranking among international companies

strong position it occupies today. Given the big investment requirement facing Borealis, not least in Abu Dhabi, it is best served with owners which have petrochemicals as their core business.

Borealis will remain an important partner in the future, because it ranks as the biggest customer for Statoil's natural gas liquids.

Technology & Projects

The Technology & Projects business area is responsible for Statoil's technological expertise and development as well as for research and the planning and execution of major developments. Combining technology and projects in the same organisation is intended to strengthen the group's ability to implement big developments.

The group ranks as one of the leading operators of floating production platforms and production ships, with a total of 11 installations on stream. It is also the world's second-largest operator of subsea oil and gas facilities after Petrobras. At 31 December 2005, Statoil was operating 284 subsea-completed wells on 23 fields.

New and demanding challenges are faced by the group in the Halten/Nordland area of the Norwegian Sea. These involve increasing production from subsea wells and separating oil, gas and water in the wellstream from seabed installations. Removing water from the oil and gas flow provides a number of advantages, including an improvement in the recovery factor through direct injection of the water. Produced water will not need to be treated before discharge, oil and gas transport capacity is increased and storage capacity on the installations will be reduced.

Substantial technological and environment-related challenges are posed when continuing the development of production installations for ultra-deep water and in sea areas with very demanding weather conditions. Statoil is also working to develop facilities for small and commercially-marginal fields.

Technological advances

The Tordis improved oil recovery (IOR) project is expected to raise the recovery factor on this field from 49 to 55%, equivalent to an additional output of 35 million barrels. And the technology to be used means that Tordis will be the world's first field with subsea processing. Water and sand contained in the wellstream will be separated from the oil and pumped into a sub-surface formation for storage. A multiphase pump will drive oil and gas through the existing pipeline to Gullfaks C for further processing and transport.

Tordis IOR represents a significant contribution to improving recovery from fields which are smaller, in deep water and remote from fixed installations. This project also helps to achieve a substantial reduction in produced water discharges.

The Tyrihans field in the Norwegian Sea represents another technological advance. Due to come on stream in 2009, it will be the first subsea development where untreated seawater is injected by seabed pumps into the reservoir to boost recovery. This solution could increase oil recovery by 18 million

www.statoil.com/technology

Statoil's key technology areas

Statoil's opportunities for creating additional value depend heavily on its ability to develop and apply technology. Five priority areas are particularly important for strengthening its competitiveness:

- **environmental technology**
- **exploration technology**
- **reservoir management**
- **subsea technology**
- **gas technology**

Subsea systems:
Safer, cleaner and more efficient

Subsea installations produce oil and gas from facilities installed on the seabed rather than on conventional platforms. Such solutions make it commercially interesting to tie small fields back to larger units and field centres. In areas without established infrastructure, subsea systems can be linked directly with processing plants on land.

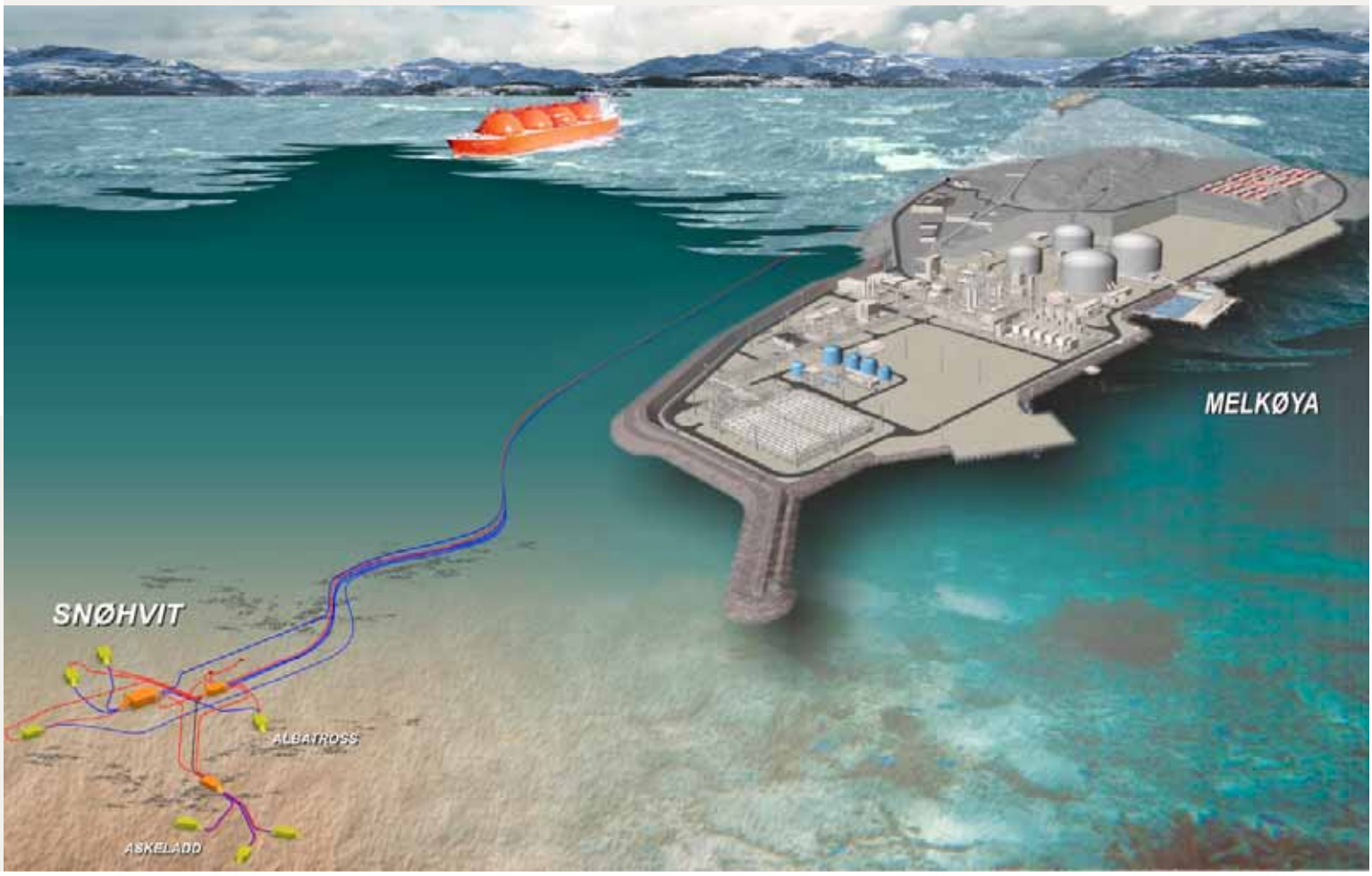
In addition to reduced development costs and increased production, subsea installations offer advantages related to health, safety and the environment. Shipping and fishing can be pursued far more safely when production facilities sit on the seabed. These systems are not affected by extreme weather conditions, whether these be icy waters in the Arctic or sub-tropical storms. In addition, subsea separation of produced water from the wellstream and water injection into geological formations beneath the seabed will greatly reduce discharges of possibly harmful waste products.

Statoil has substantial experience in this area, and is planning to strengthen its position even further in coming years. The Åsgard and Norne fields operated by the group in the Norwegian Sea represent the latest offshore technology with regard to subsea development and the use of production ships. Similarly, the start of production from the Kristin gas and condensate field is a breakthrough for producing reservoirs with extremely high pressure and temperature in very deep water.

In addition, the offshore part of the Snøhvit development in the Arctic region of the NCS is based on a complete subsea solution. This field is tied back to the processing and gas liquefaction plant on land by a 143-kilometre multiphase flow pipeline for the unprocessed wellstream. Located on Melkøya island outside Hammerfest, the liquefaction plant is due to come on line before the end of 2007.

www.statoil.com/snohvit

The offshore part of the Snøhvit project is a seabed development.



barrels. Tyrihans will be tied back to the Kristin field by a 43-kilometre pipeline which is electrically heated to prevent hydrate formation.

Improved oil recovery

Developing and applying new technology opens big opportunities for IOR, and is an important priority area for Statoil. IOR helps to extend the producing life of existing installations and other infrastructure, and to increase the value of mature fields.

Statoil is a leader in developing new IOR technology. No less than 100 different IOR-related measures were being implemented during 2005 on fields it operates. The average recovery factor on subsea-completed fields with measures already sanctioned is close to 42%. Revised estimates for stock tank oil originally in place (Stooip) and for reserves, as well as changes to the composition of the portfolio, mean that this figure will vary somewhat from year to year. The ambition is to increase the average factor for subsea fields to 55% over their producing life. The average recovery factor on fields with platform-completed wells is calculated to be 58% with measures already sanctioned. Statoil's ambition here is to reach an average of 70% over their producing life.

A number of approaches can achieve IOR, including extensive use of four-dimensional seismic data which include the time dimension, innovative drilling technology, new wells and phasing-in satellite fields.

IOR with carbon injection

Carbon dioxide poses a problem as a greenhouse gas, but represents a commercial opportunity as an injection gas to improve recovery from mature fields. It is possible to transport the gas to offshore fields by ship or pipeline, and inject it into the reservoirs in order to drive residual oil volumes towards the production wells. Natural gas is normally used for this, but carbon dioxide has far better properties for extracting more oil. In addition, a substantial positive environmental effect will be achieved by storing the carbon dioxide once it has been separated from the oil. Statoil is exploring opportunities for using this gas for IOR on a number of fields in the North Sea.

Drilling and well operations

Statoil ranks as the world's second-largest offshore drilling operator, and is engaged at any given time in about 15-20 drilling and well operations related to exploration and production. A special programme has been initiated to enhance the efficiency of such work. One measure involves the creation of a centre staffed by able and experienced specialists to support personnel pursuing drilling and well operations on rigs and production installations. Real-time data transfer between sea and land is an important tool in this work.

The programme aims to increase effective drilling time from 77 to 90% by the end of 2007. Statoil's drilling and well operation function embraces 750 of its own people but employs 7,000 personnel at contractor companies. The group cooperates closely with the latter.

Project execution

The business area worked in 2005 on improvement measures aimed at delivering development projects to budget and on schedule, at their expected level of quality and without harm to people or the environment. This work concentrates on the composition of management teams, the establishment of efficient processes for project development and execution, integration and cooperation with industry, and reuse of good solutions. A special project academy has been established.

During the year, it was resolved to initiate measures to improve production on a number of existing fields. Statfjord late life was sanctioned, along with Huldra tail production, improved recovery from Tordis, and the development of Volve and Tyrihans through tie-backs to existing infrastructure.

www.statoil.com/co2

Twenty years of collaboration between the Norwegian Academy of Science and Letters and Statoil was celebrated with the publication of *The story of an exceptional partnership.*

20 years of successful research collaboration

Some NOK 200 million has been contributed by Statoil over the past two decades to back basic research in areas of great significance for the Norwegian oil and gas industry. This support has been channelled through the Vista programme run by the

Commercialising new technology

Statoil invests NOK 100-300 million every year in new companies to help the development and commercialisation of good technological ideas. The bulk of these start-ups originate in the group's operational or research-based activities. At 31 December 2005, this involvement embraced 30 companies providing some 250 jobs.

In recent years, important priority areas have been water and gas treatment technologies, exploration and reservoir technology, and solutions relating to gas transport and industrial utilisation.

Ship/offshore simulator

The group acquired an interest in Marine Cybernetics during 2005, and invested in the development of new technology for testing control and management systems on ships and offshore installations. This company makes the CyberSea Simulator, which devises possible faults and operating problems by connecting a simulator box to the control units in a management system. Systems can then be tested while the ship or installation is either under construction or in operation. The technology enhances safety, improves efficiency and reduces costs for shipping companies and operators.

Through its own supplier development programme (LUP), Statoil has supported creative ideas developed by small and medium-sized enterprises. Backing is provided for about 15-20 projects every year. Fifteen were under way at 31 December 2005, and 10 new ones had been established during the year.

Ballast water treatment

A technology development agreement has been concluded through the LUP with Norway's MetaFil company, which will develop and industrialise a treatment system for ballast water on ships. The introduction of alien species and organisms from ballast water discharges represents a global environmental threat and is regarded as one of the four biggest marine pollution problems. MetaFil's technology was tested in full scale during 2005, and is due to become commercially available in 2006. The system will meet the discharge standards set by the UN's International Maritime Organisation (IMO), which comes into force for newbuildings in 2009.

Island Wellserver has been specially designed to be able to perform downhole interventions as cost-effectively as possible.

Norwegian Academy of Science and Letters.

Determined by Statoil's business and long-term requirements, the content of this programme currently covers the four core areas of exploration, improved recovery, oil and gas processing and environmental protection. Vista funds go to doctoral and post-doctoral studies, project management and funding of university chairs.

This programme was established on the initiative of Statoil's management, which realised in the early 1980s that there was a need to enhance national expertise by stimulating basic research and encouraging various academic communities to cooperate. Building up sub-surface expertise was not least important in order to reduce exploration costs and improve the recovery factor on Norwegian offshore fields.

The challenges have increased and the tasks have become more difficult, observes vice president Ingve Theodorsen at Statoil's research centre, who chairs the Vista programme. Today's discoveries are smaller than before, and reservoirs are more demanding to produce.

"We therefore need research communities with a higher level of ability than we've seen so far," he says.

People and society

We have described our values and leadership approach in the *We in Statoil* document. This was updated in December 2004 and provides clear guidelines on the business culture we want to develop collectively. The revised values were introduced to the organisation during 2005 through a number of training and communication activities. Our values and leadership approach are being integrated in corporate human resources activities.

Our ethical guidelines were also revised during 2005 and published in a separate booklet entitled *Ethics in Statoil*.

All entities in the Statoil ASA parent company completed training in ethics and social responsibility during 2005, while 400 senior executives were trained in combating corruption. Ethics committees were established at corporate and business area levels.

More than 25,000 employees

Our workforce totalled 25,644 people at 31 December. We recruited 4,397 new employees in 2005, while 2,747 people left us. Workforce turnover in Statoil ASA is very low, at just 0.65%. In the downstream business, where turnover has generally been high, we are now working to reverse this trend.

We continued our corporate trainee programme in 2005. By providing a structured development path, this is intended to meet part of our long-term expertise requirements within selected specialities. Twenty-four new trainees were taken on in 2005, including 10 from countries outside Norway. The goal for 2006 is to increase the number of participants to 50.

Statoil ASA is Norway's largest employer of apprentices, with a high and stable training activity for skilled workers. The parent company took on 129 apprentices in 2005, compared with 128 the year before, and at 31 December had 269 of these trainees in 11 trades.

Equal opportunities

Ensuring equality of opportunity is part of our human resources policy. Women currently account for 27.5% of the parent company's workforce. Thirty-three per cent of externally-recruited personnel in 2005 were female, up by two percentage points from 2004.

Women account for 25% of managers in our group, and for 34% of people below the age of 45 in such positions. The female proportion varies somewhat between the various business areas, but those with the lowest share showed an improvement over the past year. We have special development programmes for managers, and the proportion of female participants in these has been around 30% in recent years.

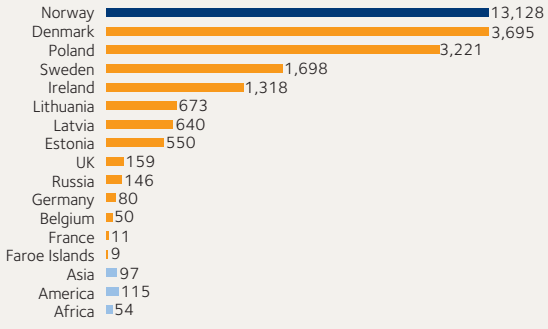
Big share of skilled workers

We are a knowledge-based company, where 27% of the workforce hold a skill qualification and 55% have a college or university education. Women account for 20% of our skilled workers, and for 41% of new recruits in this category during 2005. The average basic pay of skilled women workers was rather lower than for men in equivalent jobs. That reflects differences between males and females in terms of posts and length of experience.

Women are relatively well-represented in technical disciplines. Twenty-two per cent of staff engineers are female, and their average pay is 98.5% of the corresponding figure for their male

Women in Statoil 2005	2005	2004
Parent company employees	27.5%	27%
Managerial positions in the group	25%	26%
Parent company apprentices	31%	29%
New parent company recruits	33%	31%

GEOGRAPHICAL DISTRIBUTION OF EMPLOYEES IN SELECTED COUNTRIES/CONTINENTS (AT 31 DECEMBER 2005)



colleagues. This differential primarily reflects length of experience. Women with up to 20 years of experience account for 32% of staff engineers and their level of pay is the same as for males.

The figures quoted in the preceding paragraphs reflect a positive trend during 2005. The exception is the share of women managers, which declined by one percentage point and is something we will be following up in 2006.

Revised equal opportunities deal

We worked with our unions to conclude a revised equal opportunities agreement for Statoil ASA in 2005.

Employees in the parent company are remunerated in accordance with their position, competence, results and behaviour. In the annual pay awards for individual employees, we also apply the principle of equal pay for work of equal value.

As a general rule, all permanent parent-company employees are employed on a full-time basis. However, we can grant a temporary reduction in working hours on application. Women account for the majority of such applicants. We have arrangements such as flexible working hours and teleworking when the nature of the job makes this possible without causing particular inconvenience for the business.

Employees on maternity leave maintain their relative salary grade during their leave. We meet the difference between state maternity benefits and actual pay received from us.

Occupational health and the working environment

High standards for occupational health and the working environment help create job satisfaction and improve efficiency. Our goal is zero occupational injuries and illnesses. We devoted greater attention in 2005 to occupational health and working environment challenges related to the expansion of our international business.

A number of precautionary principles to safeguard occupational health and the working environment were implemented, including preventive measures against such diseases as malaria, the adoption of strict health requirements for working in extreme climatic conditions, and tighter control of hygiene.

We give weight to ensuring that employees with health problems should be able to remain at work with good monitoring and customised arrangements. Our average retirement age in 2005 was 62.2. Sickness absence for the year was stable at the low level of 3.5% – about half the Norwegian average.

Working environment survey

Employee assessments of management and organisational conditions are identified through the annual working environment and organisation survey (Amou). This poll is anonymous, and the response rate has lain at 85% of the workforce in recent years.

Results from the Amou carried out in the autumn of 2005 show that employees have confidence in management and regard the working environment as good. They also consider that high priority is given to health, safety and environmental conditions in the workplace.

Safety

The goal is to conduct our business in such a way that it causes no harm to people or the environment. Unfortunately, however, two contractor employees lost their lives while working for us. One person died on 31 January in connection with the completion of the Kristin platform at Aker Stord. The other fatality occurred on 2 October when supplies were being lifted onto a tanker berthed at the Mongstad oil terminal. Both accidents have been investigated, and measures initiated.

A serious gas leak occurred on 28 November 2004 in a well on the Snorre A platform. Our internal inquiry report as well as the investigation by the Petroleum Safety

Extreme weather sets major requirements to equipment and the safety mindset. This tugboat is helping to tow a cargo ship from the jetty at Melkøya in a rough sea and strong winds.

Statoi's ethical standards and requirements and the group's values are compiled in these booklets.

Our values:

- Imaginative
- Hands-on
- Professional
- Truthful
- Caring

Authority Norway produced a number of criticisms. A number of follow-up measures were pursued during 2005 in the wake of this serious incident.

Positive trend for injuries

Our safety performance indicators for 2005 were the best we have ever recorded, and we saw a clear improvement compared with 2004. The total recordable injury frequency declined from 5.9 to 5.1, while the serious incident frequency fell from 3.2 to 2.3.

We will continue our systematic and detailed safety efforts to improve these results even further. We have found a great commitment across the group to our improvement activities, which give a central place to training, cooperation with suppliers and contractors, and risk management in an international perspective.

For more information, see the HSE accounting on page 134.

Social responsibility

We drew up a strategy for social responsibility in 2005 which makes it easier to integrate this in our daily work and business operations. The strategy is being implemented through individual plans for each country in which we are involved, and is built up around three priority areas:

- openness about financial transactions
- human rights and labour rights
- local spin-offs.

Priority areas

We outline the national plans for social responsibility in Algeria in our sustainability report, and look at our efforts to give social responsibility a specific content in Murmansk and Archangel in north-western Russia in this report.

We publish a number of key figures from our production countries, such as income, taxes paid and payroll expenses. In this way, we want to contribute to greater transparency around our own business and to influence the industry and the various government agencies in the same direction. Openness about financial transactions will lead to greater stability for our frame conditions by making the oil and gas industry more predictable and transparent, and thereby more resistant to corruption.

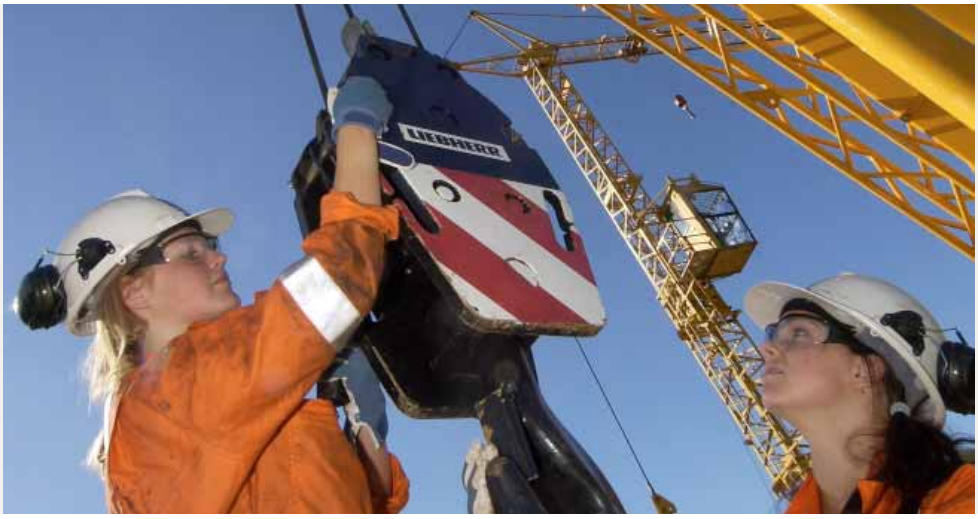
Human rights

The most important work on human and labour rights is done in our day-to-day activities. These efforts are entrenched in our overarching values, and given a specific content through our support for a number of international initiatives. One of the most important of these is the 10 principles of the Global Compact, which we have accepted. The Global Compact is a voluntary collaborative initiative between the UN, companies, organisations and the authorities, who undertake to work for sustainable development by observing principles which cover the topics of human rights, standards in working life, environmental protection and fighting corruption.

Social investment

We devoted about USD 10 million to social investment projects in 2005. This represented a marked rise from 2004, when the amount was USD 6.5 million. The increase was a consequence of our expanding international operations.

These investments are spread over various projects in 11 countries which fall within the framework of our three priority areas of openness, human rights and local spin-offs. At the same time, they reflect the scope of our activities in the respective countries. The Akassa project in Nigeria, which we founded together with two charitable organisations, was acclaimed as the best social project in 2005 by the World Petroleum Council. It is described in more detail on page 62 of the sustainability report.



Linda Kolstø (left) and Mariann Gaard have completed apprenticeships in crane and lifting operations. Roughly 500 people work in lifting operations on Statoil-operated facilities on the NCS, 300 of whom are crane operators.

Topic:
Collaboration with Murmansk and Archangel

We initiated a collaboration in 2005 with the authorities in the Russian counties of Murmansk and Archangel with a view to developing a plan for social responsibility in this region. The basis for this cooperation is our long-term perspective on petroleum developments in the far north.

Oil and gas deposits both on land and offshore are expected to be among the world's largest. The decision to develop the major Shtokman gas field in the Russian sector of the Barents Sea has encouraged growing optimism in a region characterised by a lack of jobs and a weakly-developed industrial structure.

Local ownership

In close cooperation with the two counties, we have identified a number of projects and will make almost NOK 40 million available over a three-five year period in the form of human resources and financial support. The projects will be owned and driven forward by the authorities or interest organisations. Our role will primarily be to make expertise available and ensure that projects are funded and organised in such a way that they can be executed in an acceptable manner.

These projects can be divided into four main categories:

- identifying and developing the supplies industry in the region
- strengthening the educational sector to meet the requirements of a new industrialisation represented by petroleum activities
- encouraging greater understanding for and commitment to the environmental aspect of the new industry
- helping to develop the social sector.

Where development of the supplies industry is concerned, we have opted to build on the good experience gained in west Finnmark county from the Snøhvit project. Local companies took the initiative to form an industry association which has been in close dialogue both with us as the operator and with important contractors. We have offered to help the authorities in Murmansk and Archangel in creating similar local industry associations, backed by specialist expertise from the people who were responsible for establishing the Snøhvit Industry Association.

Russo-Norwegian collaboration in practice: welder Peter Aleksandrovich Lazarev produces steel components in Murmansk for Statoil's gas processing plant at Kollsnes near Bergen.

Cooperation with universities

We have a close dialogue in the education sector with the university in Archangel to develop academic programmes in finance and administration, with the emphasis on petroleum management. This work has been partly funded by the Norwegian Ministry of Foreign Affairs in close cooperation with the University of Trondheim. We have contributed to a professional discussion between Archangel Technical University and the University of Stavanger on widening the curriculum in the Russian institution to embrace advanced drilling, offshore and subsea technology. The plan is to implement this expanded programme of studies in the autumn of 2006. A dialogue has also been initiated with the medical university in Archangel in order to exchange experience and information in areas relating to Arctic medicine.

Environmental collaboration

Environmental challenges are high on the agenda in both counties, and the environmental consequences of industrial activities are attracting growing attention and commitment in Russia. We participate in a broad collaboration in the environmental area through professional dialogue, experience transfer and the implementation of specific measures.

We will be assisting in the preparation of an environmental plan for the Kola Fjord. In Archangel, we are also due to contribute experience from the NCS on cooperation between the oil industry and fishing interests.

Norwegian oil-spill collection equipment

Two projects are in the process of being implemented in the Murmansk area. One concerns the transfer of upgraded Norwegian oil-spill collection equipment to an emergency response centre in the port itself, and helping to train people in its use. The other aims to establish a laboratory which will collect and preserve oil samples in order to predict the physical development of such hydrocarbons in the event of a spill or a shipwreck. Norway's Sintef research foundation has developed an advanced analysis programme which we are making available. This allows the physical development of oil over time to be predicted, which is crucial for deploying the most effective collection equipment. That represents an important environmental protection measure, since a growing number of Russian oil shipments are passing along the Norwegian coast.

Tackling social deprivation

We see opportunities in the social sector for supporting local and international organisations which work with the socially deprived. A number of Norwegian bodies are already active in north-western Russia. Our primary goal is to conclude multi-year collaboration deals on programmes directed at building capacity and expertise among the local authorities and organisations. A great need exists to support homes for children and young people as well as foster family schemes.

We are also making a contribution on the cultural front by supporting Murmansk's philharmonic orchestra. We have an agreement with the Norwegian Opera on staging annual performances in the Russian port. We also contribute to several Russo-Norwegian projects which build on close cultural ties between eastern Finnmark and the Kola Peninsula.

Statoil's collaboration with Murmansk (pictured) and Archangel embraces education, environmental protection and support for the socially deprived.

The environment

Our goal is zero harm to people and the environment. We work purposefully and continuously on improvement measures to minimise waste, emissions and discharges, and to secure efficient and environmentally-appropriate use of natural resources. Our ambition is to pursue our business in an environmentally acceptable manner and to be among the front runners on a world basis.

Emissions/discharges and environment impact

Producing oil and gas involves emissions and discharges to the natural environment. Their level is influenced by each field's reservoir conditions and age as well as the design, technology and operational regularity of its installations. Emissions relating to oil and gas processing depend on the type of feedstock involved and the products being produced.

Emissions to the air primarily involve carbon dioxide, methane, volatile organic compounds (VOC), and sulphur and nitrogen oxides. These contribute to the greenhouse effect, the formation of ground-level ozone and acid precipitation. Offshore operations account for the bulk of our carbon dioxide and nitrogen oxide emissions, while refining is responsible for most of the sulphur dioxide we release.

To a great extent, emissions to the air are regulated by international agreements. Of particular importance for our business operations are the Kyoto protocol on reducing greenhouse gas emissions and the Gothenburg protocol. The latter embraces commitments to reduce the release of nitrogen and sulphur oxides as well as VOC.

Rising water production

Discharges to the sea primarily embrace oil, other organic compounds and chemicals, and derive principally from produced water and drilling. Possible harmful environmental effects relate particularly to compounds which are slow to degrade and are highly toxic or have a potential for bio-accumulation.

Operations on the NCS are the largest source of our discharges to the sea. The volume of produced water has risen significantly in recent years because a number of the large oil fields have reached a mature phase. Water production in the Tampen area of the North Sea is now twice as high as oil output.

The Ospar convention regulates discharges of oil and chemicals in the north-east Atlantic. This calls for the total annual volume of oil to be reduced by 15% from the 2000 level during 2006. From 2007, the oil content in produced water for discharge must not exceed 30

World's largest carbon dioxide project for improved oil recovery

In March 2006, Shell and Statoil signed an agreement to examine the possibilities of developing the world's largest offshore project for the use of carbon dioxide for improved oil recovery (IOR). The project consists of a gas-fired power station at Tjeldbergodden in mid-Norway which will provide carbon dioxide to the Draugen and Heidrun oil and gas fields in the Norwegian Sea. Electricity from the power station will be sent to the platforms, thereby reducing carbon and nitrogen oxide emissions from these installations to almost zero.

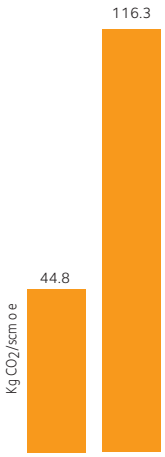
The project is in line with international and national climate aspirations and responds to the challenges of increasing energy requirements and the related increasing carbon dioxide emissions. The project could potentially utilise and store approximately 2-2.5 million tonnes of carbon dioxide annually in the Draugen field, and in time, in the Heidrun field.

Establishing this carbon dioxide value chain is technologically and commercially challenging. The project requires the involvement of other industrial players, and will depend on considerable government financing and cooperation.

Shell was a pioneer in the use of carbon dioxide to improve oil recovery in the 1970s.

Statoil has been a pioneer in carbon dioxide capture and storage on the Sleipner fields in the North Sea since 1996, and through its work in the Snøhvit project outside Hammerfest and the In Salah project in Algeria.

Carbon dioxide from the gas-fired power station in mid-Norway will be sent to the Draugen and Heidrun (pictured) platforms, where the greenhouse gas will be used to improve oil recovery.



Emissions of CO_2 per produced volumes oil/gas (scm o e) from Statoil-operated activities on the NCS, compared with world industry average.

*International Association of Oil & Gas Producers (OGP)2004

www.statoil.com/hse

milligrams per litre. The average oil content in produced water from our operations in the NCS was 16.1 mg/l in 2005.

In addition to Ospar, the Norwegian government requires zero harmful discharges from oil and gas installations. These requirements mean a halt to or a substantial cut in discharges of defined environmental toxins, and a significant reduction in the risk that discharging and using chemicals could cause harm. The European Union's directive on integrated pollution prevention and control (IPPC) also applies to operations in Norway, and calls for the use of the best available technology to cut discharges.

Environment-friendlier production

Continuous efforts are being made to reduce emissions to the air and discharges to the sea through research into and development of ever better technology, effective emergency response and good management based on extensive risk assessments. The aim is continuous improvement through enhanced energy efficiency and other focused measures on existing and future installations.

Discharges to the sea are attracting particular attention. Work has been devoted to developing new technological solutions and to phasing out chemicals which represent a possible hazard to the environment. We are well on our way to meeting government requirements for zero harmful discharges on our oil and gas fields from the end of 2005. For practical reasons, however, the necessary measures had to be postponed until 2006 on a few fields.

Managing chemicals remained an important priority area in 2005. Chemicals released from our offshore operations declined from 53,600 tonnes in 2004 to 43,800 tonnes. Of chemicals used in 2005, 84% posed little or no environmental risk while 16% had acceptable environmental properties. Only 0.1% (2004: 0.3%) were potentially harmful to the environment.

The condition of the environment around our installations is monitored through regular programmes. Environmental monitoring embraces both water quality and seabed sediments, and shows small or no impact from discharges. Similar monitoring is conducted around our land-based plants, particularly with regard to acidification and over-fertilisation. Once again, the impact is small or undetectable.

Climate and emission trading

We support the Kyoto protocol as the first step towards a more far-reaching international agreement, and the introduction of emission trading as an instrument for limiting the release of greenhouse gases in a cost-effective manner.

Work is under way to reach our goal for reducing annual greenhouse gas emissions from the facilities we operate by 1.5 million tonnes of carbon dioxide by 2010, compared with the amount which would have been emitted without special measures. At 31 December 2005, 47% of the 2010 target had been met. A reduction resulting from carbon dioxide injection in the Sleipner area is additional to this. We give weight to consistent reporting in line with international guidelines for defining environmental measures, and the basis for calculating action taken in earlier years was therefore updated in 2005.

We made the necessary preparations for utilising the Kyoto mechanisms, and participate in emission trading in order to meet future requirements for lower greenhouse gas emissions.

Biological diversity

Preserving biological diversity is crucial for sustainable development. Our goal is to protect such diversity by conserving natural ecosystems, avoiding the introduction of alien species and seeking not to affect the level of plant and animal populations through our operations. We participate in a broad international collaboration with other companies

Surveying the treatment process

Process technician Jørgen A Olsen keeps a watchful eye on the water treatment plant on Statfjord C. This platform was the first to install the CTour treatment technology developed by Statoil, in cooperation with the Rogaland Research Foundation in Stavanger.

and environmental organisations to preserve biodiversity.

Strict transport requirements

Roughly 100 million tonnes of hydrocarbons were shipped by tanker from fields, terminals and refineries to customers worldwide, with the main activity in northern Europe. Tanker operations in 2005 caused no significant oil or chemical spills.

Road tankers belonging to us or hired from others covered about 46 million kilometres in 2005 delivering products to service stations and customers. Carbon dioxide emissions relating to these consignments are estimated at some 57,200 tonnes in 2005, or roughly 0.6% of the total released from our operations.

Safety and environmental performance are important in selecting road tankers. Key environmental measures include a high carrying capacity to reduce the number of consignments, modern engine technology with lower fumes, optimal route planning through good navigation systems, and using diesel oils with good environmental properties.

Products better adapted to the environment

We produce and sell a number of products, such as crude oil, natural gas, automotive fuels, heating oils, methanol, wood pellets, chemicals, lubricating oils and electricity. Our objective is that these commodities will rank among the best for technical user qualities and environmental properties.

Burning oil and gas products can have a negative impact on the environment locally, regionally and globally. Emissions per unit of energy produced have been substantially reduced in recent years through cleaner products and improved engine and treatment technologies.

We have introduced a more environment-friendly heating oil in Scandinavia, with a reduced sulphur content and additives which keep furnaces clean throughout the year. In Denmark, we have cut the sulphur content in heating oil and now deliver only oil with 10 or 50 parts per million (ppm) of sulphur. The sulphur content is higher in Norway and Sweden, but we offer a heating oil in the Swedish market with 10 ppm of sulphur and one in Norway with 50 ppm. The result is reduced consumption and lower emissions.

All petrol and diesel oil now delivered to the Scandinavian market from our Kalundborg and Mongstad refineries is now virtually sulphur-free (sulphur content below 10 ppm).

Biofuels reduce emissions

Using automotive biofuels cuts greenhouse gas emissions. We sell petrol containing bioethanol and diesel with rapeseed oil on the Swedish market. All the 95 octane petrol we sell in Sweden contains 5% bioethanol, and we offer E-85 – a petrol with 85% bioethanol – at 90 Swedish service stations.

We are steadily increasing deliveries of renewable energy through the production and sale of wood pellets made from forest industry waste. This product provides an alternative to heating oil, natural gas and electricity. We sold 191,000 tonnes of pellets in 2005, which corresponds to 10% of the total market.

Investments and costs

A provision of NOK 20 billion had been made at 31 December 2005 to meet the future cost of shutting down and removing oil and gas production facilities. In this respect, NOK 1.3 billion was charged against income in 2005.

Reusing offshore installations and equipment offers financial and environmental gains. We earned NOK 65 million from the sale of surplus materials in 2005, compared with NOK 48 million the year before.

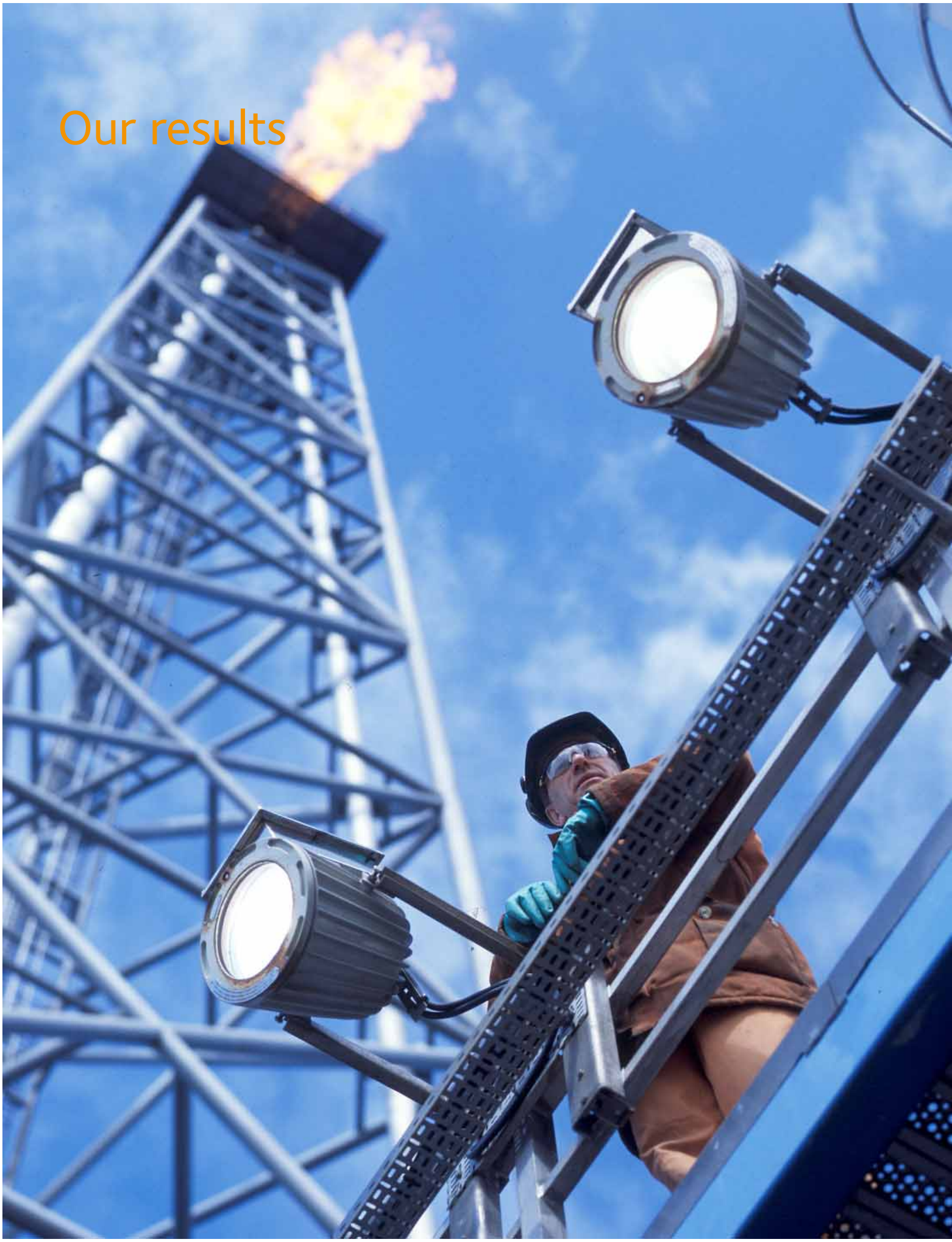
Annual carbon dioxide tax paid by Statoil for 2005 on emissions from the NCS totalled NOK 801 million.

More information about Statoil and the environment can be found in the section about HSE accounting on pages 134, and in the section about the environment on page 41 of Statoil's sustainability report.

Biggest tanker in the world

With three tugs alongside as the French crude oil carrier *Flandre* prepares to set sail from Mongstad to Canada, safety is paramount. The big ship can carry 300,000 tonnes of oil. But the Mongstad port is able to berth supertankers up to 440,000 deadweight tonnes. In other words, with few exceptions, the world's largest tankers can call at Mongstad.

Our results



RESULTS

Statoil's industrial position is stronger than ever, and the group can build further on a clear strategy, a strong financial foundation, solid market positions and an able organisation.

This perspective is identified in the directors' report which begins on the following page. The board makes it clear that the strong results in 2005 lay a good basis for meeting our ambition to be a competitive global company and a unique workplace for performance and development.

The board's objective is also to secure the best possible return for the shareholders, which finds expression through the proposal for ordinary and special dividends adding up to NOK 8.20 per share. That means dividend per share has almost trebled since 2001, the year of our flotation.

This chapter also encompasses the annual accounts, the HSE accounting, financial review, shareholder information and a detailed survey of corporate governance, which has been substantially expanded since the previous report.

Directors' report 2005

Statoil's industrial and financial position at the start of 2006 is strong. In 2005 the group delivered its best annual results to date. Production and profitability were higher than ever before. Moreover, 2005 also saw the sanctioning of a record number of upstream projects. Combined with focused improvement work, this should give Statoil a good platform for developing into a globally competitive company.

The best annual results ever

According to the American generally accepted accounting priciples (USGAAP), the Statoil group had a net income of NOK 30.7 billion in 2005, which is a NOK 5.8 billion improvement on 2004. Income before financial items, tax and minority interest was NOK 95.1 billion, compared with NOK 65.1 billion in 2004. Return on capital employed was 27.6% in 2005, compared with 23.5% the previous year. This increase was mainly due to higher oil and gas prices and increased production. Adjusted for market conditions of USD 22 per barrel, the average return on employed capital was 11.7%, compared with 12.4% in 2004. Increased investment is the main reason for this change.

High oil and gas production made a solid contribution to the record results. Statoil produced 1,169,000 barrels of oil equivalent (boe) per day in 2005, which is 63,000 boe per day more than in 2004. Higher gas production and increased production from international activities helped to secure the highest production figures to date. The average normalised production cost fell from NOK 23.3 per boe in 2004 to NOK 22.3 per boe in 2005.

The high price of oil meant that earnings and profitability in international projects with production sharing agreements (PSA) were considerably higher than anticipated in 2004 when Statoil sets its targets for 2007, which means an early transition from a cost-covering to a profit-generating phase. In PSA contracts, the higher the oil price when the field becomes profitable, the smaller the share of production that goes to the partners. The concrete effect varies from agreement to agreement and country to country.

Statoil has an oil and gas production target of 1,400,000 boe per day in 2007. This target is based on an average oil price of approximately USD 30 per barrel in the period 2005-07. If the price of oil were to remain at the current level

Jannik Lindbæk (67)
Chair of the board
On the board of directors since November 2003.
Education and professional background: President and CEO of Storebrand, chief executive of the Nordic Investment Bank, executive vice president of the International Finance Corporation.
Other elective posts: Chair of the board of the Bergen International Festival, Transparency International Norway, Plan International Norway and Gearbulk.
Director of Kristian Gerhard Jebsen Skipsrederi.
Number of shares in Statoil: 0

throughout 2006 and 2007, the negative effect on international PSA projects in 2007 would be in the area of 50,000-60,000 boe per day. Statoil will therefore adjust for PSA effects when it reports on production and production unit costs in the period leading up to 2007.

The PSA effect and, to some extent, the stepping up of exploration activity and increased investments are all linked to the high price of oil. They will have a negative impact on the normalised return on capital employed. Given the normalisation assumptions adopted in 2004, the normalised return on employed capital in 2007 is likely to fall short of the target of 13%.

In 2005 the group replaced 102% of its production with new oil and gas reserves, compared with 106% in 2004. At the end of 2005, remaining proven reserves amounted to 4.3 billion boe.

The board proposes that the annual general meeting allocates a total ordinary and special dividend of NOK 8.20 per share for 2005, compared with NOK 5.30 per share for 2004. This is an increase of 55%.

Exploration activity has been stepped up considerably. A total of 20 exploration and appraisal wells were completed in 2005, 14 of which resulted in discoveries. We are still awaiting the final evaluation of one well. Furthermore, discoveries were made in four of the five exploration extensions. Twelve wells were completed in 2004.

In 2005 Statoil made the biggest acquisition in the group's history when it took over the deepwater portfolio in the Gulf of Mexico from the Canadian company EnCana. The portfolio harmonises well with Statoil's core competence and comprises several high-quality discoveries and exploration projects.

Statoil adjusted its portfolio during 2005 in order to strengthen its core activities. It sold its 50% holding in the Borealis petrochemical group for EUR 1 billion, realising a book profit of NOK 1.5 billion. At the beginning of 2006 Statoil sold its 30% holding in the Ringsend gas power station in Ireland.

Major work is being put into the improvement initiatives launched in 2004 with the aim of promoting operational improvement and new business opportunities. These will provide an important source of increased value creation until 2007.

Good results in the area of health, safety and the environment are important to Statoil. The group is working hard to achieve its goal of zero harm to people and the environment. Statoil's safety indicators show a continued improvement. The group has ambitious targets and works on the assumption that all accidents can be prevented. It is therefore extremely regrettable that two people lost their lives while working for Statoil in 2005.

In view of its high ambitions, Statoil's activities still involve too many undesirable incidents. The board will therefore prioritise follow-up of improvement work in this area.

Statoil accepted the fine of NOK 80 million imposed on it after the gas blowout on the Snorre A platform in the North Sea in November 2004. This was a serious incident that could have caused major harm. An extensive action plan has been drawn up to prevent similar occurrences in the future. Safety at the group's facilities and installations is an area to which the board devotes great attention.

Statoil is still under investigation by the American authorities for possible violation of US criminal and securities legislation, including «The Foreign Corrupt Practices Act». The investigation concerns the agreement with Horton Investment Ltd on consultancy services in Iran. Statoil is cooperating with the US authorities to obtain the necessary information.

Markets and surroundings

Positive economic development in the USA and China plus progress in Europe and Japan were important factors in continued global economic growth in 2005. The growth in the global economy generated a further increase in energy demand. A persistent shortage of production and refining capacity – combined with loss of production due to

Kaci Kullmann Five (55)
Deputy chair
On the board of directors since August 2002. Acting chair from September to November 2003. Deputy chair from November 2003.
Profession: Self-employed.
Education and professional background: MSc in political science from the University of Oslo. Member of the Norwegian Parliament 1981-1997. Minister for trade and shipping 1989-1990. Head of the Norwegian Conservative Party 1991-1994. Executive vice president in Aker RGI 1998-2002.
Other elective posts: Member of the Norwegian Nobel Committee.
Number of shares in Statoil: 1,000

adverse weather conditions and political uncertainty in important oil-producing countries – resulted in record high oil and gas prices in 2005. The average price of oil in 2005 was USD 53.6 per barrel, compared with USD 38.1 per barrel in 2004. Translated into NOK this represents an increase of NOK 88 per barrel, to NOK 345 per barrel in 2005.

Important energy markets such as Europe and the USA are becoming increasingly dependent on the import of gas, and supply reliability has been the centre of increased political focus. Statoil is working proactively to develop long-term and stable gas supply sources for these markets. Gas prices in Europe and the USA continued to rise in 2005. In 2005 the average realised gas price was NOK 1.45 per cubic metre, compared with NOK 1.10 per cubic metre in 2004.

Standardised refining margins (fluid catalytic cracker margin) rose from USD 6.4 per barrel in 2004 to USD 7.9 per barrel in 2005. The average contract price for methanol increased from EUR 213 per tonne in 2004 to EUR 225 per tonne in 2005.

The intensification of activity in the industry in recent years has led to considerable pressure on capacity and prices in several of the supplier markets, including those for steel, rigs, marine operations, engineering and fabrication.

There is growing competition in the oil and gas industry for access to new resources and industrial opportunities. The board assumes that this competition will intensify in the years ahead. Statoil is well positioned for value creation and growth, and the good results in 2005 enhance the company's long-term potential.

Exploration & Production Norway: record results and new projects

Statoil's ambition for the Norwegian continental shelf (NCS) is to maintain a production level of one million boe per day for as long as possible beyond 2010.

Income before financial items, tax and minority interest totalled NOK 74.1 billion in 2005, compared with NOK 51.0 billion in 2004. This improvement is primarily due to higher oil and gas prices.

Statoil's production from the NCS averaged 985,000 boe per day in 2005. This is slightly lower than the previous year and somewhat short of the target for the year. This decrease is expected to be of a temporary nature and is mainly due to an unforeseen loss of production from important fields and delayed start-up on new fields. Oil production from mature fields is waning, but is being compensated for by new fields, increased gas production and improved oil recovery measures.

The board is happy with Statoil's proactive approach to industrial and commercial development on the NCS. Production from five new Statoil-operated projects, including the technologically-pioneering Kristin field, started in 2005. In addition, 12 new upstream projects were sanctioned for development. One of these was Statfjord late life, which will ensure continued profitable production from the Statfjord field up to 2020.

A continuously high level of exploration activity is a prerequisite for realising Statoil's long-term ambitions for production from the NCS. Statoil has an assertive exploration strategy and sees great potential in both mature and new areas. In 2005 the group participated in the completion of nine exploration and appraisal wells on the Norwegian continental shelf, six of which resulted in discoveries. Furthermore, discoveries were made in four of five exploration extensions. Statoil was awarded shares in 16 new licences in 2005 and submitted a wide-ranging application for the 19th licensing round.

A new review of the progress and the scope of work remaining in the Snøhvit project revealed the necessity of increasing the investment budget by NOK 7 billion, to NOK 58.3 billion. Statoil has a 33.53% stake in Snøhvit. Furthermore, the planned start-up of regular gas deliveries was deferred by eight months to December 2007. These changes were mainly a result of

Knut Åm (62)
On the board of directors since April 1999.
Profession: Independent consultant.
Education and professional background: Degree in geological and geophysical engineering from the Norwegian Institute of Technology. Senior vice president in Phillips Petroleum, with responsibility for exploration and production, previously held positions in the Geological Survey of Norway, the Norwegian Petroleum Directorate and Statoil.
Other elective posts: Chair of the Industrial Council of the Norwegian Academy of Technological Sciences, chair of IOR-Chemco AS, EnVision AS and EnVision StreamLine AS. Director of Badger Explorer AS and the Physics of Geological Processes Centre of Excellence at the University of Oslo.
Number of shares in Statoil: 14,594

delayed engineering, and deficient quality and delays in sub-deliveries. More of the work has been transferred to Melkøya, which entails a more drawn-out and more expensive completion. Statoil has initiated a number of measures aimed at promoting the safe and efficient completion of the project. In order to support its implementation, responsibility for the project has been transferred to the Technology & Projects business area.

Efficient project execution is important for the group's financial results as well as for Statoil's reputation as a development operator. The board would stress the value of applying experience from Snøhvit to future projects. The project is profitable and strategically and industrially significant. It involves the development of new technology in several areas, opens up opportunities in the Barents Sea and Russia and introduces Norwegian gas into the US market through Statoil's position at the Cove Point gas terminal.

International Exploration & Production: strong growth in production

Statoil's international activity is intended to build positions to form the basis for long-term growth in production.

In 2005 net income before financial items, tax and minority interest amounted to NOK 8.4 billion, compared with NOK 4.2 billion in 2004. This improvement primarily reflects strong growth in production and higher oil and gas prices.

International oil and gas production increased by 60% from an average of 115,000 boe per day in 2004 to 184,000 boe in 2005.

Three new fields came on stream in 2005: Kizomba B in Angola, and phase one and the first of two developments in phase two (West Azeri) in the Azeri-Chirag-Gunashli field in Azerbaijan. In 2005 Statoil also decided to sanction the development of five new international projects.

Following substantial cost increases and delays in developing the Iranian gas and condensate field South Pars, Statoil wrote down the book value by NOK 1.6 billion after tax. This was primarily a result of productivity and quality problems with the main contractor, who had already been chosen before Statoil took over as operator.

On the international front, Statoil took part in 11 completed exploration and appraisal wells in 2005. Finds were made in eight of the wells and one well is still being evaluated. In 2005 Statoil acquired 11 new exploration licences. The board would stress that high-level international commercial development and exploration activity must be continued, as they are important contributory factors to Statoil's long-term growth.

With its acquisition of EnCana's portfolio in the Gulf of Mexico, Statoil has laid the foundations for a new international growth area. The position will allow the group to use its expertise in exploration, reservoir management and subsea technology. In 2005 Statoil also signed an agreement with ExxonMobil on exploration activity in the Gulf of Mexico, thereby further solidifying its position there.

Statoil's proposal for possible solutions for the development of the Shtokman field in the Barents Sea was submitted to Gazprom in April. Statoil is one of five applicants invited to participate further in the allocation process for Shtokman.

In 2005 new offices were opened in the USA, Qatar, Jordan and Libya.

Natural Gas: record gas sales at high prices

At the moment natural gas is the fastest growing energy carrier in the world, and the market prospects are good both in Europe and the USA. Statoil aims to double its own production of natural gas to 50 billion cubic metres by 2015. This will require new projects on the NCS, access to international gas resources and further development of the group's market positions.

Income before financial items, tax and minority interest amounted to NOK 5.9 billion, which is NOK 0.9 billion less than in 2004. This decrease

Finn Hvistendahl (64)
On the board of directors since April 1999, chair of the board's audit committee.
Profession: Business development consultant.
Education and professional background: Degree in industrial chemistry. Has been chief financial officer and chief executive of Norsk Hydro and group CEO of Den norske Bank.
Other elective posts: Chair of the board of the Financial Supervisory Authority of Norway (Kredittilsynet).
Number of shares in Statoil: 2,947

is primarily due to the higher internal transfer price of gas from the NCS.

The business area has never sold more gas than last year. Total gas sales increased to 27.3 billion cubic metres, compared with 25.0 billion cubic metres in 2004. Of the total gas sales in 2005, 24.6 billion cubic metres were entitlement gas.

New contracts for the sale of gas were signed with Scottish Power, the Dutch company NUON and Norway's Statkraft. Statoil has extended its gas sales agreement with the German company Verbundnetz Gas by six years.

Statoil has signed a 20-year agreement on the expansion of the LNG receiving terminal at Cove Point in the USA. Implementation of this agreement will increase Statoil's annual supply capacity from 2.4 billion to over 10 billion cubic metres. Work is currently ongoing to receive the necessary approval for the expansion and to establish the supply chain for increased LNG export to the USA. The Cove Point terminal position is of considerable strategic value to Statoil.

The securing of sufficient capacity for the treatment and transport of gas is a prerequisite if Statoil is to realise its gas targets. The gas processing plant at Kårstø was expanded by 20% in 2005 to enable it to receive new gas from the Kristin field. The project was delivered at a cost that was NOK 1.6 billion less than originally estimated.

Manufacturing & Marketing: good operations and high refining margins

Manufacturing & Marketing aims to maximise the group's total access to crude oil, NGL and refined products. Integration, brand building and active exploitation of profitable synergy and growth opportunities will all contribute to increased value creation.

The business area had its best annual result ever in 2005. Net income before financial items, tax and minority interest totalled NOK 7.6 billion in 2005, compared with NOK 3.9 billion in 2004. This increase is mainly due to substantially greater refining margins in Europe, high regularity from refining activities and the sale of the Borealis holding.

Increased pressure on fuel margins and higher oil prices made their mark on retailing operations in 2005. The board would stress the importance of the ongoing improvement programme in the work to achieve the 2007 profitability target.

On 13 October 2005, Statoil sold its 50% holding in the Borealis petrochemical group for NOK 7.8 billion. The sale was realised as part of Statoil's efforts to strengthen its core activity.

Net income from Borealis before financial items, tax and minority interest prior to the sale was NOK 2.2 billion, compared with NOK 0.8 billion in 2004. NOK 1.5 billion of this was a tax-free gain on the sale of the holding. Agreements entered into with Borealis for deliveries of raw materials will be continued.

At the beginning of 2006 Statoil was given permission to build a gas-fired power station at Tjeldbergodden. Statoil will evaluate the project carefully in light of the final stipulations from the authorities and profitability.

Technology & Projects: new projects with pioneering technology

The most important strategic task of this business area is to continue to build up Statoil as an efficient industrial player and project developer with first-class technology and expertise.

For many years Statoil has been solving large and complex development tasks which have contributed to a high level of value creation. Requirements for efficient project execution are becoming increasingly stringent and the board attaches great importance to continuous improvement in this area.

New technology has added substantially to value creation in Statoil. Pioneering technology lay behind the decision to develop two new Statoil-operated projects: the project for improved oil recovery on the Tordis field (Tordis IOR) involves the development of technology that will make the field the first in the world to use subsea processing of water,

Grace Reksten Skaugen (52)
On the board of directors since June 2002.
Profession: Self-employed
Education and professional background: PhD in laser physics from the Imperial College of Science and Technology, London University, and an MBA from the Norwegian School of Management.
Director of corporate finance at Enskilda Securities, Oslo. Adviser for Aircontactgruppen, Oslo and Fearnley Finance Ltd, London. Postdoctoral research in the field of microelectronics at Columbia University in New York.
Other elective posts: Board chair at Entra Eiendom, deputy chair at Opera Software. Director of Tandberg, Storebrand, Atlas Copco AB and Berg-Hansen Holding.
Number of shares in Statoil: 0

sand and oil. The Tyrihans field will be the first seabed development to use seabed pumps to inject untreated seawater into the reservoir to increase production. The technological solutions in these projects may give Statoil a competitive edge both on the NCS and internationally.

In 2005 Technology & Projects took over formal responsibility for completion of the demanding Snøhvit project. On the NCS, the business area has played a major role in the positive development in the areas of reserve replacement and improved oil recovery. The business area has also made a vital contribution to the group's international commercial development.

Financial developments for the group

In 2005 Statoil's total revenues came to NOK 393.3 billion, compared with NOK 306.2 billion in 2004.

The Statoil group's income before financial items, other items, tax and minority interest was NOK 95.1 billion in 2005, compared with NOK 65.1 billion the previous year.

The profit for the year was NOK 30.7 billion, which was NOK 5.8 billion more than the year before. In 2005, earnings per share came to NOK 14.19, compared with NOK 11.50 in 2004.

Cash flow from operations was NOK 56.3 billion in 2005, up from NOK 38.8 billion in 2004. This is due chiefly to higher prices and margins. Cash flow to investments was NOK 37.7 billion in 2005, compared with NOK 32.0 billion the previous year.

The group's gross interest-bearing debt at year-end 2005 was NOK 34.2 billion, compared with NOK 36.2 billion the previous year. The group's debt-equity ratio, defined as net interest-bearing debt in relation to capital employed, was 15.3 per cent at 31 December 2005, compared with 19.0 per cent on the same date in 2004.

Total bank deposits and other liquid securities amounted to NOK 13.9 billion at year-end 2005, compared with NOK 16.6 billion in 2004.

Statoil uses derivatives to manage risk resulting from fluctuations in the underlying interest rates, exchange rates and commodity prices. Because Statoil operates in the international oil and gas markets and has significant financing requirements, the group is exposed to these risks, which can affect the cost of operating, investing and financing.

The group has used and will continue to use financial instruments and commodity-based derivative contracts to hedge risk relating to overall earnings and cash flow. Derivatives creating essentially equal and offsetting market exposure are used to help manage such risks. The group also uses derivatives to establish certain positions based on market expectations, although this activity is immaterial to the consolidated financial statements.

Interest and currency risks constitute significant financial risks for the Statoil group. Total exposure is managed at portfolio level in accordance with the strategies and mandates issued by the group-wide risk management programme and monitored by the corporate risk committee. Statoil's interest rate exposure is mainly associated with the group's debt obligations and management of the assets in Statoil Forsikring AS. Statoil mainly employs interest rate swap and currency swap agreements to manage interest rate and currency exposure.

Statoil's reporting is in accordance with the American generally accepted accounting principles (USGAAP) and the Norwegian generally accepted accounting principles (NGAAP). Note 26 in the NGAAP accounts explains the difference between the two consolidated accounts.

The board confirms that the going concern requirement has been fulfilled pursuant to section 3-3 a) of the Norwegian Accounting Act. The accounts for 2005 have been prepared on the going concern assumption.

According to NGAAP the net income of the Statoil ASA parent company was NOK 32.0 billion.

The year 2005 was characterised by particularly favourable market conditions and good financial results.

Ingrid Wiik (61)
On the board of directors since June 2005.
Profession: President and CEO of Alpharma Inc, New York.
Education and professional background: MSc in pharmacy from the University of Oslo,
MSc in biopharmacy from the University of London,
Master of Business Administration (MBA) from the Norwegian School of Management (BI).
Various managerial posts in Nygaard & Co (now Amersham/Nycomed), Apothekernes Laboratorium/Alpharma.
Other elective posts: Director of Alpharma, Coloplast and Norske Skog.
Number of shares in Statoil: 500

The board concludes that this allows for a special dividend of NOK 4.60 per share. With an ordinary dividend of NOK 3.60 per share, the board therefore proposes that the annual general meeting allocates a total dividend of NOK 8.20 per share.

The board proposes the following allocation of net income in the parent company Statoil ASA (in NOK million):

Provisions for dividend	17,756
Retained earnings	6,786
Reserve for valuation variances	7,467
Total allocated	32,009

The company's distributable equity after allocations amounts to NOK 63.2 billion.

Corporate governance

Good corporate governance is the board's most important tool in ensuring optimum management of Statoil's assets and optimum value creation for the company's owners. The board will ensure that Statoil has good internal control and risk management systems at all times. This makes the business more robust and reduces uncertainty about the company's dispositions.

In 2005 Statoil's board conducted a thorough evaluation of the Norwegian Code of Practice for corporate governance and concurs fully with the recommendation.

Corporate governance in Statoil is based on openness and equal treatment of its shareholders. It is exercised through the board of directors, the corporate assembly and the annual general meeting. Statoil's board has also set up a separate audit committee and a remuneration committee.

There were three changes to the representatives elected by the shareholders in 2005: Eli Sætersmoen stepped down with effect from 22 June 2005, and Ingrid Wiik and Lars Thunell took office as new board members on the same date. Mr Thunell resigned from the board on 31 December 2005 when his new position at the World Bank disqualified him from sitting on Statoil's board.

Statoil's board held 16 meetings in 2005. The board finds it appropriate to mention the following from among the issues that were given special attention:

- Health, safety and environment work
- Continuous follow-up of the group's operations and financial development
- Strategies and plans for commercial development on the NCS and internationally
- Progress and cost developments in important development projects

The board has followed up Statoil's endeavours to bring internal control systems in line with the rules in section 404 of the Sarbanes-Oxley Act (SOX404). This work will help to secure and document the quality of the group's internal control in connection with financial reporting.

The board members have wide-ranging and varied backgrounds with regard to both experience and qualifications, providing a sound basis for the board's work. In 2005 the board carried out a self-assessment of its working methods.

In 2005, none of the board members participated in transactions that were material enough to necessitate valuations by an independent third party.

The board's audit committee is a preparatory body for the board in accounting and audit matters. At 31 December 2005 the committee members were Finn A Hvistendahl (chair), Morten Svaan, Ingrid Wiik and Knut Åm. The last two joined the committee as new members in October 2005. In accordance with American legislation, the board has concluded that Finn A Hvistendahl qualifies as an accounting expert as defined by the US Securities and Exchange Commission (SEC).

In 2005 the audit committee held eight meetings, with special focus on:

- continuous follow-up of accounting
- progress in the implementation of SOX404
- communication with the external auditor
- independence of the corporate audit function

Stein Bredal (55)
On the board of directors since April 2000. Employee-elected director.
Profession: Materials coordinator
Education and professional background: College of further education (economics). Has worked on installations in the North Sea since 1976, and has been a union official in the group for the last seven years.
Other elective posts: Convenor for the Confederation of Vocational Unions (YS) in Statoil.
Number of shares in Statoil: 352

- the group's work on hedging and risk management

In accordance with the instructions specified by the board, the remuneration committee is to assist in the board's work in establishing the terms and conditions of employment for Statoil's chief executive, and with principles and strategy for remunerating key leaders in Statoil. At 31 December 2005 the committee members were Jannik Lindbæk (chair), Grace R Skaugen and Knut Åm. The committee held six meetings in 2005.

A sound operating philosophy

Statoil is working purposefully to achieve its ambition of zero harm to people and the environment. Regrettably, two people lost their lives while working for two of Statoil's contractors in 2005: one in a work accident on the Kristin platform and one on board a tanker alongside the quay at Mongstad.

Both Statoil's and the Petroleum Safety Authority's investigations of the gas leak on the Snorre A platform in November 2004 exposed a number of matters worthy of criticism, including several cases of non-conformity with the applicable regulations. Statoil accepted the fine of NOK 80 million.

The incident on Snorre A had major potential to cause harm. Both the gas leak on Snorre A and other less serious events in 2005 serve to remind us of the importance of safety work. There must be absolutely no doubt about Statoil's duty to ensure safe operations.

Statoil's safety indicators for 2005 show further improvement. The total recordable injury frequency fell from 5.9 in 2004 to 5.1 in 2005, and the serious incident frequency also fell, from 3.2 to 2.3.

There is reason to believe that the group's systematic work to improve behaviour and attitudes throughout the organisation is a contributory factor. By the end of 2005, 95 workshops had been organised for more than 22,000 employees of Statoil and its suppliers under the auspices of the safe behaviour programme. The safe behaviour programme will continue and the board deems it important to keep on with this work with undiminished vigour.

Sickness absence increased from 3.2% in 2004 to 3.5% in 2005. The board will closely follow the trend in this area.

Environmental measures

Statoil works continuously to limit greenhouse gas emissions. Total carbon dioxide emissions from Statoil-operated facilities amounted to 10.3 million tonnes in 2005, compared with 9.8 million tonnes in 2004. This increase is mainly due to increased production at Statoil's refineries, and increased production of gas, which is more energy-intensive than oil production.

Statoil has long been a pioneer in the capture and storage of carbon dioxide. The group is currently either sole or joint operator in three of the world's four largest projects in this field: Sleipner, Snøhvit and In Salah in Algeria. In the board's opinion, the establishment of viable carbon dioxide chains on the NCS requires a clear industrial basis and considerable financial commitment from the Norwegian authorities. In Norway, Statoil has also advocated the replacement of the current carbon tax system by a model whereby offshore activity is included in the quota trading system.

Statoil's activity is guided by the principle of zero harm to the environment. The board considers it extremely important to find industrial solutions that safeguard the natural environment and secure the co-existence of important industries.

Norwegian environmental authorities have stipulated requirements for zero harmful discharges to sea by the end of 2005. The great majority of Statoil's fields on the NCS had implemented zero discharge measures by the deadline. In the case of some fields it has been necessary to extend the work into 2006.

People, the group and society

Statoil's business is governed by three

Lill-Heidi Bakkerud (42)
On the board of directors since June 2004, and in the period 1998-2002. Employee-elected director.
Profession: Process technician.
Education and professional background: Process/chemistry technician with experience from the petrochemicals industry and oil and gas production.
Other elective posts: Full-time union official for the Norwegian Oil and Petrochemical Workers Union (Nopef).
Director of Nopef and member of the supervisory board of the Norwegian Federation of Trade Unions.
Number of shares in Statoil: 165

bottom-line dimensions: economic performance, environmental impact and the effect on society. The board deems it important to maintain a good balance between the different dimensions in Statoil's management model.

Statoil is making focused efforts to develop a healthy performance culture that is rooted in clear values and ethical principles. A value-based performance culture is a vital element of any company's long-term value-creation capability. Systematic work is being put into this throughout the organisation.

All entities in Statoil ASA underwent training in ethics and social responsibility in 2005. Statoil is now implementing its own anti-corruption programme for the group's 300 senior management personnel. The company's ethical regulations have been further developed and made known to all employees.

Statoil is a knowledge-based company in which 55% of the employees have a university or college education. Many highly qualified employees will be retiring in the course of the next few years, which makes it very important for the group to further develop and replace expertise in the face of growing competition for knowledge resources.

Statoil sees an intrinsic value in having a varied staff with regard to gender, age and cultural background. Statoil ASA employees are remunerated according to their position, qualifications, results and behaviour.

Over 27% of the employees of Statoil ASA are women, and equal opportunities work has an important place in the company. Twenty-five per cent of Statoil's current managers are women, which is slightly fewer than last year. Managers under the age of 45 comprise 34% women. The proportion of women in Statoil's management development programmes has remained stable for the last few years at around 30%.

Statoil has long prioritised the recruitment of female skilled workers. In 2005, 20% of our skilled workers were women, compared with 18% in 2004. Of staff engineers, 22% are women.

The equal-pay-for-equal-work principle is applied through the annual individual salary adjustments.

During many years Statoil has worked systematically with companies' social responsibility. For the second year in succession, Statoil was ranked as the best oil and gas company in the world by the Dow Jones Sustainability World Index in 2005.

A new, overall uniform strategy for the group's social responsibility work was also established. The strategy emphasises three priority areas: openness about financial transactions, human rights and labour rights and local spin-off effects. These are areas in which Statoil can make a positive contribution to development in the host country. In 2005 Statoil's social investments increased by more than 50%, to USD 10 million. These investments may have a major impact on the lives of individual people and the local communities.

The board is convinced that, over time, good results in the triple bottom-line will build a robust reputation and help to secure Statoil access to new resources and opportunities.

Further development for the group

Statoil's industrial platform is stronger than ever, and the group can build further on a clear strategy, a strong financial foundation, solid market positions and a competent organisation.

The board wants to ensure that Statoil's owners obtain the best possible return on their shares. Improvement and efficiency work will continue to come high on the board's agenda. This is necessary in the face of fiercer international competition.

The most important contribution to the maintenance of competitive strength is the ability to continuously improve. Improvement work in the year leading up to 2007 will contribute substantially to Statoil's business. In addition to its production targets, Statoil has raised its ambitions for exploration, gas and downstream activities.

Statoil's operational and financial

Morten Svaan (49)
On the board of directors since June 2004. Employee-elected director.
Profession: Project manager, HSE.
Education and professional background: PhD in chemistry from the Norwegian Institute of Technology and a bachelor degree in business from the Norwegian School of Management.
Has worked for Statoil in Manufacturing & Marketing, petrochemicals and research and development.
Other elective posts: Was convenor for the Norwegian Society of Chartered Technical and Scientific Professionals (Nif/Tekna) from 1999-2003.
Number of shares in Statoil: 469

objectives for 2007 remain unchanged. However, the framework conditions have changed considerably since 2004, when the 2007 targets were set. PSA effects and, to some extent, also increased exploration activity and investment, have put pressure on Statoil's 2007 targets. Given the normalisation assumptions adopted in 2004, Statoil will probably fall short of its target of a 13% normalised return on capital employed in 2007. The group will adjust for PSA effects in its reporting of production and production unit costs up to 2007.

Statoil's strategy aims to achieve long-term profitable growth and continuous efforts are being made to further develop the group. Statoil has a clear strategy and assertive plans for maintaining a high level of production on the NCS. The group is making focused efforts to acquire and further develop new positions that will secure a continued increase in production at the international level also after 2007. Statoil's background as a national oil company, combined with its industrial experience and technological expertise, is very special and, in the board's opinion, gives and should continue to give the group a competitive advantage in securing interesting international positions.

Statoil will use the available tools to ensure future growth within a strict capital-discipline framework. Organic growth will remain central to the further development of the group. There has been a considerable stepping-up of exploration activity both on the NCS and internationally. Non-organic growth measures will be assessed continuously, provided that they underpin Statoil's strategy while contributing to long-term value creation for Statoil's shareholders.

The board emphasises the importance of further development of Statoil's organisation and management to enable the group to face intensified competition. A proactive strategy combined with the financial results it achieved in 2005 will provide a good platform on which to continue to build the group.

Stavanger, 9 March 2006

THE BOARD OF DIRECTORS OF STATOIL ASA

JANNIK LINDBÆK
CHAIR

STEIN BREDAL

LILL-HEIDI BAKKERUD

MORTEN SVAAN

KACI KULLMANN FIVE

FINN A HVISTENDAHL

GRACE R SKAUGEN

INGRID WIIK

KNUT ÅM

HELGE LUND
PRESIDENT AND CEO

The corporate executive committee

Helge Lund (43)
President and CEO
President and CEO since August 2004.
Education and professional background: MSc in business economics from the Norwegian School of Economics and Business Administration (NHH) in Bergen, and an MBA from the Insead business school in France. Was chief executive of Aker Kværner before joining Statoil and held key managerial posts in the Aker RGI system from 1999. Has been a political adviser to the Conservative party's parliamentary group, a consultant with McKinsey and deputy managing director of Nycomed Pharma. Elective posts: No external elective posts. Number of shares in Statoil: 3,256

Terje Overvik (54)
Executive vice president, Exploration & Production Norway
Member of the corporate executive committee since August 2002.
Executive vice president for Statoil's Technology entity from August 2002 to August 2004. In his current position since August 2004. Education and professional background: PhD in engineering from the Norwegian University of Science and Technology in Trondheim. Has held a number of key posts in Statoil's Exploration & Production Norway business area, including operations vice president for the Statfjord field. Elective posts: Board chair of the Institute for Energy Technology. Number of shares in Statoil: 1,217

Peter Mellbye (56)
Executive vice president, International Exploration & Production
Member of the corporate executive committee since March1992.
Executive vice president for Natural Gas from March 1992 to August 2004. In his current position since September 2004. Education and professional background: MSc in political science from the University of Oslo. Worked for the Ministry of Trade and the Norwegian Trade Council before joining Statoil in 1982.
Elective posts: Director of the Energy Policy Foundation of Norway. Number of shares in Statoil: 3,250

Rune Bjørnson (47)
Executive vice president, Natural Gas
Member of the corporate executive committee since September 2004.
Education and professional background: MSc in economics from the University of Bergen. Joined Statoil in 1985. Has held a number of managerial positions in the Natural Gas business area, and was managing director of Statoil's UK subsidiary from 2001-03.
Elective posts: No external elective posts. Number of shares in Statoil: 297

Jon Arnt Jacobsen (48)
Executive vice president, Manufacturing & Marketing
Member of the corporate executive committee since September 2004.
Education and professional background: MSc in business economics from the Norwegian School of Management in Oslo and an MBA from the University of Wisconsin.
Was senior vice president for group finance in Statoil from 1998-2004. Has been a bank manager and head of the Singapore branch of Norway's DnB bank.
Elective posts: No external elective posts. Number of shares in Statoil: 1,707

Margareth Øvrum (47)
Executive vice president, Technology & Projects
Member of the corporate executive committee since September 2004. Executive vice president for health, safety and the environment from September 2004 to April 2005. In her current position since April 2005. Education and professional background: Graduate in technical physics from the Norwegian University of Science and Technology in Trondheim, specialising in technical physics. Has held a number of key managerial posts in Statoil. Was the group's first female platform manager, on the Gulllfaks field. Has been operations vice president for Veslefrikk and senior vice president for operations support on the NCS. Elective posts: Director of Elkem and member of the committee of shareholders' representatives at Storebrand. Number of shares in Statoil: 2,875

Nina Udnes Tronstad (47)
Executive vice president, health, safety and the environment
Member of the corporate executive committee since April 2005.
Education and professional background: Chemistry graduate from the Norwegian University of Science and Technology in Trondheim.
Joined Statoil in 1983. Has had a number of managerial positions in the group, including at its Danish and Swedish subsidiaries. Has been the group's vice president for information technology and operations vice president for the Kristin field.
Elective posts: Director of Strømme ASA. Number of shares in Statoil: 832

Eldar Sætre (50)
Chief financial officer
Member of the corporate executive committee since October 2003.
Education and professional background: MSc in business economics from the Norwegian School of Economics and Business Administration in Bergen.
Joined Statoil in 1980. Has held a number of managerial positions in the group in the areas of planning, finance and control.
Elective posts: No external elective posts. Number of shares in Statoil: 1,478

Jens R Jenssen (52)
Executive vice president, corporate human resources
Member of the corporate executive committee since October 2004.
Education and professional background: Degree in psychology from the University of Oslo. Has held a number of senior positions in human resources with the Aker group, and has also worked in this field in Det Norske Veritas. Has worked as an independent consultant in the areas of leadership, organisational development and corporate management.
Elective posts: No external elective posts. Number of shares in Statoil: 500

Reidar Gjærum (45)
Executive vice president, corporate communication
Member of the corporate executive committee since May 2005.
Education and professional background: Came to Statoil from the position of executive vice president for communications and marketing in EDP Business Partner. Has a background in journalism and various positions as political adviser. Has been communications director in the Confederation of Norwegian Business and Industry, director of external communications at Telenor and managing director of the JKL Woldsdal consultancy.
Elective posts: No external elective posts. Number of shares in Statoil: 1,397

Corporate governance

Statoil's objective is to create value for its owners through profitable operations and sustainable commercial development. This calls for an effective organisational structure and good systems for internal control and risk management.

Corporate governance is a collective term for the framework of guidelines and management principles regulating the division of roles between the owners, board of directors and executive management of a company. This covers such elements as shareholders' rights, the independence of the board of directors, incentive schemes for senior management and the way in which the audit process is organised. The aim of such guidelines is to ensure the effective and safe use of the group's resources and the greatest possible value creation for the group's owners, employees and the communities in which the group is integrated.

Implementation and reporting on corporate governance

The Statoil share is listed on the Oslo Stock Exchange (OSE) and the New York Stock Exchange (NYSE). The group is therefore subject to both Norwegian and US regulations.

The group strives to comply with all requirements relating to the stock exchange listings. The principles which form the basis for the group's corporate governance are based on the Norwegian Code of Practice for corporate governance, and they also aim to meet expectations deriving from the fact that the group is in the international capital market.

With regard to NYSE regulations, Statoil is obliged to account for the differences between the group's practice in terms of corporate governance and the standards applying to US companies listed on the NYSE. The differences primarily concern the definition of independence, and the decision-making authority of the board of directors. A detailed account of these differences is given on Statoil's corporate governance web site www.statoil.com/cg.

The Norwegian Code of Practice for corporate governance comprises 14 main points. In 2005, the group's board of directors conducted a thorough review of all these points and it takes these as the basis for the following account.

Business

The articles of association and the Norwegian Public Limited Liability Companies Act form the legal corporate framework for Statoil's business. The articles of association describe the objective of the group's activities, along with provisions for the annual general meeting (AGM), the board of directors and the corporate assembly.

The group's activities are divided into five business areas. Its strategy and goals are described in a separate chapter on pages 4-5.

Equity and dividends

Shareholders' equity

The group's book equity at 31 December 2005 was NOK 106.6 billion, which represented 37.9% of the total capital. The board considers this satisfactory given the group's requirement for solidity in the light of expressed goals, strategy and risk profile.

The Norwegian Code of Practice for corporate governance

The Norwegian Corporate Governance Committee (NUES) is behind the Norwegian Code which Norwegian listed companies are expected to implement and report on according to the "comply or explain" principle. The organisations behind the Code include the Norwegian Shareholders Association, the Norwegian Institute of Public Accountants, the Institutional Investor Forum, the Norwegian Financial Services Association, the Norwegian Society of Financial Analysts, the Confederation of Norwegian Business and Industry, the Norwegian Association of Private Pension Funds, the Oslo Stock Exchange and the Norwegian Mutual Fund Association. The Norwegian government has participated in the preparation of the Code through the Ministry of Trade and Industry's membership in the Institutional Investor Forum. The committee's web site: http://www.nues.no/

Dividend policy

It is Statoil's objective to give the group's shareholders a competitive return on their invested capital over time. The return is to be achieved through a combination of an increase in the value of the share and dividend payments. Prior to Statoil's IPO in 2001, the following dividend policy was adopted:

"We currently intend to pay an annual, aggregate dividend to shareholders of an amount in the range of 45-50% of our net income as determined in accordance with USGAAP. In any one year, however, the aggregate dividend paid to shareholders may be lower or higher than 45-50% of USGAAP net income, reflecting our view of the cyclical outlook for energy product prices as well as our operating cash flows, financing requirements and capital expenditure plans to ensure that we maintain appropriate financial flexibility."

In its communication with the market, Statoil has also emphasised the group's ambition to pay an increasing ordinary dividend.

Capital increase

The board of directors does not have authorisation to issue shares. The Norwegian state owns 70.9% of the outstanding shares.

Purchase of own shares

At the AGM on 11 May 2005, the Statoil board was given authorisation to acquire shares to implement the share saving plan for the group's employees. This authorisation can be used to acquire own shares with a total nominal value of up to NOK 10 million. At 31 December 2005, Statoil owned 766,327 shares in the share saving plan.

Equal treatment of shareholders and transactions with close associates

Statoil has one class of shares, and each share gives one vote at the AGM. The articles of association contain no restrictions regarding the right to vote.

The repurchase of the group's own shares for use in the group's share saving plan is to be carried out through the Oslo Stock Exchange.

Transactions with close associates

Board members, leading employees and close associates who wish to purchase/sell Statoil shares are obliged to clear the transaction with the group in advance.

The group's ethical guidelines stipulate that nobody who is acting on Statoil's behalf is to work or concern themselves with a matter where they themselves, or a close associate, has any direct or indirect financial interest.

Sale of the Norwegian state's oil and gas

In accordance with the group's articles of association, it is Statoil's duty to sell the Norwegian state's oil and natural gas together with the group's own.

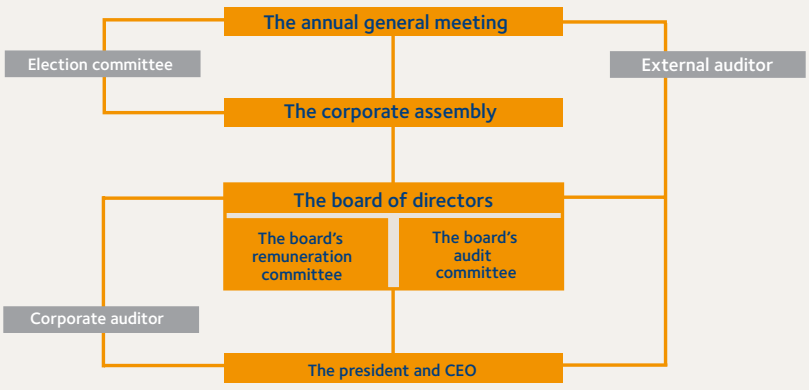
The Norwegian state has a common ownership strategy to maximise the overall value of its interests in Statoil and its own oil and gas interests. This is stated in the owners' rules of procedure, adopted by Statoil's AGM, which require that, in its activities on the Norwegian continental shelf, the group attaches importance to these overall interests when taking decisions which could have significance for the implementation of the sales arrangements.

The state-owned company Petoro AS handles the commercial elements linked to the Norwegian state's direct financial interest in petroleum activities on the Norwegian continental shelf and activities associated with this.

Freely negotiable shares

The Statoil share is listed on the Oslo Stock Exchange and associated American Depositary Receipts (ADR) on the New York Stock Exchange. The share is freely negotiable.

Governing bodies in Statoil



General meetings

The annual general meeting (AGM) is the group's highest body. Statoil's articles of association and the Norwegian Public Limited Liability Companies Act stipulate the role and mandate of the AGM.

The AGM must be held before the end of June each year. For the last few years, Statoil's AGM has been held in the first half of May.

Notice of meeting and agenda documents for the AGM are sent out together with the annual report at the end of March/beginning of April. Documentation from previous AGMs can be found on the group's web site.

All shareholders who are registered with the Norwegian Central Securities Depository (VPS) receive an invitation to the AGM. They have the right to submit proposals and may vote either directly or by proxy. The registration deadline is a maximum of five working days before the AGM.

The chair of the AGM will normally be the chair of the corporate assembly. Should there be any dispute concerning individual matters where the chair of the corporate assembly belongs to one of the parties, or for any other reason cannot be considered impartial, another chair will be appointed to ensure independence with regard to the matters to be handled.

Given the large number of shareholders and their widespread geographical locations, the number able to attend the AGM in person is limited. Statoil is therefore offering electronic transmission of sound and pictures from the AGM. From 2006, the AGM will also be simultaneously translated into English.

Statoil will introduce electronic voting at its AGMs as soon as Norwegian legislation allows.

Extraordinary general meeting

In accordance with Norwegian law, an auditor or shareholder representing at least 5% of the share capital may request an extraordinary general meeting to discuss a particular matter. The board must ensure that the meeting is held within a month of the request being submitted.

Beyond this, only the board of directors and the corporate assembly have a mandate to call an extraordinary general meeting.

Nomination committee

The group's nomination committee (called election committee) is composed and elected in accordance with Statoil's articles of association. It is independent of both the board and the group's management.

The duties of the election committee are:

- to present a proposal to the AGM regarding the election of shareholder-elected members to the corporate assembly
- to present a proposal to the corporate assembly regarding the election of shareholder-elected members to the board of directors
- to submit a proposal for remuneration of members of the board of directors and corporate assembly.

New rules of procedure for Statoil's election committee were prepared in 2005. They give shareholders an opportunity to propose candidates to the board of directors and corporate assembly. The rules of procedure and nomination form can be found on the group's web site (http://www.statoil.com/cg).

In accordance with the rules of procedure, the election committee's recommendations must be justified and contain relevant information about the candidates.

The election committee's proposal to the corporate assembly regarding the election of shareholder-elected members to the board of directors will be announced together with the invitation to the relevant meeting of the corporate assembly.

Ten-year-old Olav Tørres Skjesol from Flekkerøy in southern Norway bought 15 shares in Statoil. He then wrote a letter to chief executive Helge Lund explaining that he wanted to attend the annual general meeting. He received a pleasant reply, and when he came to the AGM on 11 May 2005 he got to meet Mr Lund along with the chair and deputy chair of the board.

Members of the election committee receive remuneration of NOK 4,000 per meeting. In 2005, a total of NOK 128,000 was paid in fees to the members of the election committee.

The election committee comprises Anne Kathrine Slungård (chair), Jens Ulltveit-Moe, Wenche Meldahl and Villa Kulild.

Corporate assembly and board of directors

In accordance with the Norwegian Public Limited Liability Companies Act, companies with more than 200 employees must elect a corporate assembly. Two-thirds of the corporate assembly's members are elected by the AGM, while one-third are elected by and among the employees. The members of the corporate assembly are elected for a period of two years. Members of the board and the chief executive cannot be members of the corporate assembly, but they are entitled to be present and speak at meetings of the corporate assembly, unless the corporate assembly in specific cases decides otherwise.

The duties of the corporate assembly are to elect the board members, and to monitor the work of the board and the chief executive in managing the company.

The corporate assembly makes a statement to the AGM regarding the board's proposal for the accounts and takes decisions in investment matters of considerable size, and in cases of rationalisation or restructuring of the business which would entail major changes or reallocation of the workforce. The corporate assembly met four times in 2005.

In 2005, the chair of the corporate assembly received remuneration of NOK 85,000, the deputy chair received NOK 45,000 and the other members received NOK 30,000 each.

Total remuneration for the members of the corporate assembly came to NOK 510,000 in 2005.

Composition and independence

The election committee is responsible for ensuring that the candidates proposed to the corporate assembly and AGM respectively have the necessary experience, skills and capacity to carry out their duties in a satisfactory manner. The committee must also ensure that the requirements to and independence of the board and corporate assembly members with regard to the company are met. The election committee receives the board's self-assessment.

The election committee's proposals must meet the requirements relating to the composition of the board and corporate assembly that apply at any given time pursuant to legislation and the regulations of stock exchanges where the group's shares are listed.

Throughout 2005, the proportion of women on Statoil's board was at least 40%.

Norwegian law states that companies with more than 200 employees must have at least three representatives elected by and among the employees. None of the shareholder-elected members hold, or have previously held, leading positions in the company, and they are considered to be independent according to both Norwegian law and US regulations. Nor do any of the three employee representatives hold leading positions in the group.

The work of the board of directors

The board of directors has overall responsibility for the management of the group, and for supervising its day-to-day management and activities in general.

The board's work is based on rules of procedure which describe the board's area of responsibility and administrative procedures. The board's rules of procedure, and those of the board's audit and compensation committee (called remuneration committee), can be downloaded from this web site: http://www.statoil.com/cg

Corporate govermance got its own web site in 2005: www.statoil.com/cg

Board meeting attendance, 2005

Name	Member since	Attendance at meetings 2005 (of possible)	Member of the audit committee since	Attendance, audit committee meetings	Attendance, remuneration committee* meetings
Jannik Lindbæk	Chair since Nov 2003	16 (16)			6 (6)
Kaci Kullmann Five	Aug 2002	16 (16)			
Knut Åm	Apr 1999	16 (16)	Oct 2005	2 (2)	6 (6)
Finn A Hvistendahl	Apr 1999	16 (16)	Jun 2003	8 (8)	
Ingrid Wiik	Jun 2005	7 (8)	Oct 2005	2 (2)	
Grace Reksten Skaugen	Jun 2002	16 (16)			6 (6)
Lars Thunell	Jun 2005	5 (6)			
Employee representatives					
Morten Svaan	Jun 2004	16 (16)	Sep 2004	8 (8)	
Lill-Heidi Bakkerud	Jun 2004	16 (16)			
Stein Bredal	Apr 2000	16 (16)			

* Statoil's remuneration committee was established in January 2005

Remuneration of the board of directors

Board members receive remuneration in accordance with their individual roles. Their remuneration is not dependent on results, and none of the board members have a pension scheme or agreement regarding pay after termination of their commission in the group.

The board members received remuneration in accordance with the following rates in 2005:
Board chair: NOK 400,000
Deputy chair: NOK 250,000
Board member: NOK 200,000

Deputy: NOK 5,000 per meeting

The board's audit committee:
Chair: NOK 75,000
Member: NOK 50,000

Altogether, NOK 2,300,000 was paid in board fees for 2005. This includes payment to the board's audit committee. Members of the remuneration committee did not receive any extra remuneration in addition to the ordinary board fee.

Remuneration of the executive management

The board of directors has established a separate remuneration committee comprising three board members. The committee assists the board in its work with terms and conditions of employment for Statoil's chief executive and with the principles and strategy for rewarding the group's key leaders.

The board determines the chief executive's pay and other terms and conditions of employment. The chief executive has a bonus scheme which may amount to a maximum of 30% of his basic salary based on the targets which the board has set for the chief executive.

Chief executive Helge Lund received NOK 5,128,647 in salary and other remuneration, including premium pension paid, from the group in 2005.

In 2006, Mr Lund will receive his first bonus payment based on results achieved during the operating year 2005.

According to his contract, Mr Lund is entitled to severance pay equivalent to two annual salaries, in addition to a six months' period of notice, if he resigns at the request of the board. He is also entitled to a pension amounting to 66% of his pensionable salary from the age of 62. The full period of service is 15 years and the pension is independent of future changes in National Insurance (Folketrygden) payments.

The projected benefit pension obligation for Mr Lund at 31 December 2005 amounted to NOK 4,828,443.

The other members of the corporate executive committee are covered by the common performance pay system which Statoil has established for its top management.

Salaries and other remuneration for the other members of the corporate executive committee amounted to NOK 28,529,000 in 2005. This includes normal salary, premium pension paid, bonus achieved for the operating year 2004, and additional benefits such as a company-provided car, company-provided commuter housing and telephone. Statoil has no option scheme for its employees.

The projected benefit pension obligation for the other members of the corporate executive committee at 31 December 2005 amounted to NOK 113,315,233.

In general, their pension scheme follows the same guidelines that apply to the other employees of Statoil ASA.

Performance pay

Statoil's top managers are included in a performance pay system which entails variable remuneration based on pre-defined goals. Particular importance is attached to the individual manager delivering on agreed targets, and leadership being

Implementation of the Sarbanes-Oxley (SOX) Act

The US Sarbanes-Oxley (SOX) Act requires companies which are listed on US stock exchanges to verify their internal control procedures. The intention of the Act is to strengthen confidence among shareholders and other interest groups by providing them with documentation that internal procedures are followed and that corporate risk is handled in a responsible manner.

Statoil is in the process of implementing the Act and will from the operating year 2006 also report in accordance with the SOX paragraph 404 regulations. This process will also help reinforce the group's focus on good risk management and effective business processes.

practised in accordance with Statoil's values base and leadership requirements.

The scheme allows for an annual bonus of 10% of basic salary on achieving set goals, with a ceiling of 20% for results that clearly exceed these goals. The group bonus which is given to all Statoil ASA employees will be included in this bonus.

Information and communications

Statoil is committed to treating its Norwegian and international investors equally and ensuring that it provides timely information so that a value assessment of the group can be formed on the best possible basis.

The investor relations (IR) corporate staff function has technical and coordination responsibility for the group's communication with the capital market, and for relations between Statoil and its existing as well as potential investors.

IR holds regular presentations for investors and analysts, and is responsible for ensuring that information is distributed and registered in accordance with the legislation and regulations that apply where Statoil's securities are listed.

The group's quarterly presentations are broadcast live over the internet. Associated reports are published along with other relevant information at http://www.statoil.com/ir.

IR reports to the corporate executive committee.

Take-overs

Statoil's board of directors concurs with the principles for equal treatment of all shareholders, and will strive to ensure that complete information is provided in all situations affecting the shareholders' interests.

Auditor

Statoil's external auditor is appointed by the AGM which also approves the auditor's fees for Statoil ASA.

In accordance with its rules of procedure, the board's audit committee is responsible for making sure that the group has an independent and effective internal and external audit system.

In the evaluation of the external auditor, importance is attached to the company's expertise, capacity, availability locally and internationally, and the size of the fee.

The audit committee evaluates and gives its recommendation regarding the choice of external auditor, and is responsible for ensuring that the external auditor meets the requirements of the authorities in Norway and in the countries where Statoil is listed on the stock exchange. US legislation states that the responsible audit partner cannot hold this commission for more than five consecutive years.

The board's audit committee handles all reports from the external auditor before they are discussed by the board. The audit committee has regular meetings with the external auditor, at which members of the administration are not present.

It is the board's evaluation that Finn A Hvistendahl fulfils the requirements relating to accounting expertise defined by US legislation.

The audit committee was expanded to include one extra member in 2005 and now comprises four board members.

Ernst & Young is Statoil's current external auditor. In 2005, the external auditor received NOK 36.5 million in total group fees.

www.statoil.com/ir

Statoil holds regular presentations for analysts and investors. This group of analysts is pictured in September 2005 during a visit to Algeria, where they got to look at Statoil's operations there.

Shares and shareholder matters

Statoil aims to give shareholders a competitive return on their invested capital over time, through a combination of rising share price and dividends.

Shareholder policy

Statoil puts emphasis on keeping the stock market and the general public well informed about developments in the group's results and future prospects. Information to the stock market must be characterised by openness and equal treatment, with the objective of ensuring that shareholders get correct, clear, relevant and timely information to provide the basis for a correct valuation of the group. Statoil is listed in Oslo and New York and the company distributes all information relevant to the share price to the Oslo Stock Exchange, the New York Stock Exchange and the US Securities and Exchange Commission.

The share's performance in 2005

Statoil is the largest company listed on the Oslo Stock Exchange. During the year the stock market value of the company rose from NOK 206 billion to NOK 336 billion, an increase of 63%. At 31 December, Statoil accounted for 24% of the total company values registered on the Oslo Stock Exchange.

Throughout 2005, the Statoil share was the most traded share on the Oslo Stock Exchange, representing 21.5% of the traded market value during the year (see chart). The daily trading increased on average to 10.1 million shares per day from 6.7 million shares in 2004.

The Norwegian government sold 117.65 million shares in February 2005, thus reducing its shareholding from 76.3% to 70.9%. Free flow of the Statoil share in the market consequently increased to 29.1%.

At 31 December 2005, Statoil had around 64,000 shareholders who are registered in the Norwegian Central Securities Depository (VPS). This is an increase of about 5,000 shareholders during the year. The number of American depository receipts (ADR) registered on the New York Stock Exchange increased by 38.1% during the year from 29.6 million to 40.9 million shares.

Dividend

Statoil's dividend policy is described in the chapter on corporate governance on page 55.

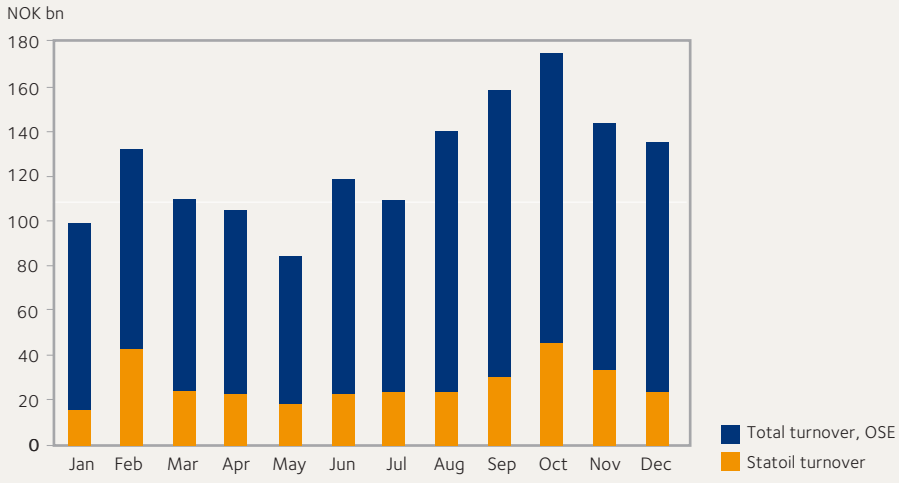
Particularly favourable market conditions and a good financial position mean that a special dividend of NOK 4.60 per share and an ordinary dividend of NOK 3.60 per share are being proposed for 2005. The payout amounts to 58% of net income in 2005.

The group's share capital

Statoil was partially privatised and listed on the stock exchange on 18 June 2001. Since the flotation the group's total share capital has consisted of 2,189,585,600 shares.

Prior to the listing in 2001, 25 million shares were established for use in a bonus programme aimed at private shareholders. At 31 December 2005, the remaining unused share capital comprised 23,441,885 shares registered in the VPS as Statoil's own shares. These shares cannot be used without a directors' power of attorney issued by the annual general meeting. The stockholding is not included in the traded shares.

At the group's annual general meeting on 10 May 2006, the board will put forward a proposal to



The bar chart shows the total turnover at the Oslo Stock Exchange during the year, and Statoil's share of the turnover.

delete this stock of bonus shares by a write-down of the share capital.

Share saving plan

In 2004, Statoil launched a share saving plan for its employees. The purpose of the share saving plan is to strengthen each employee's sense of belonging to Statoil and thereby provide them with an incentive to help the group reach its goals. The plan involves monthly saving in Statoil shares with an annual amount of up to 5% of basic salary. After a lock-in period of two whole calendar years of uninterrupted employment, the group will allocate one bonus share for every two shares bought.

At the annual general meeting of 11 May 2005, Statoil's board of directors was given the authority to acquire the group's own shares in order to use them for the share saving plan. Statoil is buying back the shares for the plan in monthly transactions at the current market value. At 31 December 2005, Statoil owned a total of 766,327 shares through the share saving plan.

Statoil employees have acquired some 1.5 million shares since the plan was launched. At 31 December 2005, more than 8,000 employees had signed up for the plan.

Investor relations

Statoil's investor relations function coordinates the group's contact with the investors. In May 2005, Statoil won the class for best Norwegian company investor relations at the Nordic Investor Relations Awards.

The web site www.statoil.com/ir, which is designed for investors and analysts who follow the group's activities, provides updated information on the share, the financial calendar and any information that may impact the valuation of the group. Statoil qualifies for the Information and English Symbols in accordance with the requirements set by the Oslo Stock Exchange.

Ticker codes

Oslo Stock Exchange	STL
New York Stock Exchange	STO
Reuters	STL.OL
Bloomberg	STL NO

Twenty largest shareholders at 31 December 2005		
1	THE NORWEGIAN GOVERNMENT	70.90%
2	STATE STREET BANK & TRUST CO.*	2.66%
3	BANK OF NEW YORK, ADR DEPARTMENT *	1.89%
4	JPMORGAN CHASE BANK *	1.57%
5	MELLON BANK *	0.88%
6	FOLKETRYGDFONDET	0.84%
7	THE NORTHERN TRUST CO.*	0.66%
8	FIDELITY FUNDS EUROPE	0.59%
9	INVESTORS BANK & TRUST COMPANY *	0.52%
10	JPMORGAN CHASE BANK *	0.50%
11	VITAL FORSIKRING ASA	0.46%
12	STATE STREET BANK & TRUST CO.*	0.45%
13	CLEARSTREAM BANKING S.A.*	0.44%
14	MELLON BANK AS AGENT FOR ABN AMRO *	0.39%
15	DEUTSCHE BANK AG *	0.35%
16	SIS SEGAINTERSETTLE AG*	0.33%
17	SKANDINAVISKA ENSKILDA BANKEN	0.33%
18	DEUTSCHE BANK AG FRANKFURT*	0.32%
19	DRESDNER BANK AG*	0.32%
20	SKANDINAVISKA ENSKILDA BANKEN*	0.31%

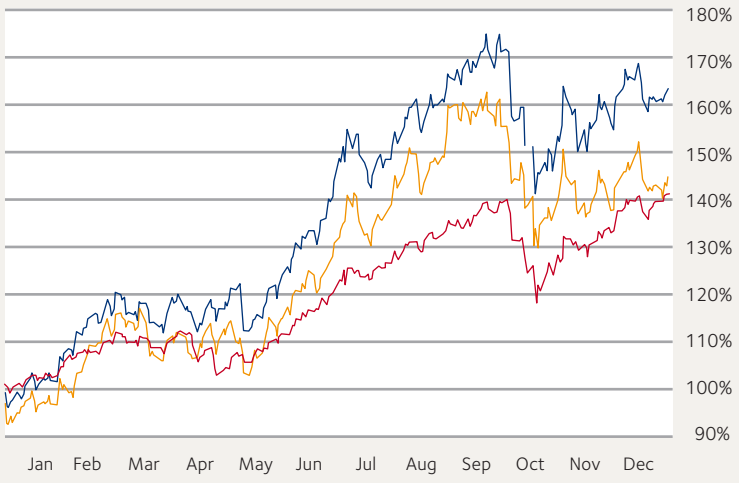
* Nominee accounts or similar

Share capital at 31 December 2005:

Number of ordinary shares: 2,189,585,600
Daily turnover (adjusted for own bonus shares): 2,166,143,715
Number of outstanding shares (adjusted for own bonus shares and shares used for the share saving plan): 2,165,377,388

	2005	2004	2003
Highest closing price	166.50	103.50	75.25
Lowest closing price	91.25	74.00	51.50
Closing price at 31 Dec	155.00	95.00	74.75
Market value at 31 Dec (NOK bn)	336	206	162
Daily turnover (million shares)	10.1	6.7	3.3
Earnings per share	14.19	11.50	7.64
Ordinary dividend	3.60*	3.20	2.95
Special dividend	4.60*	2.10	-
Adjustment of cost price (RISK)**	0.89	3.26	2.43

*Proposed dividend for 2005. To be presented at the annual general meeting on 10 May 2006.
**RISK: Norwegian abbreviation for adjustment of original cost of shares by taxed profits. Applies only to shareholders who pay tax in Norway. Its purpose is to avoid double taxation of dividends when selling shares, in that the retained and taxed profit in a limited company is added proportionately to the original cost of the shares in the form of a RISK amount per share.



The performance of the Statoil share on the New York and Oslo exchanges, compared with the Oslo Stock Exchange's benchmark index.

Operating and Financial Review and Prospects

You should read the following discussion of our financial condition and results of operations in connection with our audited financial statements and relevant notes and the other information contained elsewhere in this annual report.

Overview of Our Results of Operations

In the year ended December 31, 2005, we had total revenues of NOK 393.3 billion and net income of NOK 30.7 billion. In the year ended December 31, 2005, we produced 256 million barrels of oil and 27.0 bcm (953 bcf) of natural gas, resulting in a total production of 426 million boe. Our proved reserves as of December 31, 2005 consisted of 1,761 mmbbls of crude oil and NGL and 403 bcm (14.2 tcf) of natural gas, resulting in a total of 4,295 mmboe.

We divide our operations into the following four business segments:

- Exploration and Production Norway (E&P Norway), which includes our exploration, development and production operations relating to crude oil and natural gas on the NCS;
- International Exploration and Production (International E&P), which includes all of our exploration, development and production operations relating to crude oil and natural gas outside of Norway;
- Natural Gas, which is responsible for the processing, transport and sales of natural gas from our upstream operations on the NCS, from our upstream operations in the UK, as well as third party natural gas and sales of natural gas on behalf of SDFI. Natural Gas is also responsible for certain of our international mid- and downstream activities;
- Manufacturing and Marketing, which comprises downstream activities including sales and trading of crude oil, NGL and refined products, refining, methanol production and sales, retail and industrial marketing. Manufacturing and Marketing sells Statoil equity oil volumes, third party oil volumes and SDFI oil volumes.

Portfolio changes. We engage in portfolio management in order to optimize the value of our asset portfolio. This has resulted in the restructuring of our asset portfolio both in Norway and internationally. The list below summarizes important acquisitions and dispositions that have taken place in recent years.

- **Acquisition of EnCana's deepwater assets in Gulf of Mexico in 2005**
- **Acquisition of ownership interests in the two Algerian fields In Salah and In Amenas in 2003 (approved by Algerian authorities in 2004).**
- **Sale of our holding of 50 per cent of the shares in the petrochemical company Borealis in 2005.**
- **Several ownership interest adjustments, primarily on the NCS in 2005, 2004 and 2003.**
- **Acquisition of the 50 per cent share of Statoil Detaljhandel Skandinavia (SDS) from ICA/Ahold in 2004.**
- **Sale of the shipping activity in Navion in 2003, and the subsequent sales of our 50 per cent share in the shipowning company Partsrederiet West Navigator DA and the multi-purpose vessel** *MST Odin* **in 2004.**
- **Sale of our shares in the German natural gas merchant company VNG (Verbundnetz Gas AG) in 2004**

Factors Affecting Our Results of Operations

Our results of operations substantially depend on:

- the level of crude oil and natural gas contract prices;
- trends in the exchange rate between the U.S. dollar, in which the trading price of crude oil is generally stated and to which natural gas prices are frequently related, and NOK, in which our accounts are reported and a substantial portion of our costs are incurred; and
- our oil and natural gas production volumes, which in turn depend on entitlement volumes under PSAs and available petroleum reserves, and our own as well as our partners' expertise and co-operation in recovering oil and natural gas from those reserves.

Our results will also be affected by trends in the international oil industry, including:

- possible actions by the governments and other regulatory authorities in the jurisdictions where we operate, or possible or continued actions by members of the Organization of Petroleum Exporting Countries (OPEC) affecting price levels and volumes;
- refining margins;
- increasing competition for exploration opportunities and operatorships; and
- deregulation of the natural gas markets, which may cause substantial changes to the existing market structures and to the overall level and volatility of prices.

The following table shows the yearly average quoted Brent Blend crude oil prices, natural gas contract prices, FCC margins and NOK/USD exchange rates for 2005, 2004 and 2003.

Sensitivities on 2005 results

The table on the following page illustrates how certain changes in the crude oil price, natural gas contract prices, the fluid catalytic cracking (FCC)(refining) margins and the NOK/USD exchange rate, if sustained for the full year, may impact our Income before financial items, income taxes and minority interest and our Net income assuming activity at levels achieved in 2005.

Yearly average	2005	2004	2003
Crude oil (USD/bbl Brent Blend)	54.5	38.3	28.8
Natural gas (NOK per scm)[1]	1.45	1.10	1.02
FCC margins (USD/bbl)[2]	7.9	6.4	4.4
NOK/USD average daily exchange rate	6.45	6.74	7.08

(1) From the Norwegian Continental Shelf.
(2) Refining margin.

The sensitivities on our financial results shown in the table below would differ from those that would actually appear in our consolidated financial statements because our consolidated financial statements would also reflect the effect on proved reserves, and consequently on depreciation, depletion and amortization, trading margins in the Natural Gas and Manufacturing and Marketing business segments, our exploration expenditure, development and exploration success rate, inflation, potential tax system changes, and the effect of any hedging programs in place.

Our oil and gas price hedging activities are designed to assist our long-term strategic development and attainment of targets by protecting financial flexibility and cash flow, allowing the company to be able to undertake profitable projects and acquisitions and avoiding forced divestments during periods of adverse market conditions. For the oil price, we entered into a downside protection structure for some of our production, reducing price risk below USD 16 per barrel for 2003. No such protection was entered into for 2004, but in 2004 we bought downside protection for prices below USD 18 per barrel for some of our production for the last three quarters of 2005. Approximately 20 per cent of the refining margin was hedged to reflect our view of the markets for 2005. Mainly due to the increased financial robustness of Statoil and market development, Statoil has not entered into any hedging arrangements for the oil and gas price risk or refining margin risk for 2006 or later.

Fluctuating foreign exchange rates can have a significant impact on our operating results. Our revenues and cash flows are mainly denominated in or driven by U.S. dollars, while our operating expenses and income taxes payable accrue to a large extent in NOK. We seek to manage this currency mismatch by issuing or swapping long-term debt into U.S. dollars. This debt policy is an integrated part of our total risk management program. We are also engaging in foreign currency hedging to cover our non-USD needs, which are primarily in NOK. We manage the risk arising from our interest rate exposures through the use of interest rate derivatives, primarily interest rate swaps, based on a benchmark for the interest reset profile of our long-term debt portfolio. In general, an increase in the value of the U.S. dollar against the NOK can be expected to increase our reported earnings. However, because currently our debt outstanding is in U.S. dollars, the benefit to Statoil would be offset in the near term by an increase in the value of our debt, which would be recorded as a financial expense and, accordingly, would adversely affect our net income. A decrease in the exchange rate would have an opposite effect, and hence cause decreased earnings, which would be offset by financial income in the near term. See —Liquidity and Capital Resources—Risk Management.

Statoil sells the Norwegian State's share of oil and natural gas production from the Norwegian Continental Shelf (NCS). Amounts payable to the Norwegian State for these purchases are included as Accounts payable - related parties in the consolidated balance sheets. Pricing of the crude oil is based on market

reflective prices. NGL prices are based on either achieved prices, market value or market reflective prices.

Statoil is, in its own name, but for the Norwegian State's account and risk, selling the State's natural gas production. This sale, as well as related expenses refunded by the State, is shown net in Statoil's financial statements. Expenses refunded by the State include expenses incurred related to activities and investments necessary to obtain market access and to optimize the profit from the sale of the Norwegian State's natural gas. For sales of the Norwegian State's natural gas, both for our own use and to third parties, the payment to the Norwegian State is based on achieved prices, a net back formula or market value. Statoil purchases a small share of the Norwegian State's gas.

Total purchases of oil and NGL from the Norwegian State by Statoil amounted to NOK 97,078 million (281 mmboe), NOK 81,487 million (319 mmboe) and NOK 68,479 million (336 mmboe) in 2005, 2004 and 2003, respectively. Purchases of natural gas from the Norwegian State amounted to NOK 262 million, NOK 237 million and NOK 255 million in 2005, 2004 and 2003, respectively.

High oil prices have contributed to considerably higher earnings and profitability in international projects with PSAs than previously anticipated. Under a PSA, the partners are generally entitled to production volumes that cover the development costs and an agreed share of the remaining volumes. When oil prices are high, this means that these projects will move from a phase where earnings cover development costs to a phase where profits are generated at an earlier point in time. In PSA contracts, the higher the oil price as soon as the field is profitable, the smaller the share of production that goes to the partners. The actual effect varies between different agreements and

(in NOK billion)	Change in Income before financial items, income taxes and minority interest	Change in Net income
Oil price (+/- USD 1/bbl)	1.6	0.5
Gas price NCS (+/- NOK 0.1/scm)	2.5	0.5
Refining margins (+/- USD 1/bbl)	0.8	0.5
U.S. dollar exchange rate impact on revenues and costs (+/- NOK 0.50)	6.3	2.0
U.S. dollar exchange rate impact on financial debt (+/- NOK 0.50) (1)	n/a	1.3

(1) The U.S. dollar exchange rate impact on financial debt has an opposite effect on net income than the U.S. dollar exchange rate impact on revenues and costs.

countries. See -Corporate Targets below for a description of the impact of the PSA effect on our ability to achieve our corporate targets.

Up to December 31, 2005 we were required to pay a royalty to the Norwegian State for NCS oil produced from some fields approved for development prior to January 1, 1986. Oil fields in our portfolio that paid royalty in 2005 were Gullfaks and Oseberg. The fields from which royalty was paid together represented approximately 11 per cent, 13 per cent and 16 per cent of our total NCS production in 2005, 2004 and 2003, respectively. The royalty was paid in kind by delivery of petroleum or purchased at a calculated market price, which varied in 2005 from 1.4 per cent to 1.7 per cent of the total oil production from the fields. We include the costs of purchase and the proceeds from the sale of the royalty oil, which we resell or refine, in our Cost of goods sold and Sales, respectively. Royalty obligations from Gullfaks and Oseberg were abolished at the end of 2005.

In Venezuela we pay a royalty to the Venezuelan State for production from the Sincor field. The royalty is paid in cash. The royalty is calculated based upon the value of the heavy oil production prior to the upgrade to Syncrude. From the commencement of commercial production in March 2002 to September 2004, we paid 1 per cent royalty. Commencing in October 2004, the royalty was increased to 16.7 per cent. As of June 24, 2005, the Venezuelan State increased the royalty payment to 30 per cent for production exceeding 114.5 mboe per day based on total production from the Sincor field. The increase in royalty payments made by Statoil from 2004 to 2005 was due to this increase imposed by the Venezuelan State.

Historically, our revenues have largely been generated from the production of oil and natural gas from the NCS. Norway imposes a 78 per cent marginal tax rate on income from offshore oil and natural gas activities. Our earnings volatility is moderated as a result of the significant amount of our Norwegian offshore income that is subject to a 78 per cent tax rate in profitable periods and the significant tax assets generated by our Norwegian offshore operations in any loss-making periods. A prevailing part of the taxes we pay are paid to the Norwegian State. From January 1, 2004, dividends received are not subject to tax in Norway. Exemptions exist for dividends from low-tax countries or portfolio investments outside the EEA.

Combined Results of Operations

The following table shows certain income statement data, expressed in each case as a percentage of total revenues.

Years ended December 31, 2005, 2004 and 2003

Sales. Statoil markets and sells the Norwegian State's share of oil and natural gas production from the NCS. All purchases and sales of SDFI oil production are recorded as Cost of goods sold and Sales, respectively.

All oil received by the Norwegian State as royalty in kind from fields on the NCS is purchased by Statoil. Statoil includes the costs of purchase and proceeds from the sale of this royalty oil in its Cost of goods sold and Sales, respectively.

Our sales revenue totaled NOK 390.5 billion in 2005, compared to NOK 303.8 billion in 2004 and NOK 248.5 billion in 2003.

The 29 per cent increase in sales revenues from 2004 to 2005 was mainly due to a 34 per cent increase in the average oil price measured in NOK and a 31 per cent increase in the realized price of our natural gas sold to the European markets measured in NOK, as well as increased sales of equity natural gas. The oil price of the group is a volume-weighted average of the segment prices of oil and NGL, including a margin for oil trading and sales of NOK 0.70 per boe. The increase in sales revenues was partly offset by the reduction of oil volumes sold, mainly related to a decrease in volumes sold on behalf of SDFI.

The 22 per cent increase in sales revenues from 2003 to 2004 was mainly due to a 25 per cent increase in the average oil price measured in NOK and an 8 per cent increase in the realized price of our natural gas sold to the European markets measured in NOK, as well as increased sales of equity natural gas. The increase in our ownership of SDS to 100 per cent contributed approximately NOK 5 billion in increased sales revenues. Increased prices and higher volumes

	Year ended December 31,		
	2005	2004	2003
CONSOLIDATED STATEMENTS OF INCOME			
Revenues:			
Sales	99.3%	99.2%	99.7%
Equity in net income of affiliates	0.3%	0.4%	0.2%
Other income	0.4%	0.4%	0.1%
Total revenues	100%	100%	100%
Expenses:			
Cost of goods sold	59.9%	61.5%	60.0%
Operating expenses	7.7%	8.9%	10.7%
Selling, general and administrative expenses	2.0%	2.1%	2.2%
Depreciation, depletion and amortization	5.4%	5.7%	6.5%
Exploration expense	0.8%	0.6%	1.0%
Total expenses before financial items	75.8%	78.7%	80.4%
Income before financial items, other items, income taxes and minority interest	24.2%	21.3%	19.6%

in the downstream activity also contributed to increased sales revenues in 2004 compared to 2003. The increase in sales revenues was partly offset by the reduction of oil volumes sold, mainly related to a decrease in volumes sold on behalf of SDFI.

Our **average daily oil production (lifting)** decreased from 712,600 barrels in 2004 to 701,000 barrels in 2005. The 2 per cent decrease in average daily oil production from 2004 to 2005 was primarily due to lower production from declining fields including Statfjord, Gullfaks, Åsgard and Troll oil, as well as reduced production caused by more frequent and larger maintenance turnarounds in 2005 compared with 2004. This reduction was partly offset by increased oil production from several new international fields such as the Central Azeri part of the ACG field and Kizomba B, which came on stream in the first quarter and the third quarter of 2005, respectively, as well as a ramping-up of production from the Kizomba A field, which came on stream in the third quarter of 2004, and increased production from the Lufeng field following the completion of a sidetrack drilling program in the second quarter of 2005. At the end of 2005, we were in an underlift position of approximately 3,000 boe per day compared to an underlift position of approximately 12,000 boe per day in 2004.

Our average daily oil production (lifting) decreased from 737,500 barrels in 2003 to 712,600 barrels in 2004. The 3 per cent decrease in average daily oil production from 2003 to 2004 was primarily due to lower production from declining fields including Statfjord, Norne and Lufeng. Some operational difficulties and the well incident at Snorre reduced regularity of production somewhat in 2004 compared to 2003. This reduction was partly offset by production from the Kizomba A field coming on stream in the third quarter of 2004. At the end of 2004, we were in an underlift position of approximately 12,000 boe per day compared to an underlift position of approximately 9,000 boe per day in 2003.

Our **natural gas volumes sold** of Statoil produced natural gas were 27.0 bcm (953 bcf) in 2005, 22.1 bcm (782 bcf) in 2004 and 19.3 bcm (683 bcf) in 2003. Natural gas volumes increased primarily due to an increase in long-term contracted natural gas volumes to continental Europe as well as an increase in short-term sales, mainly to the UK. Natural gas volumes in 2005 and 2004 also include natural gas from the International E&P business segment, mainly from the Algerian field In Salah, which commenced production in July 2004. In 2005 2.5 bcm (87 bcf) of our natural gas volumes sold came from our international operations.

We record revenues from sales of production based on lifted volumes. The term "production" as used in this section means lifted volumes. Overlifting and underlifting positions are a result of Statoil lifting either a higher or a lower volume of oil within the period than that represented by our total production of entitlement volumes in that period.

Equity in net income (loss) of affiliates. Equity in net income (loss) of affiliates principally includes our 50 per cent equity interest in Borealis, which was sold in 2005, our 50 per cent equity interest in Statoil Detaljhandel Skandinavia (SDS), which was increased to 100 per cent in July 2004, our 50 per cent equity interest in the drill ship West Navigator, which was sold in 2004, and miscellaneous other affiliates. Our share of Equity in net income of affiliates was NOK 1.1 billion in 2005, NOK 1.2 billion in 2004 and NOK 0.6 billion in 2003. The increase from 2003 to 2004 was primarily due to an increased contribution from Borealis, as a result of increased margins and volumes.

Other income. Other income was NOK 1.7 billion in 2005, NOK 1.3 billion in 2004 and NOK 0.2 billion in 2003. The NOK 1.7 billion income in 2005 was mainly related to the sale of our shares in Borealis. The NOK 1.3 billion income in 2004 was mainly related to the sale of our shares in Verbundnetz Gas (VNG), sales of our shares in the technology companies Electro Magnetic Geo Services AS (EMGS) and Advanced Production and Loading AS (APL) and sales of a portion of our ownership interest in the fields Kristin and Mikkel on the NCS. The NOK 0.2 billion income in 2003 was mainly related to the sale of Navion.

Cost of goods sold. Our Cost of goods sold includes the cost of the SDFI oil and NGL production that we purchase from the Norwegian State pursuant to the owner's instruction. See —Factors Affecting Our Results of Operations above for more information.

Cost of goods sold increased to NOK 235.7 billion in 2005 from NOK 188.2 billion in 2004 and NOK 149.6 billion in 2003.

The 25 per cent increase in 2005 compared to 2004 and the 26 per cent increase in 2004 compared to 2003 were mainly due to increased oil prices measured in NOK. This was partly offset by reduced oil volumes purchased from the SDFI.

Operating expenses. Our operating expenses include production costs in fields and transport systems related to our share of oil and natural gas production. Operating expenses in 2005 were NOK 30.3 billion, as compared to NOK 27.4 billion in 2004 and NOK 26.7 billion in 2003. The increase from 2004 to 2005 was primarily due to increased activity.

The increase from 2003 to 2004 was primarily due to the consolidation of SDS into Statoil's accounts.

Selling, general and administrative expenses. Our selling, general and administrative expenses include costs related to the selling and marketing of our products, including business development costs, payroll and employee benefits. Our selling, general and administrative expenses were NOK 7.8 billion in 2005, compared to NOK 6.3 billion in 2004 and NOK 5.5 billion in 2003.

The increase from 2004 to 2005 was primarily due to increased activity, as well as NOK 0.4 billion in increased insurance costs. This increase was due to insurance premium commitments in the two mutual insurance companies

in which Statoil Forsikring participates. The increase was mainly due to the hurricanes Katrina and Rita in the U.S.

The increase from 2003 to 2004 was mainly due to SDS being consolidated into the group's accounts. Insurance premiums increased in 2004 compared to 2003, but the increase was partly offset by reduced rig accruals.

Depreciation, depletion and amortization expenses. Our depreciation, depletion and amortization expenses include depreciation of production installations and transport systems, depletion of fields in production, amortization of intangible assets and depreciation of capitalized exploration expenditure as well as write-down of impaired long-lived assets. Depreciation, depletion and amortization expenses were NOK 21.1 billion in 2005, compared to NOK 17.5 billion in 2004 and NOK 16.3 billion in 2003.

The increase from 2004 to 2005 was mainly related to increased depreciation, depletion and amortization expenses in our international E&P business segments due to a NOK 2.2 billion write-down of the book value of Statoil's share in phases 6-7-8 of the South Pars project, higher lifting from existing international fields, new fields coming on stream internationally, and a reduction in the proved reserves estimate for the calculation of depreciation in the fourth quarter of 2005, reflecting a decrease in proved reserves due to the effect of higher oil prices on production for international projects under PSAs.

The increase from 2003 to 2004 was mainly related to new fields coming on stream, both on the NCS and internationally, write-downs of NOK 0.3 billion on some fields, and increases due to changes in depreciation related to retirement obligations and changes due to the repeal of the Removal Grants Act as described under Other items below.

Exploration expenditure. Our exploration expenditure is capitalized to the extent our exploration efforts are deemed successful, or awaiting such determination, and is otherwise expensed. Our exploration expense consists of the expensed portion of our current-period exploration expenditure and write-offs of exploration expenditure capitalized in prior periods. Exploration expense was NOK 3.3 billion in 2005, NOK 1.8 billion in 2004 and NOK 2.4 billion in 2003.

The increase of 78 per cent in exploration expense from 2004 to 2005 was mainly due to higher exploration activity, higher costs related to seismic and generally more expensive wells. A total of 20 exploration and appraisal wells were completed in 2005, nine on the Norwegian Continental Shelf (NCS) and 11 internationally. Of these wells, 14 resulted in discoveries, while one well awaits final evaluation.

The reduction of 23 per cent in exploration expense from 2003 to 2004 was mainly due to a NOK 0.4 billion increase in capitalization of exploration activity. Exploration expenditure capitalized in previous years but written off in 2004 was NOK 0.1 billion lower than in 2003. A total of 12 exploration and appraisal wells were completed in 2004, of which nine resulted in discoveries.

Income before financial items, other items, income taxes and minority interest. Income before financial items, other items, income taxes and minority interest totaled NOK 95.1 billion in 2005, NOK 65.1 billion in 2004 and NOK 48.9 billion in 2003.

The 46 per cent increase from 2004 to 2005 was mainly due to a 34 per cent increase in the average oil price measured in NOK, a 31 per cent increase in gas prices measured in NOK, a 7 per cent increase in oil and gas liftings and a net increase of NOK 0.9 billion from sale of shares. In addition, increased margins and regularity from the refineries was the main contributor to the increase in results from the downstream business.

The increase in Income before financial items, other items, income taxes and minority interest in 2005 was partly offset by an increase in cost items, which was mainly related to increased activity and increased insurance costs.

The 33 per cent increase from 2003 to 2004 was mainly due to a 25 per cent increase in oil prices measured in NOK, an increase in natural gas prices measured in NOK of 8 per cent, changes in the provisions relating to fixed price drilling rig contracts amounting to NOK 1.2 billion, and a 2 per cent increase in combined lifting of oil and natural gas. The gain from the sale of the shares in VNG in the first quarter of 2004 also contributed to an increase of NOK 0.6 billion in the results. Exploration costs were reduced by NOK 0.5 billion in 2004 compared to 2003, mainly because of increased capitalization of exploration activity in 2004 compared to 2003. Among other factors, high refinery and petrochemical margins contributed with NOK 1.3 billion in increased results in 2004 compared to 2003.

The increase in Income before financial items, other items, income taxes and minority interest in 2004 was partly offset by NOK 1.2 billion in increased depreciation and write-downs, mainly due to increased liftings, new fields coming on stream, and increased depreciation related to future removal expenditures. Accruals for increased insurance premium commitments related to damages incurred in the two mutual insurance companies in which Statoil participates, and reduced results by NOK 0.4 billion. The increased contribution from downstream activities was somewhat reduced due to the loss of Navion income, which amounted to NOK 0.5 billion in 2003, as well as NOK 0.3 billion in reduced contribution from Oil Sales, Trading and Supply (O&S) in 2004 compared to 2003, mainly due to currency effects. Statoil Detaljhandel Skandinavia AS (SDS) was consolidated into Statoil's accounts as of July 2004.

In 2005, 2004 and 2003, our Income before financial items, other items, income taxes and minority interest, measured as a percentage of revenues was approximately 24 per cent, 21 per cent and 20 per cent, respectively, and was impacted by the various factors described above.

Net financial items. In 2005 we reported a net financial items expense of NOK 3.6 billion, compared to a net financial items income of NOK 5.7 billion in 2004 and a net financial items income of NOK 1.4 billion in 2003. The changes from year to year resulted principally from changes in currency gains and losses

Exploration (in NOK million)	Year ended December 31, 2005	2004	2003
Exploration expenditure (activity)	4,337	2,466	2,445
Expensed, previously capitalized exploration costs	158	110	256
Capitalized share of current period's exploration activity	(1,242)	(748)	(331)
Exploration expense	3,253	1,828	2,370

on the U.S. dollar portions of our long-term debt outstanding and currency gains and losses on U.S. dollar short-term balances linked to our NOK hedging policy, in both cases due to changes in the NOK/USD exchange rate. Currency swaps are used for risk management purposes, to ensure that the long-term interest bearing debt is recorded in U.S. dollars. As a result, our long-term debt is exposed to changes in the NOK/USD exchange rate. The NOK weakened by NOK 0.73 during 2005 and strengthened by NOK 0.64 during 2004, as compared to the U.S. dollar.

Interest income and other financial income amounted to NOK 1.4 billion in 2005, compared to NOK 1.0 billion in 2004 and NOK 1.2 billion in 2003. The increase from 2004 to 2005 was mainly due to increased dividends received.

The reduction in net financial items from 2003 to 2004 was mainly due to lower interest income following the general reduction in interest rates in the period.

Interest costs and other financial costs amounted to NOK 0.6 billion in 2005, as compared to NOK 0.3 billion in 2004. The increased costs from 2004 to 2005 were mainly due to an increase in short-term costs, which was partly offset by an increase in capitalized interests. In 2003, interest costs and other financial costs amounted to NOK 0.9 billion.

The result from management of the portfolio of security investments provided a gain of NOK 1.4 billion in 2005, compared to zero in 2004, mainly related to equity securities held by our insurance captive Statoil Forsikring AS and commercial papers held by Statoil ASA.

The Central Bank of Norway's closing rate for NOK/USD was 6.77 on December 31, 2005, 6.04 on December 31, 2004 and 6.68 on December 31, 2003. These exchange rates have been applied in Statoil's financial statements.

Other items. There are no Other items in 2005, as in 2004. The Storting decided in June 2003 to replace grants for costs related to the removal of installations on the NCS with an equivalent tax deduction for such costs. Previously, removal costs were refunded by the Norwegian State based on a percentage of the taxes paid over the productive life of the removed installation. As a consequence of the changes in legislation, we charged the receivable of NOK 6.0 billion from the Norwegian State related to the refund of removal costs to income under Other items in the second quarter of 2003. Furthermore, the resulting deferred tax benefit of NOK 6.7 billion was recognized. As a result, the net effect on income in 2003 was NOK 0.7 billion.

Income taxes. Our effective tax rates were 65.6 per cent, 64.1 per cent and 62.0 per cent in 2005, 2004 and 2003, respectively. Adjusted for the effect of the tax-free capital gain on the sale of shares in Borealis, the tax rate in 2005 would have been 66.7 per cent.

The tax rate in 2004 was strongly influenced by the positive tax effects due to the change in Norwegian tax legislation relating to dividends received by companies (the Exemption Method) and the acceptance by the Norwegian tax authorities of our method of allocating office costs to be deductible under the offshore tax regime. Adjusted for these non-recurring tax effects, the tax rate in 2004 would have been 66.7 per cent. In 2003, the tax rate would have been 67.9 per cent after having adjusted for the effect of the repeal of the Removal Grants Act.

Our effective tax rate is calculated as income taxes divided by income before income taxes and minority interest. Fluctuations in the effective tax rates

from year to year are principally a result of non-taxable items (permanent differences), changes in the components of income between Norwegian oil and gas production, taxed at a marginal rate of 78 per cent, other Norwegian income, including the onshore portion of net financial items, taxed at 28 per cent, and income in other countries taxed at the applicable income tax rates.

Minority interest. Minority interest in net profit in 2005 was NOK 0.8 billion, compared to NOK 0.5 billion in 2004 and NOK 0.3 billion in 2003. Minority interest consists primarily of Shell's 21 per cent interest in the Mongstad crude oil refinery.

Net income. Net income in 2005 was NOK 30.7 billion, compared to NOK 24.9 billion in 2004 and NOK 16.6 billion in 2003 for the reasons discussed above.

Business Segments

The following table details certain financial information for our four business segments. In combining segment results, we eliminate inter-company sales. These include transactions recorded in connection with our oil and natural gas production in the E&P Norway or International E&P segments and also in connection with the sale, transport or refining of our oil and natural gas production in the Manufacturing and Marketing or Natural Gas segments. E&P Norway produces oil, which it sells internally to Oil Sales, Trading and Supply (O&S) in the Manufacturing and Marketing business segment, which then sells the oil in the market. E&P Norway also produces natural gas, which it sells internally to our Natural Gas business segment, also to be sold in the market. A large share of the oil and a small share of the natural gas produced by International E&P is also sold in the same way as the oil and the natural gas produced by E&P Norway. Statoil has established a market price-based transfer pricing policy whereby we set an internal price at which our E&P Norway business segment sells oil and natural gas to the Manufacturing and Marketing and the Natural Gas business segments.

For sales of oil from E&P Norway to Manufacturing and Marketing, the transfer price of oil is the applicable market reflective price less a margin of NOK 0.70 per barrel. The transfer price of sales of natural gas from E&P Norway to Natural Gas is NOK 0.32 per scm adjusted quarterly by the average USD oil price over the previous six months in proportion to USD 15 per barrel. The average transfer price for natural gas per standard cubic meter amounted to NOK 1.04 in 2005, NOK 0.71 in 2004 and NOK 0.59 in 2003.

The table below sets forth certain financial information for our business segments, including inter-company eliminations for each of the years in the three-year period ending December 31, 2005. Long-term deferred tax assets are excluded in Long-term assets for the segments, but included in Long-term assets for Other and Eliminations.

Results of operations (in million)	Year ended December 31 2005 NOK	USD	2004 NOK	2003 NOK
E&P Norway				
Revenues	97,623	14,475	74,050	62,494
Income before financial items, other items, income taxes and minority interest	74,132	10,992	51,029	37,855
Long-Term Assets	86,386	12,809	81,629	76,468
International E&P				
Revenues	19,563	2,901	9,765	6,615
Income before financial items, other items, income taxes and minority interest	8,364	1,240	4,188	1,781
Long-Term Assets	62,163	9,217	37,956	31,875
Natural Gas				
Revenues	45,823	6,794	33,326	25,452
Income before financial items, other items, income taxes and minority interest	5,901	875	6,784	6,005
Long-Term Assets	19,237	2,852	17,535	15,772
Manufacturing and Marketing				
Revenues	339,380	50,320	267,177	218,642
Income before financial items, other items, income taxes and minority interest	7,646	1,134	3,921	3,555
Long-Term Assets	23,163	3,435	30,055	23,226
Other and Eliminations				
Revenues	(109,091)	(16,175)	(78,100)	(63,828)
Income before financial items, other items, income taxes and minority interest	(947)	(140)	(815)	(280)
Long-Term Assets	21,012	3,115	15,999	15,090

E&P Norway

The table below sets forth certain financial and operating data regarding our E&P Norway business segment and percentage change for each of the years in the three–year period ending December 31, 2005.

Years ended December 31, 2005, 2004 and 2003

E&P Norway generated **total revenues** of NOK 97.6 billion in 2005, compared to NOK 74.1 billion in 2004 and NOK 62.5 billion in 2003.

The 32 per cent increase in revenues from 2004 to 2005 resulted primarily from a 41 per cent increase in the average oil price in USD of oil sold from E&P Norway to Manufacturing and Marketing, a 47 per cent increase in the transfer price in NOK of natural gas sold from E&P Norway to Natural Gas and an increase in lifted volume of natural gas. This was partly offset by an 8 per cent reduction in lifted volumes of oil.

The 18 per cent increase in revenues from 2003 to 2004 resulted primarily from a 32 per cent increase in the average oil price in USD of oil sold from E&P Norway to Manufacturing and Marketing, a 20 per cent increase in the transfer price in NOK of natural gas sold from E&P Norway to Natural Gas, and an increase in lifted volumes of natural gas. This was partly offset by a 5 per cent decrease in the NOK/USD exchange rate and a 6 per cent reduction in lifted volumes of oil.

Average daily oil production (lifting) in E&P Norway decreased to 561,600 barrels in 2005, from 612,800 barrels in 2004 and from 651,900 barrels in 2003.

The 8 per cent decrease in average daily oil production from 2004 to 2005 of 63,000 bbl was mainly related to a continuing decline on the Statfjord, Gullfaks, Åsgard and Troll oil fields, as well as reduced production caused by more frequent and larger maintenance turnarounds in 2005 compared with 2004. This decline was only partially offset by new fields coming on stream including Kvitebjørn, Sleipner Vest Alfa Nord in late 2004 and Kristin, Urd and Visund gas in late 2005.

The 6 per cent decrease in average daily oil production from 2003 to 2004 was primarily due to a decline on the Statfjord, Norne and Troll fields, technical problems at Glitne throughout the year, the rig strike and lockout, and the Snorre incident. This decline was only partially offset by production from the new fields Kvitebjørn and Sleipner Vest Alfa Nord, both of which commenced production in the fourth quarter of 2004.

Average daily gas production was 67.2 mmcm (2,372 mmcf) in 2005, as compared to 58.1 mmcm (2,051 mmcf) in 2004 and 52.6 mmcm (1,857 mmcf) in 2003.

The 16 per cent increase from 2004 to 2005 and the 11 per cent increase from 2003 to 2004 were primarily due to increases in long-term contracted gas volumes and high off-take from existing contracts.

Unit production cost was USD 3.35 per boe in 2005, USD 3.34 per boe in 2004 and USD 3.10 per boe in 2003. The increase from 2003 to 2004 was due primarily to the effect of the weaker USD against the NOK since costs were primarily incurred in NOK, increased pension cost and increased cost of goods sold due to higher oil price. The unit of production cost measured in NOK increased from NOK 21.93 per boe in 2003 to NOK 22.45 per boe in 2004 and was reduced to NOK 21.59 per boe in 2005.

Operating, general and administrative expenses were NOK 10.2 billion in 2005, NOK 9.9 billion in 2004 and NOK 11.3 billion in 2003. The 4 per cent increase from 2004 to 2005 was mainly due to an increase in platform costs of NOK 0.6 billion, an increase in transportation of NGL costs of NOK 0.3 billion and reversal of rig accruals by NOK 0.4 billion in 2005 compared with NOK 1.0 billion in 2004, which was partly offset by a realized loss on rig accruals of NOK 0.3 billion. In January 2005 Cost of goods related to purchases of third party NGL were reclassified as a reduction in sales revenues. The Cost of goods sold relating to these volumes of NGL amounted to NOK 0.7 billion in 2004 and NOK 0.5 billion in 2003.

			Year ended December 31,		
Income statement data (in NOK million)	**2005**	**2004**	**Change**	**2003**	**Change**
Total revenues	97,623	74,050	32%	62,494	18%
Operating, general and administrative expenses	10,223	9,863	4%	11,305	(13%)
Depreciation, depletion and amortization	11,450	12,381	(8%)	11,969	3%
Exploration expense	1,818	777	134%	1,365	(43%)
Income before financial items, other items, income taxes and minority interest	74,132	51,029	45%	37,855	35%
Oil price (USD/bbl) [1]	54.1	38.4	41%	29.1	32%
Production (lifting):					
Oil (mbbl/day)	561.6	612.8	(8%)	651.9	(6%)
Natural gas (mmcf/day)	2,372	2,051	16%	1,857	11%
Total Production (lifting) (mboe/day)	984.2	978.3	1%	982.4	0%
Unit Production (lifting) Cost (USD/boe)[2]	3.35	3.34	0%	3.10	8%
Unit Production (lifting) Cost (NOK/boe)[2]	21.59	22.45	(4%)	21.93	2%

(1) In 2005 and 2004 the oil price of the E&P Norway business segment is a volume-weighted average of the prices of oil and NGL lifted by the segment. For 2003 the price does not include NGL.

(2) Our unit production (lifting) cost is calculated by dividing operating costs relating to the production of oil and natural gas by total production (lifting) of petroleum in a given year.

The 13 per cent decrease from 2003 to 2004 was mainly due to the reversal of rig accruals by NOK 1.0 billion in 2004 while these increased by NOK 0.4 billion in 2003, which was partly offset by a realized loss on rig accruals of NOK 0.3 billion. In addition, the platform costs were reduced by NOK 0.2 million in 2004.

Depreciation, depletion and amortization expenses were NOK 11.5 billion in 2005, NOK 12.4 billion in 2004 and NOK 12.0 billion in 2003. The reduction from 2004 to 2005 was mainly due to increased reserves on several fields, which reduced the rate of depreciation, and the write-down on Murchison in 2004. This was partly offset by commencement of production from the new fields Kvitebjørn and Tune in late 2004 and Kristin, Urd and Visund gas in late 2005.

The increase from 2003 to 2004 was mainly due to the write-down on Murchison, depreciation of assets related to retirement obligations following the repeal of the Removal Grants Act, and commencement of production from the new fields Kvitebjørn and Tune in late 2004 and Fram Vest, Mikkel and Vigdis Extension in late 2003. This was partly offset by increased reserves and lower lifted oil volumes.

Exploration expenditure (activity) was NOK 2.2 billion in 2005, compared to NOK 1.1 billion in 2004 and NOK 1.2 billion in 2003.

The 100 per cent increase from 2004 to 2005 was mainly due to more wells being drilled and more seismic activity, as well as generally more expensive wells. The 8 per cent decrease from 2003 to 2004 was mainly due to fewer wells being drilled.

Exploration expense was NOK 1.8 billion in 2005, compared to NOK 0.8 billion in 2004 and NOK 1.4 billion in 2003. The increased exploration expense from 2004 to 2005 was mainly due to higher exploration activity in 2005 than in 2004 and higher expenditure capitalized in previous years, but written off in 2005 than in 2004. This was partly offset by higher capitalized exploration expenditure in 2005 than in 2004. The reduced exploration expense from 2003 to 2004 was mainly due to higher capitalized exploration expenditure in 2004 than in 2003 and lower expenditure capitalized in previous years, but written off in 2004 than in 2003. Exploration expense in 2005 included NOK 0.2 billion written off in 2005 relating to expenditures capitalized in previous years, compared to NOK 0.1 billion of expenditure written off in 2004 and NOK 0.3 billion of expenditure written off in 2003.

In 2005 nine exploration and appraisal wells were completed, six of which resulted in discoveries. In addition, five extensions on production wells

were completed in 2005, four of which resulted in discoveries. In 2004 six exploration and appraisal wells were completed, four of which resulted in discoveries. In addition, four extensions on production wells were completed in 2004, all of which resulted in discoveries. However these extensions were not funded by exploration expenditure. In 2003 nine exploration and appraisal wells were completed, of which six resulted in discoveries.

A reconciliation of exploration expenditure to exploration expense is shown in the table below.

Income before financial items, other items, income taxes, and minority interest for E&P Norway was NOK 74.1 billion in 2005, as compared to NOK 51.0 billion in 2004 and NOK 37.9 billion in 2003. The 45 per cent increase in income from 2004 to 2005 was primarily the result of an increase in revenues due to the 35 per cent increase in the average oil price measured in NOK and a 47 per cent increase in the transfer price in NOK of natural gas. Depreciation, depletion and amortization expenses were reduced by NOK 8 per cent, but this reduction was partly offset by a 134 per cent increase in exploration expense and a 4 per cent increase in operating, general and administrative expenses.

The 35 per cent increase in income from 2003 to 2004 was primarily the result of an increase in revenues due to the 26 per cent increase in the average oil price measured in NOK and a 20 per cent increase in the transfer price in NOK of natural gas. Operating expenses were reduced by 13 per cent and exploration expense by 43 per cent, but these reductions were partly offset by a 3 per cent increase in depreciation, depletion and amortization expenses.

Exploration (in NOK million)	2005	2004	2003
Exploration expenditure (activity)	2,188	1,092	1,215
Expensed, previously capitalised exploration expenditure	158	61	256
Capitalised share of current period's exploration activity	(528)	(376)	(106)
Exploration expenses	1,818	777	1,365

International E&P
The table below sets forth certain financial and operating data regarding our International E&P business segment and percentage change for each of the years in the three–year period ending December 31, 2005.

Years ended December 31, 2005, 2004 and 2003
International E&P generated total revenues of NOK 19.6 billion in 2005, compared to NOK 9.8 billion in 2004 and NOK 6.6 billion in 2003.

The 100 per cent increase from 2004 to 2005 was mainly due to a 59 per cent increase in lifted volumes, contributing NOK 4.8 billion, and a 37 per cent increase in realised oil prices for International E&P measured in NOK, contributing NOK 4.5 billion.

The 48 per cent increase from 2003 to 2004 was mainly due to higher lifting and higher prices in USD for crude oil and natural gas contributing to an increase of NOK 1.9 billion each. The price effect was partly offset by an adverse currency effect of NOK 0.5 billion caused by the weakening of the USD measured against the NOK.

Average daily oil production (lifting) was 139,500 barrels per day in 2005, compared to 99,800 barrels per day in 2004 and 85,600 barrels per day in 2003. The 40 per cent increase in average daily production of oil from 2004 to 2005 came primarily from new fields such as the Central Azeri part of the ACG field and Kizomba B, which came on stream in the first quarter and the third quarter of 2005, respectively. In addition, the ramp-up of production from the Kizomba A field, which came on stream in the third quarter of 2004, and re-start of production from the Lufeng field in the second quarter of 2005 contributed to increased production in 2005. These increases were partly offset by reduced PSA entitlement production from the Xikomba and Girassol/Jasmim fields in Angola, as well as lower production from the Alba and Schiehallion fields in the UK.

The 17 per cent increase in average daily production of oil from 2003 to 2004 came primarily from the Kizomba A field and the Xikomba and Jasmim fields, which had their first full year of production during 2004. These increases were partly offset by lower production from the Alba and Schiehallion fields in the UK, as well as the Girassol field in Angola.

Average natural gas production in 2005 was 6.8 mmcm per day (239 mmcf per day), compared to 2.4 mmcm per day (84 mmcf per day) in 2004 and 0.4 mmcm per day (14 mmcf per day) in 2003. The large increase in gas production from 2003 to 2004 and 2004 to 2005 was attributable to gas sales from the In Salah field in Algeria, which commenced production in July 2004.

Depreciation, depletion and amortization expenses were NOK 6.3 billion in 2005, compared to NOK 2.2 billion in 2004 and NOK 1.8 billion in 2003. The 183 per cent increase in 2005 as compared to 2004 was largely due to a NOK 2.2 billion write-down of the book value of Statoil's share in phases 6-7-8 of the South Pars project. Higher lifting from existing fields and new fields coming on stream also contributed to the increase in depreciation, depletion and amortization. The increase was also partly due to a reduction in the proved reserves estimate, which is used for the calculation of depreciation, in the fourth quarter of 2005. This reflects a decrease in proved reserves due to the impact of high oil prices on production entitlements for international projects under PSAs.

			Year ended December 31,		
Income statement data (in NOK million)	**2005**	**2004**	**Change**	**2003**	**Change**
Total revenues	19,563	9,765	100%	6,615	48%
Operating, general and administrative expenses	3,491	2,311	51%	2,045	13%
Depreciation, depletion and amortization	6,273	2,215	183%	1,784	24%
Exploration expense	1,435	1,051	37%	1,005	5%
Income before financial items, other items, income taxes and minority interest	8,364	4,188	100%	1,781	135%
Oil price (USD/bbl) [1]	51.0	35.7	43%	27.6	29%
Production (lifting):					
Oil (mbbl/day)	139.5	99.8	40%	85.6	17%
Natural Gas (mmcf/day)	239.2	84.7	185%	16.8	397%
Total Production (lifting) (mboe/day)	182.0	114.8	59%	88.2	30%
Unit Production (lifting) Cost (USD per boe)[2]	3.90	4.59[3]	(15%)	3.88	18%

(1) In 2005 and 2004 the oil price for the International E&P business segment is a volume-weighted average of the internal transfer price and external sales price of oil sold.
(2) The unit production (lifting) cost is calculated by dividing operating costs relating to the production of oil and natural gas by total production (lifting) of petroleum in a given year.
(3) The previously reported unit production cost of USD 4.74 per boe in 2004 was inclusive of the royalty paid on Sincor, which does not constitute part of operating costs relating to the production of oil and natural gas. Adjusted for the Sincor royalty, unit production cost in 2004 was USD 4.59 per boe.

The 24 per cent increase in 2004 as compared to 2003 was due to increased lifting, partly offset by the NOK 0.2 billion write-down of the Dunlin oil field in the UK in 2003.

Unit production cost on a 12-month average in 2005 was USD 3.90 per boe, compared to a unit production cost in 2004 of USD 4.59 per boe, a decrease of 15 per cent. The decrease was primarily due to increased lifting as a result of the ramp-up of production from large fields such as In Salah, Kizomba A, Kizomba B and ACG. The 18 per cent increase in the unit production cost from 2003 to 2004 was primarily driven by the increased operating costs on Lufeng, where the floating production vessel lease rate was linked to the oil price, and on Sincor due to a planned maintenance shutdown that takes place every third year.

Operating, general and administrative expenses. Due to higher lifting, new fields in production and an upward cost pressure, operating costs increased by NOK 1.2 billion from 2004 to 2005. A NOK 0.3 billion increase from 2003 to 2004 was due to higher lifting and higher average operating cost.

Exploration expenditure (activity) was NOK 2.1 billion in 2005, compared to NOK 1.4 billion in 2004 and NOK 1.2 billion in 2003. The increase from 2004 to 2005 was mainly due to increased activity, higher cost of wells and seismic data acquisition.

Exploration expense was NOK 1.4 billion in 2005, compared to NOK 1.1 billion in 2004 and NOK 1.0 billion in 2003.

In total, 11 exploration and appraisal wells were completed in 2005, and as of year end eight wells were considered as discoveries. One well awaits final evaluation. Six exploration and appraisal wells were completed in 2004, of which five wells were considered as discoveries at year end 2004. In total, 14 exploration and appraisal wells were completed in 2003, of which 11 resulted in discoveries and remained capitalized.

A reconciliation of exploration expenditure to exploration expense is shown in the table below.

Income before financial items, other items, income taxes and minority interest for International E&P in 2005 was NOK 8.4 billion, compared to NOK 4.2 billion in 2004 and NOK 1.8 billion in 2003. Increased revenues were caused by higher lifting and higher prices for crude oil and natural gas. Total costs increased by NOK 5.6 billion from 2004 to 2005, due to increased depreciation, depletion and amortization because of the write-down of Statoil's share in phases 6-7-8 of the South Pars project and higher operating

costs as a result of higher lifting. Exploration expense and sales, administration and business development costs also increased from 2004 to 2005 due to increased activities in all areas.

The 135 per cent increase in Income before financial items, other items, income taxes and minority interest for International E&P from 2003 to 2004 was caused by increased revenues due to higher lifting and higher prices for crude oil and natural gas, decreased business development costs, and the NOK 0.2 billion write-down of the Dunlin oil field in the UK in 2003. Operating cost and depreciation, depletion and amortization increased in 2004 compared to 2003 due to higher lifting.

Natural Gas

The table on the following page sets forth certain financial and operating data for our Natural Gas business segment and percentage change for each of the years in the three–year period ending December 31, 2005.

Years ended December 31, 2005, 2004 and 2003

Total revenues in the Natural Gas business consist mainly of gas sales derived from long-term gas sales contracts and tariff revenues from transportation and processing facilities. Natural Gas generated revenues of NOK 45.8 billion in 2005, compared to NOK 33.3 billion in 2004 and NOK 25.5 billion in 2003. The 37 per cent increase from 2004 to 2005 was mainly due to increased gas sales, higher natural gas prices measured in NOK, and higher revenues from processing and transportation.

Exploration (in NOK million)	2005	2004	2003
Exploration expenditure (activity)	2,149	1,374	1,230
Expensed, previously capitalised exploration expenditure	0	49	0
Capitalised share of current period's exploration activity	(714)	(372)	(225)
Exploration expenses	1,435	1,051	1,005

The 31 per cent increase in 2004 over 2003 was mainly due to increased gas sales and higher natural gas prices measured in NOK, sale of shares in VNG, higher revenues from sales of ethane, and higher revenues from processing and transportation.

Natural gas sales were 27.3 bcm (962 bcf) in 2005, 25.0 bcm (881 bcf) in 2004 and 21.1 bcm (744 bcf) in 2003. The 9 per cent increase in gas volumes sold from 2004 to 2005 was mainly due to high customer off-take under existing contracts, an increase in the contracted gas sales portfolio, increased production permits, and increased third party gas sales in the U.S.

The 18 per cent increase in gas volumes sold from 2003 to 2004 was mainly due to high customer off-take, an increase in the contracted gas sales portfolio, and increased third party gas sales in the U.S.

Of the total natural gas sales in 2005 Statoil produced 24.6 bcm (865 bcf). Average gas prices for our European gas sales were NOK 1.45 per scm in 2005 compared to NOK 1.10 per scm in 2004, an increase of 32 per cent, compared to NOK 1.02 per scm in 2003, an increase of 8 per cent. The increased price from year to year was mainly due to increased prices on oil products and other competing energy sources, as well as higher gas prices on the National Balancing Point (NBP) in the UK. Natural gas from In Salah is not sold by the Natural Gas business segment, and hence Statoil's sales volumes from this field are not included in the sales reported by the Natural Gas business segment.

Cost of goods sold increased by 59 per cent from 2004 to 2005, and by 50 per cent from 2003 to 2004. This was caused by a higher transfer price paid to E&P Norway for natural gas and higher prices paid for volumes that were resold in the U.S., as well as the purchase of higher volumes of both Statoil produced gas to be sold in Europe and third party gas to be sold in the U.S.

Operating, selling and administrative expenses increased by 27 per cent from 2004 to 2005, and by 11 per cent from 2003 to 2004. This was mainly due to higher transportation costs caused by increased natural gas sales volumes.

Income before financial items, other items, income taxes and minority interest for Natural Gas in 2005 was NOK 5.9 billion, compared to NOK 6.8 billion in 2004 and NOK 6.0 billion in 2003. The 13 per cent decrease from 2004 to 2005 was primarily due to an increase in cost of goods sold. The sale of shares in VNG also contributed to higher income before financial items, other items, income taxes and minority interest in 2004.

The 13 per cent increase in Income before financial items, other items, income taxes and minority interest from 2003 to 2004 was primarily a result of the sale of shares in VNG. Increased sales and an 8 per cent increased external gas sales price were offset by an increase in cost of goods sold, due to a higher transfer price for natural gas, together with higher gas volumes sold.

	Year ended December 31,				
Income statement data (in NOK million)	**2005**	**2004**	**Change**	**2003**	**Change**
Total revenues	45,823	33,326	37 %	25,452	31%
Natural gas sales[1]	41,565	29,703	40 %	22,041	35%
Processing and transportation	4,258	3,623	18 %	3,411	6%
Cost of goods sold	30,826	19,350	59 %	12,932	50%
Operating, selling and administrative expenses	8,321	6,540	27 %	5,896	11%
Depreciation, depletion and amortization	775	652	19 %	619	5%
Income before financial items, other items, income taxes and minority interest	5,901	6,784	(13 %)	6,005	13%
Prices:[2]					
Average natural gas price (NOK/scm)[3]	1.45	1.10	31 %	1.02	8%
Average transfer price natural gas (NOK/scm)	1.04	0.71	47 %	0.59	20%
Volumes marketed:[4]					
For our own account (bcf)[5]	964	881	9 %	744	18%
For the account of the SDFI (bcf)	1,116	1,069	4 %	915	15%
For our own account (bcm)	27.3	25.0	9 %	21.1	18%
For the account of the SDFI (bcm)	31.6	30.3	4 %	25.9	15%

(1) Revenue from sale of shares in VNG of NOK 0.6 billion is included in natural gas sales for 2004.
(2) Gas prices are volume weighted averages.
(3) Calculation of the average natural gas price excludes revenues from third party sales in the U.S., ethane and volumes reported by the International E&P business segment.
(4) All volumes measured assuming a gross calorific value of 40 MJ/scm.
(5) Excluding natural gas volumes sold by the International E&P business segment, but including third-party volumes sold by Natural Gas.

Manufacturing and Marketing
The table below sets forth certain financial and operating data for our Manufacturing and Marketing business segment and percentage change for each of the years in the three–year period ending December 31, 2005.

Years ended December 31, 2005, 2004 and 2003
Manufacturing and Marketing generated revenues of NOK 339.4 billion in 2005 compared to NOK 267.2 billion in 2004 and NOK 218.6 billion in 2003. The 27 per cent increase from 2004 to 2005 resulted mainly from higher prices in USD for crude oil, but was partly offset by the strengthening of the NOK versus the USD and a decrease in total volumes of crude oil sold by 3 per cent. Manufacturing and Marketing sells Statoil equity oil volumes, third party oil volumes and SDFI oil volumes.

Cost of goods sold increased from NOK 200.5 billion in 2003 to NOK 247.0 billion in 2004, and to NOK 313.1 billion in 2005. The increase from 2004 to 2005 resulted primarily from higher prices paid in USD for crude oil and SDS being consolidated in the group's accounts for 12 months in 2005, compared to only six months in 2004. The consolidation of SDS into the group's accounts contributed to an increase in cost of goods sold of 6 per cent in 2004 compared to 2003.

Operating, selling and administrative expenses increased by 13 per cent in 2005 compared to 2004 mainly due to the full-year effect from the SDS consolidation and restructuring costs in Marketing. In 2004, compared to 2003, operating, selling and administrative expenses increased by 10 per cent, mainly due to the consolidation of SDS assets into the group's accounts.

Depreciation, depletion and amortization totaled NOK 2.2 billion in 2005, compared to NOK 1.7 billion in 2004 and NOK 1.4 billion in 2003. The increase from 2004 to 2005 was mainly due to depreciation of SDS assets, which were consolidated in the group's accounts for 12 months in 2005 compared to six months in 2004.

Income before financial items, other items, income taxes and minority interest for Manufacturing and Marketing was NOK 7.6 billion in 2005, compared to NOK 3.9 billion in 2004 and NOK 3.6 billion in 2003. The gain from the sale of Statoil's shares in Borealis and higher margins combined with higher regularity within Manufacturing were the main reasons for the increase in income of NOK 3.7 billion from 2004 to 2005. Navion was sold in 2003, which contributed NOK 0.5 billion to income in 2003.

In **Manufacturing**, Income before financial items, other items income taxes and minority interest increased by NOK 1.7 billion from 2004 to 2005 mainly due to higher refining margins and higher regularity levels. Higher refining margins increased profits by NOK 0.6 billion from 2003 to 2004. In 2005, the average refining margin (FCC margin) was 23 per cent higher than in 2004, equivalent to USD 1.5 per barrel. The average contract price on methanol was about 6 per cent higher measured in NOK in 2005 than in 2004.

In **Oil Sales, Trading and Supply (O&S)**, Income before financial items, other items, income taxes and minority interest increased by NOK 0.7 billion in 2005 compared to 2004, mainly due to good results from trading operations and currency gains on commercial storage, which were partly offset by a lower contribution from the contingent compensation arrangements relating to the sale of the Melaka refinery. Income before financial items, other items, income taxes and minority interest decreased by NOK 0.3 billion in 2004 compared with 2003, mainly due to currency effects and changes in the market value of economic hedge positions related to inventories. This was partially offset by the recording of a contingent compensation from the sale of the Melaka refinery. The final payment of contingent compensation from the sale of the Melaka refinery is expected to be received in the second quarter of 2006.

The **Marketing** Income before financial items, other items, income taxes and minority interest decreased slightly in 2005 compared with 2004, and by NOK 0.2 billion in 2004 compared with 2003. The decrease from 2004 to 2005 was due to lower margins, particularly in Sweden, and restructuring costs.

The contribution from **Borealis** to Manufacturing and Marketing's Income before financial items, other items, income taxes and minority interest was an income of NOK 2.2 billion in 2005, NOK 0.8 billion in 2004 and NOK 0.1 billion in 2003. The contribution from Borealis increased from 2004 to 2005 due to the gain from the sale in 2005 of Statoil's 50 per cent holding in Borealis to International Petroleum Investment Company (IPIC) and OMV Aktiengesellschaft. Statoil received EUR 1 billion (NOK 7.8 billion) for the transaction, which gave a tax-free capital gain of NOK 1.5 billion that was recorded as profit in the fourth quarter of 2005. The increase from 2003 to 2004 was due to very high margins, increased volumes and improved operational performance.

	Year ended December 31,				
Income statement data (in NOK million)	**2005**	**2004**	**Change**	**2003**	**Change**
Total revenues	339,380	267,177	27 %	218,642	22 %
Cost of goods sold	313,125	246,971	27 %	200,453	23 %
Operating, selling and administrative expenses	16,402	14,566	13 %	13,215	10 %
Depreciation, depletion and amortization	2,207	1,719	28 %	1,419	21 %
Income before financial items, other items, income taxes and minority interest	7,646	3,921	95 %	3,555	10 %
Operational data:					
FCC-margin (USD/bbl)	7.9	6.4	23 %	4.4	45 %
Contract price methanol (EUR/tonne)	225	213	6 %	226	(6 %)
Petrochemical margin (EUR/tonne)	161	153	5 %	119	29 %

Other operations

Years ended December 31, 2005, 2004 and 2003

Our other operations consist of the activities of Corporate Services, Corporate Center, Group Finance and the corporate technical service provider Technology and Projects. In connection with our other operations, we recorded a loss before financial items, other items, income taxes and minority interest of NOK 0.9 billion in 2005, compared to a loss of NOK 0.8 billion in 2004 and a loss of NOK 0.3 billion in 2003. The segment Other includes increased insurance costs of NOK 0.8 billion in 2005, due to extra insurance premiums and liabilities in the two mutual insurance companies in which Statoil Forsikring participates. The corresponding increase for 2004 is NOK 0.4 billion.

Liquidity and Capital Resources

Cash Flows Provided by Operating Activities

Our primary source of cash flow is funds generated from operations. Net funds generated from operations for 2005 were NOK 56.3 billion, as compared to NOK 38.8 billion in 2004 and NOK 30.8 billion in 2003.

The increase in cash flows provided by operating activities of NOK 17.4 billion in 2005, compared to 2004, was mainly due to an increase in cash flows from underlying operations contributing NOK 27.5 billion. Short-term investments contributed NOK 7.1 billion. Increased taxes paid reduced the cash flows from operations by NOK 15.5 billion, while changes in the working capital and long-term items related to operations reduced the cash flows from operations by NOK 1.6 billion.

The increase of NOK 8.0 billion from 2003 to 2004 was primarily due to an increase of NOK 17.6 billion in cash flows due to higher prices and margins, which was partly offset by increased taxes paid of NOK 4.7 billion, as well as NOK 4.9 billion reduced cash flows due to changes in working capital items and long-term items (excluding taxes payable, short-term interest-bearing debt, short-term investments and cash) in 2004 as compared to 2003.

Cash Flows used in Investing Activities

Net cash flows used in investing activities amounted to NOK 37.7 billion in 2005, as compared to NOK 32.0 billion in 2004 and NOK 23.2 billion in 2003. Gross investments, defined as additions to property, plant and equipment and capitalized exploration expenditure increased to NOK 46.2 billion in 2005 from NOK 42.8 billion in 2004 and NOK 24.1 billion in 2003. Gross investments also include investments in intangible assets and investments in affiliates.
The increase from 2004 to 2005 was mainly related to the acquisition of the deepwater Gulf of Mexico assets from EnCana for NOK 13.2 billion.
The increase from 2003 to 2004 was mainly related to increased investments in the E&P Norway and International E&P business segments as a result of an increased number of development projects.

The difference of NOK 8.5 billion between cash flows used in investing activities of NOK 37.7 billion and gross investments in 2005 of NOK 46.2 billion was mainly related to the sale of the group's shares in Borealis and NCS portfolio transactions.

Cash Flows used in Financing Activities

Net cash flows used in financing activities amounted to NOK 16.5 billion in 2005, as compared to NOK 9.1 billion for 2004 and NOK 7.9 billion for 2003. New long-term borrowing in 2005 decreased by NOK 4.2 billion compared to 2004 and repayment of long-term debt decreased by NOK 3.4 billion in 2005.

The NOK 7.5 billion increase in cash flows used in financing activities from 2004 to 2005 was mainly due to a reduction in new long-term borrowings and an increase in dividend paid, but was partly offset by a decrease in repayment of long-term borrowings. The amount reported in 2005 includes a dividend paid to shareholders of NOK 11.5 billion, while the dividend paid to shareholders was NOK 6.4 billion in 2004 and NOK 6.3 billion in 2003.

Working Capital

Working capital (total current assets less current liabilities) was reduced by NOK 4.5 billion from 2004 to 2005, from a positive working capital of NOK 3.9 billion as of December 31, 2004 to a negative working capital of NOK 0.6 billion as of December 31, 2005, mainly due to an increase in income taxes payable due to higher oil prices. Working capital as of December 31, 2003 was NOK 1.7 billion.

We believe that, taking into consideration Statoil's established liquidity reserves (including committed credit facilities), credit rating and access to capital markets, we have sufficient liquidity and working capital to meet our present and future requirements. Our sources of liquidity are described below.

Liquidity

Our cash flow from operations is highly dependent on oil and gas prices and our levels of production, and is only to a small degree influenced by seasonality and maintenance. Fluctuations in oil and gas prices, which are outside of our control, will cause changes in our cash flows. We will use available liquidity to finance Norwegian petroleum tax payments (due April 1 and October 1 each year), any dividend payment and investments. Our investment program is spread across the year. The investments in the coming years are expected to remain high at a level of NOK 110-115 billion for the period 2005 to 2007 (excluding the purchase in 2005 of the Gulf of Mexico assets from EnCana for NOK 13.2 billion). There may be a gap between funds from operations and funds necessary to fund investments, depending on the level of oil and gas prices as well as levels of production. However, Statoil currently expects that cash flow from operations will be sufficient to meet its liquidity needs for 2006. It is our intention to keep ratios related to net debt at levels consistent with our objective of maintaining our long-term credit rating in the A category (for current rating levels, see below).

As of December 31, 2005, we had liquid assets of NOK 13.9 billion, including approximately NOK 6.8 billion of short-term investments (domestic and international capital market investments), and NOK 7.0 billion in cash and cash equivalents. As of December 31, 2005, approximately 18 per cent of our liquid assets were held in NOK-denominated assets, 75 per cent in U.S. dollars and 7 per cent in other currencies, before the effect of currency swaps and forward contracts. Capital market investments decreased by NOK 4.8 billion during 2005, as compared to year end 2004. Cash and cash equivalents decreased by NOK 2.0 billion during 2005, as compared to year end 2004.

As of December 31, 2004, we had liquid assets of NOK 16.6 billion, including approximately NOK 11.6 billion of domestic and international capital market investments, primarily government bonds, but also other investment grade short-term debt securities, and NOK 5.0 billion in cash and cash equivalents. As of December 31, 2004, approximately 25 per cent of our cash and cash equivalents were held in NOK-denominated assets, 70 per cent in U.S. dollars and 5 per cent in other currencies, before the effect of currency swaps and forward contracts. As part of our diversification into new investment alternatives like international commercial paper markets, the share of USD-denominated assets (swapped from NOK) has increased since 2003.

As of December 31, 2003, we had liquid assets of NOK 16.6 billion, including approximately NOK 9.3 billion of domestic and international capital market investments, and NOK 7.3 billion in cash and cash equivalents. As of December 31, 2003, approximately 70 per cent of our cash and cash equivalents were held in NOK, 10 per cent in U.S. dollars, 15 per cent in euro and 5 per cent in other currencies, before the effect of currency swaps and forward contracts.

Our general policy is to maintain a liquidity reserve in the form of cash and cash equivalents on our balance sheet, and committed, unused credit facilities and credit lines to ensure that we have sufficient financial resources to meet our short-term requirements. Long-term funding is raised when we identify a need for such financing based on our business activities and cash flows as well as when market conditions are considered favorable.

As of December 31, 2005, the group had available USD 2.0 billion in a committed revolving credit facility from international banks, including a USD 500 million swing-line facility. The facility was entered into by us in 2004, and is available for draw-downs until December 2009. At year end 2005 no amounts had been drawn under the facility. In addition, a EUR 200 million line of credit has been established in our favor on a bilateral basis by an international financial institution. Until June 2006 this line of credit, which we may only utilize with at least 15 days notice, is available for draw-downs in one or more tranches. The final maturity of such tranches may vary from 3 to 7 years. Our long-term rating from Moody's was upgraded to Aa2 in June 2005 as Moody's introduced a new rating methodology for Government Related Issuers (GRI). The short-term rating from Moody's is P-1. Our short-term and long-term ratings from Standard & Poor's are A and A-1, respectively.

Interest-bearing debt. Gross interest-bearing debt was NOK 34.2 billion at the end of 2005, as compared to NOK 36.2 billion at the end of 2004. Despite high investments and an increased NOK/USD exchange rate, interest-bearing debt was reduced, mainly due to increased cash flows from operations, the disposal of our ownership share in Borealis and debt repayments exceeding the borrowing needs. At December 31, 2003, gross interest-bearing debt was NOK 37.3 billion.

Net interest-bearing debt is calculated as the difference between gross interest-bearing debt and cash, cash equivalents and short-term investments. Net interest-bearing debt was NOK 19.5 billion as of December 31, 2005, compared to NOK 20.3 billion as of December 31, 2004. The reduction was mainly due to reduced gross interest-bearing debt as referred to above, which was partly offset by a NOK 1.6 billion reduction of adjusted liquid assets. At December 31, 2003, net interest-bearing debt was NOK 20.9 billion. For a reconciliation of net interest-bearing debt to gross debt, see —Use and Reconciliation of Non-GAAP Financial Measures—Net debt to capital employed ratio below.

Net debt to capital employed ratio, defined as net interest-bearing debt to capital employed, was 15.3 per cent as of December 31, 2005, compared to 19.0 per cent as of December 31, 2004 and 22.6 per cent as of December 31, 2003. The decrease in the net debt to capital employed ratio was mainly due to increased shareholders' equity. Our methodology of calculating the net debt to capital employed ratio makes certain adjustments outlined below, and this ratio may therefore be considered to be a Non-GAAP financial measure. The net debt to capital employed ratio without adjustments was 15.8 per cent in 2005, compared to 18.4 per cent in 2004 and 22.4 per cent in 2003. See —Use and Reconciliation of Non-GAAP Financial Measures—Net debt to capital employed ratio below.

The group's borrowing needs are mainly covered through short-term and long-term securities issues, including utilization of a U.S. Commercial Paper Program and a Euro Medium Term Note (EMTN) Program (the program limits being USD 2 billion (increased from USD 1 billion in January 2006) and USD 3 billion, respectively), and through draw-downs under committed credit facilities and credit lines. Apart from draw-downs of approximately USD 45 million under the BTC project financing described below, no long-term borrowing took place during 2005.

Statoil is a party to a project loan agreement amounting to USD 225 million, of which USD 32 million is provided from the bank market and the balance through a sponsor loan in Statoil's own name. The purpose of this financing is to cover part of Statoil's obligations in respect of its participating share in the BTC pipeline project in Azerbaijan, Georgia and Turkey. The project loan is fully guaranteed by Statoil until construction of the pipeline is complete and certain operational conditions have been fulfilled. As at the end of 2005,

approximately USD 212 million had been disbursed under this agreement. The project loan is expected to be fully repaid by 2015.

As of December 31, 2005, our long-term debt portfolio totaled NOK 32.7 billion, with a weighted average maturity of approximately 10.6 years and a weighted average interest rate of approximately 5.4 per cent per annum. As of December 31, 2004, our long-term debt portfolio totaled NOK 31.5 billion, with a weighted average maturity of approximately 11 years and a weighted average interest rate of approximately 5.0 per cent per annum. As of December 31, 2003, our long-term debt portfolio totaled NOK 33.0 billion, with a weighted average maturity of approximately 11 years and a weighted average interest rate of approximately 4.8 per cent per annum.

After the effect of currency swaps, our borrowings are 100 per cent in U.S. dollars.

Our **financing strategy** considers funding sources, maturity profile, currency mix, interest rate risk management instruments and the liquidity reserve, and we use a multicurrency liability model (MLM) to manage debt-related risks. Accordingly, in general, we select the currencies of our debt obligations, either directly when borrowing or through currency swap agreements, in order to optimize our debt portfolio based on underlying cash flow. Our borrowings are denominated in, or have been swapped into, U.S. dollars, because the most significant part of our net cash flow is denominated in that currency. In addition, we hedge our interest rate exposures through the use of interest rate derivatives, primarily interest rate swaps, based on an approved range for the interest reset profile of our total loan portfolio.

New long-term borrowings totaled NOK 0.4 billion in 2005, NOK 4.6 billion in 2004 and NOK 3.2 billion in 2003. We repaid approximately NOK 3.2 billion in 2005, approximately NOK 6.6 billion in 2004 and approximately NOK 2.8 billion in 2003. At December 31, 2005, NOK 1.1 billion of our borrowings was due for repayment within one year, NOK 8.7 billion was due for repayment between two and five years and NOK 24.0 billion was due for repayment after five years. This compares to NOK 3.0 billion, NOK 8.9 billion and NOK 22.5 billion, respectively, as of December 31, 2004, and NOK 3.2 billion, NOK 9.3 billion and NOK 23.7 billion, respectively, as of December 31, 2003.

The corporate financing, project financing and treasury functions provide a centralized service for overall funding activities, foreign exchange and interest rate management. Treasury operations are conducted within a framework of policies, risk limits and guidelines authorized and reviewed regularly by our Chief Financial Officer. Our liability management is conducted in cooperation with our corporate risk management department, and we use a number of derivative instruments. The internal control is reviewed regularly for risk assessment by our internal auditors. Further details regarding our risk management are provided in —Risk Management below.

Principal Contractual Obligations and Other Commitments

The table below summarizes our principal contractual obligations and other commercial commitments as at December 31, 2005. The table below includes contractual obligations, but excludes derivatives and other hedging instruments. Obligations payable by Statoil to unconsolidated equity affiliates are included gross in the table below. Where Statoil has both an ownership interest and transport capacity cost for a pipeline in the consolidated accounts, the amounts in the table include the transport commitments that exceed Statoil's ownership share.

Contractual obligations in respect of capital expenditure amounted to NOK 23 billion as at December 31, 2005, of which payments of NOK 13.5 billion are due within one year.

The projected pension benefit obligation of the group was NOK 22.6 billion and the fair value of plan assets amounted to NOK 20.3 billion as at December 31, 2005. Total prepaid pensions net of unrealized losses and unrealized prior service cost amounted to NOK 1.8 billion as at December 31, 2005.

Impact of Inflation

Our results in recent years have not been substantially affected by inflation. Inflation in Norway as measured by the general consumer price index during the years ended December 31, 2005, 2004 and 2003 was 1.8 per cent, 1.1 per cent and 0.5 per cent, respectively.

Critical Accounting Policies and Estimates

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States, which require us to make estimates and assumptions. We believe that of its significant accounting policies (see Note 2 to the consolidated financial statements), the following may involve a higher degree of judgment and complexity, which in turn could materially affect the net income if various assumptions were changed significantly.

Proved oil and gas reserves. Our oil and gas reserves have been estimated by our experts in accordance with industry standards under the requirements of the U.S. Securities and Exchange Commission (SEC). An independent third party has evaluated Statoil's proved reserves estimates, and the results of such evaluation do not differ materially from our estimates. Proved oil and gas reserves are the estimated quantities of crude oil, natural gas, and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as of the date the estimate is made. Prices include consideration of changes in existing prices provided only by contractual arrangements but not on escalations based upon future conditions.

	As at December 31, 2005				
		Payment due by period			
Contractual obligations (in NOK million)	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long-term debt	33,800	1,131	4,512	4,142	24,015
Finance lease obligations	680	54	72	47	507
Operating leases	15,184	3,121	5,601	3,017	3,445
Transport capacity and similar obligations	48,874	4,853	9,333	7,563	27,125
Total contractual obligations	98,538	9,159	19,518	14,769	55,092

Proved reserves are used when calculating the unit of production rates used for depreciation, depletion, and amortization. Reserve estimates are also used when testing upstream assets for impairment. Future changes in proved oil and gas reserves, for instance as a result of changes in prices, could have a material impact on unit of production rates used for depreciation, depletion and amortization and for decommissioning and removal provisions, as well as for the impairment testing of upstream assets, which could have a material adverse effect on operating income as a result of increased deprecation, depletion and amortization or impairment charges.

Exploration and leasehold acquisition costs. In accordance with Statement of Financial Accounting Standards (FAS) No. 19, we temporarily capitalize the costs of drilling exploratory wells pending determination of whether the wells have found proved oil and gas reserves. We also capitalize leasehold acquisition costs and signature bonuses paid to obtain access to undeveloped oil and gas acreage. Judgments on whether these expenditures should remain capitalized or expensed in the period may materially affect the operating income for the period.

Unproved oil and gas properties are assessed quarterly and unsuccessful wells are expensed. Exploratory wells that have found reserves, but classification of those reserves as proved depends on whether a major capital expenditure can be justified, may remain capitalized for more than one year. The main conditions are that either firm plans exist for future drilling in the license or a development decision is planned in the near future.

To illustrate the size of the applicable balance sheet item (capitalized exploratory drilling expenditures) subject to the judgments described above and the recorded effects of our judgment on amounts capitalized in prior years, we have included the following table, which provides a summary of capitalized exploration costs on assets in the exploration phase and the amount of previously capitalized exploration costs on assets in the exploration phase that have been expensed during the year:

Impairment. We have significant investments in long-lived assets such as property, plant and equipment and intangible assets, and changes in our expectations of future value from individual assets may result in some assets being impaired, and the book value written down to estimated fair value. Making judgments of whether an asset is impaired or not is a complex decision that rests on a high degree of judgment and to a large extent on key assumptions.

Complexity is related to the modeling of relevant undiscounted future cash flows, to the determination of the extent of the asset for which impairment is to be measured, to consistent application throughout the group of relevant assumptions, and, in cases where the first test of undiscounted cash flows exceeding book value is not met, to establishing a fair value of the asset in question.

Impairment testing also requires long-term assumptions to be made concerning a number of often volatile economic factors such as future market prices, currency exchange rates and future output, among others, in order to establish relevant future cash flows. Long-term assumptions for major factors are made at group level, and there is a high degree of reasoned judgment involved in establishing these assumptions, in determining other relevant factors such as forward price curves or in estimating production outputs, and in determining the ultimate termination value of an asset. Likewise, establishing a fair value of the asset, when required, will require a high degree of judgment in many cases where there is no ready third party market in which to obtain the fair value of the asset in question.

Decommissioning and removal liabilities. We have significant legal obligations to decommission and remove offshore installations at the end of the production period. Legal obligations associated with the retirement of long-lived assets are to be recognized at their fair value at the time the obligations are incurred. Upon initial recognition of a liability, that cost is

Capitalized exploratory drilling expenditures that are pending the determination of proved reserves:

(In NOK million)	2005	2004	2003
Capitalized expenditures at January 1	2,277	2,747	2,550
Additions	1,236	935	365
Reclassified to Production, plants oil and gas, including pipelines based on the booking of proved reserves [1]	(480)	(1,235)	(63)
Expensed, previously capitalized exploration costs	(149)	(61)	(59)
Foreign currency translation	146	(109)	(46)
Capitalized expenditures at December 31 [2]	3,030	2,277	2,747

(1) In addition, in 2004 NOK 238 million in exploration expenditure related to unproved reserves was reclassified to construction in progress due to the fact that the development activity commenced prior to the recognition of proved reserves in 2005.

(2) Capitalized exploration costs in suspense exclude signature bonuses and other acquired exploration rights of NOK 11,071 million, NOK 609 million and NOK 1,045 million as at the end of 2005, 2004 and 2003, respectively.

The following is a summary of certain long-lived assets in our balance sheet at year end and the cost of impairments recorded during the years 2005, 2004 and 2003, respectively:

(in NOK million)	2005	2004	2003
Net book value of property plant and equipment	181,481	152,916	126,528
Net book value of intangible assets	2,388	2,374	2,156
Impairment charged to profit and loss in the period	2,211	315	182

capitalized as part of the related long-lived asset and allocated to expense over the useful life of the asset.

It is difficult to estimate the costs of these decommissioning and removal activities, which are based on current regulations and technology. Most of the removal activities are many years into the future and the removal technology and costs are constantly changing. As a result, the initial recognition of the liability and the capitalized cost associated with decommissioning and removal obligations, and the subsequent adjustment of these balance sheet items, involve the application of significant judgment. As at year end 2005, Statoil had recognized NOK 3.6 billion in increased assets and liabilities related to asset retirement obligations amounting to NOK 20.0 billion.

Employee retirement plans. When estimating the present value of defined pension benefit obligations that represent a gross long-term liability in the consolidated balance sheet, and indirectly, the period's net pension expense in the consolidated statement of profit and loss, we make a number of critical assumptions affecting these estimates. Most notably, assumptions made on the discount rate to be applied to future benefit payments, the expected return on plan assets and the annual rate of compensation increase have a direct and material impact on the amounts presented. Significant changes in these assumptions between periods can likewise have a material effect on the accounts.

Accumulated gains and losses in excess of 10 per cent of the greater of the projected benefit obligation (PBO) or the fair value of assets are amortized over the remaining service period of active plan participants. The implication of this is that although changes in balance sheet items may be significant due to changes in the assumptions described above, changes to the amounts amortized in the period are therefore not as significant.

Below is a specification of net losses not yet amortized, the annual amortizations of net losses due to assumptions made, and the key assumptions made for each year:

Derivative financial instruments and hedging activities. Statoil recognizes all derivatives on the balance sheet at fair value. Changes in fair value of derivatives that do not qualify as hedges are included in income.

The application of relevant rules requires extensive judgment and the choice of designation of individual contracts as qualifying hedges can impact the timing of recognition of gains and losses associated with the derivative contracts, which may or may not correspond to changes in the fair value of our corresponding physical positions, contracts and anticipated transactions, which are not required to be recorded at market value in accordance with Statement No. 133. Establishment of non-functional currency swaps in our

debt portfolio to match expected underlying cash flows may result in gains or losses in the profit and loss statement as hedge accounting is not allowed, even if the associated economical risk of the transactions is considered.

When not directly observable in the market or available through broker quotes, the fair value of derivative contracts must be computed internally based on internal assumptions as well as directly observable market information, including forward and yield curves for commodities, currencies and interest. Although the use of models and assumptions are according to prevailing guidelines provided by FASB and best estimates, changes in internal assumptions and forward curves could have material effects on the internally computed fair value of derivative contracts, particularly long-term contracts, resulting in corresponding income or loss in the statement of profit and loss.

See —Risk Management below for details on the extent to which we assess market values of derivatives on sources other than quoted market prices and the sensitivities of recognized assets and liabilities to market risks.

Corporate income taxes. Statoil annually incurs significant amounts of corporate taxes payable to various jurisdictions around the world, and also recognizes significant changes to deferred tax assets and deferred tax liabilities, all according to our current interpretations of applicable laws, regulations and relevant court decisions. The quality of these estimates is highly dependent upon our ability to properly apply at times very complex sets of rules, to recognize changes in applicable rules and, in the case of certain valuation allowances, our ability to project future earnings from activities that may apply loss carry forward positions against future income taxes.

(in NOK million)	2005	2004	2003
Unrecognized net loss (an asset in the balance sheet)	3,811	2,685	4,248
Amortization of loss (an expense in the period)	53	175	54

Weighted average assumptions for the year ended (balance sheet items)	2005	2004	2003
Weighted average discount rate	4.75%	5.50%	5.50%
Weighted average expected return on assets	5.75%	6.50%	6.00%
Weighted average rate of compensation increase	3.00%	3.50%	3.50%

(in NOK million)	2005	2004	2003
Taxes payable in the balance sheet	29,750	19,117	17,676
Short-term deferred tax assets	3,733	0	0
Long-term deferred tax assets	372	205	626
Long-term deferred tax liabilities	43,347	44,270	37,849
Tax expense in the year	60,039	45,425	27,447

The table on the following page is a summary of income tax assets and liabilities recognized in the consolidated balance sheet, as well as the annual tax expense recorded in the consolidated statement of profit and loss:

Off-Balance Sheet Arrangements

As a condition for being awarded oil and gas exploration and production licenses, participants may be committed to drill a certain number of wells. At the end of 2005, Statoil was committed to participate in 16 wells off Norway and 16 wells abroad, with an average ownership interest of approximately 50 per cent. Statoil's share of estimated expenditures to drill these wells amounts to approximately NOK 4 billion. Additional wells that Statoil may become committed to participating in, depending on future discoveries in certain licenses, are not included in these numbers.

Statoil has entered into agreements for pipeline transportation for most of its prospective gas sale contracts. These agreements ensure the right to transport the production of gas through the pipelines, but also impose an obligation to pay for booked capacity. In addition, the group has entered into certain obligations for entry capacity fees and terminal, processing, storage and vessel transport capacity commitments. The corresponding expense for 2005 was NOK 4.5 billion.

In 2004, Statoil signed an agreement with the U.S.-based energy company Dominion regarding additional capacity at the Cove Point LNG terminal in the U.S. The agreement involves annual terminal capacity of approximately 7.7 billion cubic meters of gas for a 20-year period with planned start-up in 2008, and is subject to approval from U.S. authorities. Pending such approval, no obligations related to the additional Cove Point capacity have been included in -Liquidity and Capital Resources–Table of Principal Contractual Obligations and Other Commercial Commitments at year end 2005.

Transport capacity and other minimum nominal obligations at December 31, 2005 are also included in -Liquidity and Capital Resources–Table of Principal Contractual Obligations and Other Commercial Commitments at year end 2005.

Risk Management

Overview. We are exposed to a number of different market risks arising from our normal business activities. Market risk is the possibility that changes in currency exchange rates, interest rates, refining margins and oil and natural gas prices will affect the value of our assets, liabilities or expected future cash flows. We are also exposed to operational risk, which is the possibility that we may experience, among others, a loss in oil and gas production or an offshore catastrophe. Accordingly, we use a "top-down" approach to risk management, which highlights our most important market and operational risks, and a sophisticated risk optimization model to manage these risks.

We have developed a comprehensive model, which encompasses our most significant market and operational risks and takes into account correlation, different tax regimes, capital allocation on various levels and value at risk, or VaR, figures on different levels, with the goal of optimizing risk exposure and return. Our model also utilizes Sharpe ratios, which provide a risk-adjusted return measure in the context of a specific risk taken, rather than an absolute rate of return, to measure the potential risks of various business activities. See details of our financing strategy above concerning the objective of our debt portfolio to mitigate currency exchange risks. Our Corporate Risk Committee, which is headed by our Chief Financial Officer and which includes, among others, representatives from our principal business segments, is responsible for reviewing, defining and developing our strategic market risk policies. The Corporate Risk Committee meets monthly to determine our risk management strategies, including hedging and trading strategies and valuation methodologies.

We divide risk management into insurable risks which are managed by our captive insurance company operating in the Norwegian and international insurance markets, tactical risks, which are short-term trading risks based on underlying exposures and which are managed by line management, and strategic risks, which are long-term fundamental risks and are monitored by our Corporate Risk Committee, which advises and recommends specific actions to our Executive Committee. To address our tactical and strategic market risks, we have developed policies aimed at managing the volatility inherent in certain of these natural business exposures and in accordance with these policies we enter into various transactions using derivative financial and commodity instruments (derivatives). Derivatives are contracts whose value is derived from one or more underlying financial instruments, indices or prices, which are defined in the contract.

Strategic Market Risks. We are exposed to strategic risks, which we define as long-term risks fundamental to the operation of our business. Strategic market risks are reviewed by our Corporate Risk Committee with the objective of avoiding sub-optimization, reducing the likelihood of experiencing financial distress and supporting the group's ability to finance future growth even under adverse market conditions. Based on these objectives, we have implemented policies and procedures designed to reduce our overall exposure to strategic risks. For example, our multicurrency liability management model discussed under —Liquidity above seeks to optimize our debt portfolio based on expected future corporate cash flow and thereby serves as a significant strategic risk management tool.

Tactical Market Risks. All tactical risk management activities occur within and are continuously monitored against established mandates.

Commodity price risk. Commodity price risk constitutes our most important tactical risk. To minimize the commodities price volatility and match costs with revenues, we enter into commodity-based derivative contracts, which consist of futures, options, over-the-counter (OTC) forward contracts, market swaps and contracts for differences related to crude oil, petroleum products, natural gas and electricity.

Derivatives associated with crude oil and petroleum products are traded mainly on the International Petroleum Exchange (IPE) in London, the New York Mercantile Exchange (NYMEX), in the OTC Brent market, and in crude and refined products swaps markets. Derivatives associated with natural gas and electricity are mainly OTC physical forwards and options, Nordpool forwards, and futures traded on the NYMEX and IPE.

Foreign exchange and interest rate risk. We are also subject to interest rate risk and foreign exchange risk. Interest rate risk and currency risk are assessed against mandates based on a pre-defined scenario. In market risk management and in trading, we use only well-understood, conventional derivative instruments. These include futures and options traded on regulated exchanges, and OTC swaps, options and forward contracts.

Foreign exchange risk. Fluctuations in exchange rates can have significant effects on our results. Our cash flows are largely in currencies other than NOK, primarily U.S. dollars. Cash receipts in connection with oil and gas sales are mainly in foreign currencies, while cash disbursements are to a large extent in NOK. Accordingly, our exposure to foreign currency rates exists primarily with U.S. dollars versus Norwegian kroner, European euro, Danish kroner, Swedish kroner and UK pounds sterling. We enter into various types of foreign exchange contracts in managing our foreign exchange risk. We use forward foreign exchange contracts primarily to risk manage existing receivables and payables, including deposits and borrowing denominated in foreign currencies.

Interest rate risk. The existence of assets and liabilities earning or paying variable rates of interest expose us to the risk of interest rate fluctuations. We enter into various types of interest rate contracts in managing our interest rate risk. We enter into interest rate derivatives, particularly interest rate swaps, to alter interest rate exposures, to lower funding costs and to diversify sources of funding. Under interest rate swaps, we agree with other parties to exchange, at specified intervals, the difference between interest amounts calculated by reference to an agreed notional principal amount and agreed fixed or floating interest rates.

Fair market values of financial and commodity derivatives. Fair market values of commodity based futures and exchange traded option contracts are based on quoted market prices obtained from NYMEX or IPE. The fair values of swaps and other commodity OTC arrangements are established based on quoted market prices, estimates obtained from brokers, and other appropriate valuation techniques. Where Statoil records elements of long-term physical delivery commodity contracts at fair market value under the requirements of FAS 133, such fair market value estimates are based on quoted forward prices in the market, underlying indexes in the contracts, and assumptions of forward prices and margins where market prices are not available. Fair market values of interest and currency swaps and other instruments are estimated based on quoted market prices, estimates obtained from brokers, prices of comparable instruments, and other appropriate valuation techniques. The fair value estimates approximate the gain or loss that would have been realized if the contracts had been closed out at year end, although actual results could vary due to assumptions used.

The table below contains the net fair market value of OTC commodity and financial derivatives as so accounted for under FAS 133, as at December 31, 2005, based on maturity of contracts and the source of determining the fair market value of contracts, respectively:

In the table below, other external sources for commodities mainly relate to broker quotes. The fair market values of interest and currency swaps and other financial derivatives are computed internally by means of standard financial system models and based consistently on quoted market yield and currency curves.

Source of Fair Market Value	Net Fair Market Value				
(in NOK million)	Maturity less than 1 year	Maturity 1-3 years	Maturity 4-5 years	Maturity in excess of 5 years	Total net fair value
Commodity based derivatives:					
Prices actively quoted	195	(2)	0	0	193
Prices provided by other external sources	(64)	(9)	(4)	0	(77)
Prices based on models or other valuation techniques	0	0	0	0	0
Total commodity based derivatives	131	(11)	(4)	0	116
Financial derivatives:					
Prices actively quoted	(2,033)	896	1,302	1,235	1,400
Prices provided by other external sources	0	0	0	0	0
Prices based on models or other valuation techniques	0	0	0	0	0
Total financial derivatives	(2,033)	896	1,302	1,235	1,400

(in NOK million)	Commodity derivatives	Financial derivatives
Net fair value of derivative contracts outstanding as at December 31, 2004	623	6,978
Contracts realized or settled during the period	(599)	(2,452)
Fair value of new contracts entered into during the period	3	(1,944)
Changes in fair value attributable to changes in valuation techniques or assumptions	0	(1,182)
Other changes in fair values	(28)	0
Net fair value of derivative contracts outstanding as at December 31, 2005	(1)	1,400

The table on the top of the following page contains a reconciliation of changes in the fair market values of all commodity and financial derivatives, including exchange traded derivatives in the books at either December 31, 2005, or December 31, 2004, net of margin calls. Derivatives entered into and subsequently terminated during the course of the year 2005 have not been included in the table.

Derivatives and Credit risk. Futures contracts have little credit risk because organized exchanges are the counter-parties. The credit risk from Statoil's OTC commodity-based derivative contracts derives from the counter-party to the transaction. Brent forwards, other forwards, swaps and all other OTC instruments are traded subject to internal assessment of creditworthiness of counter-parties, which are primarily oil and gas companies and trading companies.

Credit risk related to derivative instruments is managed by maintaining, reviewing and updating lists of authorized counter-parties by assessing their financial position, by monitoring credit exposure for counter-parties, by establishing internal credit lines for counter-parties, and by requiring collateral or guarantees when appropriate under contracts and required by internal policies. Collateral will typically be in the form of cash or bank guarantees from first class international banks. As at year end 2005, we had called and received a total of NOK 1.8 billion in cash as collateral for unrealized gains on OTC derivatives.

Credit risk from interest rate swaps and currency swaps, which are OTC transactions, derive from the counter-parties to these transactions. Counter-parties are highly-rated financial institutions. The credit ratings are, at a minimum, reviewed annually and counter-party risk is monitored to ensure exposure does not exceed credit lines and complies with internal policies. Non-debt related foreign currency swaps usually have terms of less than one year, and the terms of debt related interest swaps and currency swaps are up to 24 years, in line with that of corresponding hedged or risk managed long-term loans.

The table below contains the fair market value of OTC commodity and financial derivative assets, net of netting agreements and collateral as at December 31, 2005, split by our assessment of the counter-party's credit risk.

Credit rating categories in the table below are based on the Statoil group's internal credit rating policies, and do not correspond directly with ratings issued by the major credit rating agencies. Internal ratings are harmonized with external ratings where available, but could occasionally vary somewhat due to internal assessments. Consistent with Statoil policies, commodity derivative counter-parties have been assigned credit ratings corresponding to those of their respective parent companies, while there will not necessarily be a parent company guarantee from such parent companies if highly rated.

Operational Risks. We are also exposed to operational risks, including reservoir risk, risk of loss of oil and gas production and offshore catastrophe risk. In addition to our upstream installations which are insured at replacement cost, business interruption is covered for the majority of our production through our captive insurance company, which also has a reinsurance program. Under this reinsurance program, as of December 31, 2005, approximately 64 per cent of the approximately NOK 205 billion total insured amount was reinsured in the international reinsurance markets. Our captive insurance company also works with our corporate risk management department to manage other insurable operational risks.

OTC commodity and derivative assets by counter-party's credit risk (in NOK million)	Fair market value
Counterparty-rated:	
Investment grade, rated A or above	2,416
Other investment grade	144
Non-investment grade or not rated	83

The group's downstream plants are also covered through our captive insurance company, which reinsures a major part of the risk in the international insurance market. Approximately 29 per cent of the risk is retained.

Like any other licensee, Statoil has unlimited liability for possible compensation claims arising from its offshore operations, including transport systems. Statoil has taken out insurance to cover this liability up to approximately USD 0.8 billion (NOK 4.8 billion) for each incident, including liability for claims arising from pollution damage.

Statoil Forsikring a.s is a member of two mutual insurance companies, Oil Insurance Ltd. and sEnergy Insurance Ltd. Membership of these companies means that Statoil Forsikring is liable for its proportionate share of any losses which might arise in connection with the business operations of the companies. Members of the mutual insurance companies have joint and several liability for any losses that arise in connection with the insured operations of the member companies.

Research and Development

In addition to the technology developed through field development projects, a substantial amount of our research is carried out at our research and technology development center in Trondheim, Norway. Our internal research and development is done in close cooperation with Norwegian universities, research institutions, other operators and the supplier industry.

Research expenditures were NOK 1,066 million, NOK 1,027 million and NOK 1,004 million in 2005, 2004 and 2003, respectively.

Corporate Targets

We use corporate targets in order to measure our progress in enhancing production, utilizing capital efficiently and enhancing operational efficiency. In late 2004 the executive committee set forth new targets for the fiscal year 2007 for the measures normalized return on average capital employed (normalized ROACE), production and normalized production unit cost. This section contains a discussion of those target measures and reports the results of those measures for the current period. For a discussion of historical and projected gross investments, see —Trend Information below.

The following discussion of corporate targets uses several measures which are "non-GAAP financial measures". Non-GAAP financial measures are defined by the U.S. Securities and Exchange commission as measures that either exclude or include amounts that are not excluded or included in comparable measures calculated and estimated according to GAAP. These are return on average capital employed (ROACE), normalized return on average capital employed (normalized ROACE), normalized production cost per barrel and net debt to capital employed ratio. For more information on these measures and for a reconciliation of these measures to measures calculated in accordance with U.S. GAAP, see —Use and Reconciliation of Non-GAAP Financial Measures below.

Summary of targets 2007

We are targeting:

- a ROACE of 13.0 per cent on a normalized basis for the year 2007, assuming an average realized oil price of USD 22 per barrel, natural gas price of NOK 0.90 per scm, refining margin (FCC) of USD 5.0 per barrel, Borealis margin of EUR 140 per tonne and a NOK/USD exchange rate of 6.75. The normalization assumption related to the Borealis margin is only relevant when reporting on achieved normalized ROACE for 2005 compared to the 2007 target. All prices and margins are adjusted for inflation from 2004; and
- oil and natural gas production of 1,400 mboe per day in 2007.

Further, we are committed to enhancing operational efficiency through 2007 by:

- reducing unit production costs to lower than NOK 22 per boe, normalized at a NOK/USD exchange rate of 6.75 for the international portfolio.

The 2007 targets represent Statoil's assets as at the end of 2004. However, on a going-forward basis the 2007 targets are based on continued organic development of Statoil and exclude possible effects related to any additional major acquisitions or dispositions that were not known at the time the 2007 targets were set. Such major transactions may affect our targets materially and cause us to revise our targets as a result of the impact of such acquisitions or dispositions.

The forecasted production growth to 2007 is based on the current understanding of our reservoirs, our planned investments and development projects. There are a number of factors that could cause actual results and developments to differ materially from the targets included here, including, but not limited to, levels of industry product supply, demand and pricing; currency exchange rates; political and economic policies of Norway and other oil-producing countries; general economic conditions; political stability and economic growth in relevant areas of the world; global political events and actions, including war, terrorism and sanctions; the timing of bringing new fields on stream; material differences from reserves estimates; inability to find and develop reserves; adverse changes in tax regimes; development and use of new technology; geological or technical difficulties; the actions of competitors; the actions of field partners; natural disasters and other changes to business conditions. One of the main factors which could cause results to differ from our expectations would be possible delays in sanctioned development projects.

The production target for 2007 of 1,400,000 boe per day is based on an average oil price of about USD 30 per barrel in the period 2005-07. If the oil price remains at today's level (USD 60 per barrel) throughout the whole of 2006 and 2007, the PSA effect in 2007 will be in the order of 50,000 to 60,000 boe per day. Statoil will therefore make adjustments for PSA effects when reporting on production and production unit costs up to 2007.

The high oil price will also lead to increased exploration activity and higher investments as certain prospects become economic to develop in a higher oil price environment. This will have a negative effect on ROACE, where the effect of a high oil price is normalized. It is therefore probable that, given the assumptions for normalization which were set in 2004, the normalized ROACE in 2007 will be somewhat lower than the target of 13 per cent.

Return on Average Capital Employed

Our business is capital intensive. Furthermore, our capital expenditures include several significant projects that are characterized by lead times of several years and expenditures that individually may involve large amounts. Given this capital intensity, we use return on average capital employed, or ROACE, as a key performance indicator to measure our success in utilizing capital. We define ROACE as follows:

$$\text{Return on Average Capital Employed} = \frac{\text{Net Income + Minority Interest - After Tax Net Financial items}}{\text{Net Financial Debt + Shareholders' Equity + Minority Interest}}$$

Average capital employed reflects an average of capital employed at the beginning and the end of the financial period. In the calculation of average capital employed, Statoil makes certain adjustments to net interest-bearing debt, which makes the figure a Non-GAAP financial measure. For a reconciliation of the adjusted net interest-bearing debt to the most comparable GAAP measure, see —Use and Reconciliation of Non-GAAP Financial Measures below. Our historic ROACE using average capital employed with these adjustments for 2005, 2004 and 2003 was 27.6 per cent, 23.5 per cent and 18.7 per cent and, respectively.

ROACE and normalized ROACE are Non-GAAP financial measures. See –Use and Reconciliation of Non-GAAP Financial Measures.

For purposes of measuring our performance against our 2007 ROACE target, we assume an average realized oil price of USD 22 per barrel, natural gas price of NOK 0.90 per scm, refining margin (FCC) of USD 5.0 per barrel, Borealis margin of EUR 140 per tonne, and a NOK/USD exchange rate of 6.75. All prices and margins are adjusted for inflation from 2004. In the calculation of the normalized return, adjustments are made to exclude items of a non-frequent nature. These items are viewed as activities or events which management considers as being of such a nature that their inclusion into the ROACE calculation will not provide a meaningful indication of the company's underlying performance. These assumptions do not reflect actual prices and margins at the time the assumptions were set or at any specific point in time and do not comprise our expectations with respect to the future movements of such prices and margins, but are based on movements over a broader time frame and function to allow comparability across periods. The 2007 target is based on organic development and therefore the effects of major acquisitions

or dispositions not known at the time the targets were set will be excluded. Normalization is done in order to exclude factors that Statoil cannot influence from its performance targets. For reconciliation of the ROACE and normalized ROACE figures to items calculated in accordance with GAAP, see the table "ROACE calculation" in –Use and Reconciliation of Non-GAAP Financial Measures below.

Normalized ROACE was 11.7 percent in 2005.

In order to achieve our set of targets for 2007, including ROACE, and support our longer term ambitions, we continue to aim to allocate capital only to those projects that meet our financial return criteria.

Our ROACE in any financial period and our ability to meet our target ROACE will be affected by our ability to generate net income. Our level of net income is subject to numerous risks and uncertainties as described above. These risks include, among others, fluctuation in demand, retail margin, changes in our oil and gas production volumes and trends in the international oil industry.

Production cost per boe for the last 12 months was USD 3.44 per boe for the year 2005, USD 3.46 per boe for the year 2004 and USD 3.17 per boe for the year 2003. Correspondingly, the production costs in NOK were NOK 22.2 per boe for the year 2005, NOK 23.3 per boe for the year 2004 and NOK 22.4 per boe for the year 2003. Normalized production cost is a Non-GAAP financial measure as a result of its normalization at a set NOK/USD exchange rate. See —Use and Reconciliation of Non-GAAP Financial Measures.

For purposes of measuring our performance against our 2007 production unit cost target, we have been assuming a NOK/USD exchange rate of 6.75. Normalized production unit cost in 2005 was 22.3 NOK per boe.

Reserves replacement ratio. Proved oil and gas reserves were estimated to be 4,295 million boe at the end of 2005, compared to 4,289 million boe at the end of 2004 and 4,264 million boe at the end of 2003.

Line Item (mmboe)	2005	2004	2003
Revisions and improved recovery	141	165	206
Extensions and discoveries	292	46	186
Purchases of reserves-in-place	20	246	0
Sales of reserves-in-place	(19)	(29)	0
Total reserve additions	434	428	392
Production	(427)	(402)	(395)
Net change in proved reserves	7	26	(3)

Proved reserves and changes to proved reserves are estimated in accordance with SEC definitions. The reserves replacement ratio is defined as the sum of proved reserves additions and revisions, divided by produced volumes in any given period.

Changes in proved reserves estimates most commonly originate from revisions of estimates due to observed production performance, extensions of proved areas through drilling activities, or inclusion of proved reserves in new discoveries through sanctioning of development projects. These are sources of proved reserves additions that result from continuous business processes, and could be expected to continue to add reserves at some level in the future.

Proved reserves may also be added or subtracted through the acquisition or disposition of assets.

Changes in proved reserves may also originate from factors outside of management control, such as changes in oil and gas prices. While higher oil and gas prices normally allow more oil and gas to be recovered from the accumulations, Statoil's proved oil and gas reserves under PSAs and similar contracts will generally decrease as a result. This reflects the fact that we will receive smaller quantities of oil and gas under the cost recovery and profit sharing arrangements of these contracts as a result of the increased oil and gas prices. These changes are included in the revisions category in the table below.

Reserves in new discoveries are normally booked only when regulatory approval has been received, or when such approval is imminent. Most of the reserve additions are expected to be produced over the next 5-10 years, with some projects having time spans of up to 20-25 years.

Below is a table showing the reserves additions in each change category relating to the reserve replacement ratio for the period 2003-2005.

A total of 434 mmboe proved reserves was added during 2005, of which 77 mmboe were proved developed reserves. The remaining 357 mmboe were proved undeveloped reserves.

The reserves replacement rate was 102 per cent in 2005, compared to 106 per cent in 2004 and compared to 99 per cent in 2003. The average replacement rate for the last three years was 102 per cent, including purchases and sales.

Management aims for a reserves replacement ratio above 1 over time, but does not regard the reserves replacement ratio as a target measure against which the company's progress is measured on an annual basis. The usefulness of this measure is limited by the volatility of oil prices, the influence of oil and gas prices on PSA reserve booking, the sensitivity relating to the timing of project sanctions, and the time lag between exploration expenditure and booking of reserves. Therefore this measure is not included in the set of corporate targets for 2007.

Reserves replacement ratio (three-year average)	2005	2004	2003
Corporate	1.02	1.01	0.95
E&P Norway	0.84	0.76	0.79
International E&P	2.46	3.60	2.96

Production. Total average daily oil and natural gas production was 1,169,000 boe in 2005, compared to 1,106,000 boe in 2004 and 1,080,000 boe in 2003.

Our expected production growth through 2007 is based on the current characteristics of our reservoirs, our planned investments and development projects. The production target for 2007 is set at 1,400,000 boe per day, adjusted for PSA-effects as described above.

Trend Information

Achieving the targeted growth in the coming years will require an increase in investments from the current level which will consequently depress ROACE in 2006. All of the projects expected to contribute to reaching this production target of 1,400,000 boe per day for 2007 have already been sanctioned. However, the PSA effect is expected to reduce produced volumes if today's price level (USD 60 per barrel) is sustained, as described under -Corporate Targets above. If today's price level is maintained throughout 2006, Statoil's production in 2006 is expected to be about 1,200,000 boe per day. Based on the oil price assumption we made in 2004 (USD 30 per barrel, output was expected to be about 25,000 boe higher per day in 2006.

Capital Expenditures. Set forth below are our capital expenditures in our four principal business segments for 2003-2005, including the allocation per segment as a percentage of gross investments.

Capital expenditures per segment in the years ended December 31, 2003-2005 are shown in the table below.

Total capital expenditures are expected to amount to approximately NOK 110-115 billion over the three year period from 2005-2007, excluding NOK 13.2 billion related to the purchase of the deepwater assets in Gulf of Mexico in April 2005

The group had a step-up in **exploration activities** in 2005, and exploration expenditure in 2005 amounted to NOK 4.3 billion. A further step-up to a level of approximately NOK 6.5 billion is expected in 2006 and 2007. The group expects to participate in the drilling of 30-40 wells in 2006. However, no

guarantees can be given with regards to the number of wells drilled, the cost per well and the results of drilling. Uncertainty related to the results of past and future drilling will influence the amount of exploration expenditure capitalized and expensed. See -Critical Accounting Principles and Estimates–Exploration and leasehold acquisition costs above.

Statoil uses the "Successful efforts" method of accounting for oil and natural gas producing activities. Expenditures to drill and equip exploratory wells are capitalized until it is clarified whether there are proved reserves. Expenditures to drill exploratory wells that do not find proved reserves, and geological and geophysical and other exploration expenditure are expensed. Unproved oil and gas properties are assessed quarterly; unsuccessful wells are expensed. Exploratory wells that have found reserves, but classification of those reserves as proved depends on whether a major capital expenditure can be justified, may remain capitalized for more than one year. The main conditions are that either firm plans exist for future drilling in the license or a development decision is planned in the near future.

(in million NOK)	2005	% of total	2004	% of total	2003	% of total
E&P Norway	16,257	35	16,776	39	13,136	55
International E&P	25,295	55	18,987	44	8,019	33
Natural Gas	2,542	6	2,368	6	860	4
Manufacturing and Marketing	1,630	4	4,162	10	1,546	6
Other	470	1	551	1	530	2
Total	46,194	100	42,844	100	24,091	100

Production cost per barrel is expected to increase on the NCS as a result of tail-end production at mature fields, if no measures are taken to reduce costs. The corporate initiatives introduced in 2004 are, among other things, expected to reduce cost levels. New international fields are expected in aggregate to reduce the group's production cost per barrel.

This section describes our estimated capital expenditure for 2006 in respect of potential capital expenditure requirements for the principal investment opportunities available to us and other capital projects currently under consideration. The figure is based on an organic development of Statoil and excludes possible expenditures related to acquisitions. Therefore, the expenditure estimates and descriptions with respect to investments in the segment descriptions below could differ materially from the actual expenditures.

E&P Norway. A substantial portion of our 2006 capital expenditure is allocated to the ongoing development projects in Snøhvit and Ormen Lange, Gullfaks IOR and the satellites Skinfaks and Rimfaks which will be tied back to Gullfaks C, and Tyrihans, which will be tied to Kristin, as well as the late-life projects at Statfjord and Gullfaks.

International E&P. We currently estimate that a substantial portion of our 2006 capital expenditure will be allocated to the following ongoing and planned development projects: Agbami, Tahiti, Shah Deniz, In Amenas and ACG.

Natural Gas. The pipelines Langeled and Tampen link and the South Caucasus pipeline related to the Shah Deniz field pipelines are the projects requiring a high share of investment in the segment in 2006. We will continue focusing on increasing the capacity and flexibility of our gas transportation and processing infrastructure. This will be done through the expansion of the Kårstø processing plant, the Aldbrough gas storage project on the east coast of England and other investments.

Manufacturing and Marketing. We are focusing our capital expenditure on our retail network and upgrading of our refineries to increase flexibility and increase the value of the refined products.

Finally, it should be noted that we may alter the amount, timing or segmental or project allocation of our capital expenditures in anticipation or as a result of a number of factors outside our control including, but not limited to:

- exploration and appraisal results, such as favorable or disappointing seismic data or appraisal wells;
- cost escalation, such as higher exploration, production, plant, pipeline or vessel construction costs;
- government approvals of projects;
- government awards of new production licenses;
- partner approvals;
- development and availability of satisfactory transport infrastructure;
- development of markets for our petroleum and other products including price trends;

- political, regulatory or tax regime risk;
- accidents such as rig blowups or fires, and natural hazards;
- adverse weather conditions;
- environmental problems such as development restrictions, costs of regulatory compliance or the effects of petroleum discharges or spills; and
- acts of war, terrorism and sabotage.

Use and Reconciliation of Non-GAAP Financial Measures

Statoil is subject to SEC regulations regarding the use of "Non-GAAP financial measures" in public disclosures. Non-GAAP financial measures are defined as numerical measures that either exclude or include amounts that are not excluded or included in the comparable measures calculated and presented in accordance with GAAP.

The following financial measures may be considered Non-GAAP financial measures:

- Return on Average Capital Employed (ROACE).
- Normalized Return on Average Capital Employed (normalized ROACE).
- Normalized production cost per barrel.
- Net debt to capital employed ratio.

ROACE

Statoil uses **ROACE** to measure the return on capital employed regardless of whether the financing is through equity or debt. This measure is viewed by the company as providing useful information, both for the company and investors, regarding performance for the period under evaluation. Statoil makes regular use of this measure to evaluate its operations. Statoil's use of ROACE should not be viewed as an alternative to income before financial items, other items, income taxes and minority interest, or to net income, which are the measures calculated in accordance with generally accepted accounting principles or ratios based on these figures.

Statoil uses **normalized ROACE** to measure the return on the capital employed, while excluding the effects of market developments over which Statoil has no control. Effects of changes in oil price, natural gas price, refining margin, Borealis margin and the NOK/USD exchange rate are therefore excluded from the normalized figure.

This measure is viewed by the company as providing a better understanding of Statoil's underlying performance over time and across periods, by excluding from the performance measure factors that Statoil cannot influence. Statoil management makes regular use of this measure to evaluate its operations.

Beginning in 2005, the figures used for calculating the normalized ROACE are (each adjusted for an assumed annual inflation of 2.5 per cent from the basis year 2004):

- oil price of USD 22 per barrel
- natural gas price of NOK 0.90 per scm
- FCC refining margin of USD 5.0 per barrel
- petrochemical margin of EUR 140 per tonne
- NOK/USD exchange rate of 6.75

By keeping certain prices which are key value drivers, as well as the important NOK/USD exchange rate constant, Statoil is able to utilize this measure to focus on operating cost and efficiency improvements, and is able to measure performance on a comparable basis across periods. Such a focus would be more challenging to maintain in periods in which prices are high and exchange rates are favorable. Normalized results, however, should not be seen as an alternative to measures calculated in accordance with GAAP when measuring financial performance. The company reviews both realized and normalized results, when measuring performance. However, the company finds the normalized results to be especially useful when realized prices, margins and exchange rates are above the normalized set of assumptions.

Statoil also defines certain items to be of such a nature that they will not provide a good indication of the company's underlying performance when included in the key indicators. These items are therefore excluded from calculations of adjusted and normalized ROACE.

Normalized ROACE is based on organic development and the figures for 2005 exclude the gain from the sale of the group's shares in Borealis of NOK 1.5 billion and the write-down on South Pars of NOK 1.6 billion after tax. The capital employed is normalized for the effect of the acquisition of the assets in the Gulf of Mexico from EnCana in the second quarter of 2005, including the follow-up investments in the Tahiti development project.

The following table shows our ROACE calculation based on reported figures and normalized figures:

Calculation of nominator and denominator used in ROACE calculations (in NOK million)	2005	2004	2003
Net income for the last 12 months	30,730	24,916	16,554
Minority interest for the last 12 months	765	505	289
After tax net financial items for the last 12 months	937	(1,947)	(496)
Net income adjusted for minority interest and after tax net financial items (A1)	32,432	23,474	16,347
Numerator adjustments for gain on sale of Borealis	(1,518)	n/a	n/a
Numerator adjustments for South Pars write-down	1,593	n/a	n/a
Effect of normalized prices and margins	(20,220)	n/a	n/a
Effect of normalized NOK/USD exchange rate	679	n/a	n/a
Normalized net income (A2)	12,966	n/a	n/a
Computed average capital employed			
Average capital employed (B1) [1]	117,327	99,246	88,016
Adjusted average capital employed (B2) [1]	117,300	99,768	87,361
Denominator adjustments 2005 on average capital employed for GoM transaction[2]	(6,838)	n/a	n/a
Average capital employed adjusted for the GoM transaction (B3)	110,462	n/a	n/a

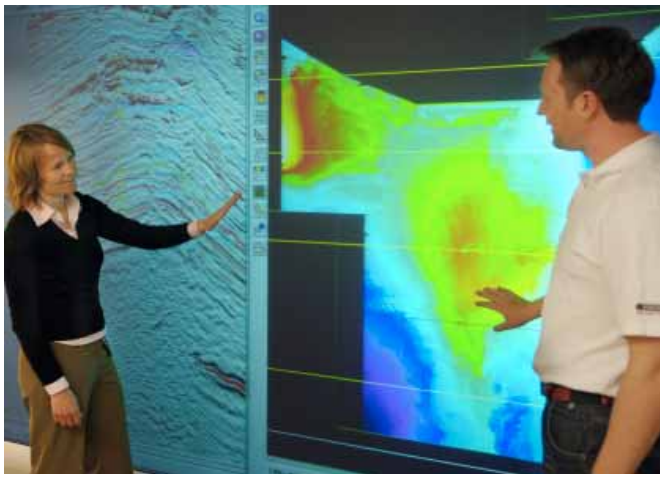
ROACE calculation	2005	2004	2003
Calculated ROACE using average capital employed (A1/B1)	27.6%	23.6%	18.6%
Calculated ROACE using adjusted average capital employed (A1/B2)	27.6%	23.5%	18.7%
Normalized ROACE (A2/B3)	11.7%	n/a	n/a

(1) See Use and Reconciliation of Non-GAAP Financial Measures–Net debt to capital employed below for a reconciliation of average capital employed and adjusted average capital employed. Average capital employed used when calculating ROACE is the average of the opening and closing balance of a year.

(2) The capital employed related to this acquisition was included in the closing balance of the period, but not in the opening balance, which entails an effect on average capital employed of 50 per cent of this amount.

Normalized production cost per barrel in NOK is used to evaluate the underlying development in the production cost. Statoil's production costs internationally are mainly incurred in USD. In order to exclude currency effects and to reflect the change in the underlying production cost, the NOK/USD exchange rate is held constant.

Normalized production costs per boe is reconciled in the table below to the most comparable GAAP measure, production cost per boe.



Production costs per boe	2005	2004	2003
Total production costs last 12 months (in NOK million)	9,429	9,336	8,747
Lifted volumes last 12 months (million boe)	426	400	391
Average NOK/USD exchange rate	6.44	6.74	7.07
Production cost per boe (USD/boe)	3.44	3.46	3.17
Calculated production cost (NOK/boe)	22.2	23.3	22.4

Normalization of production cost per boe	2005
Total production costs last 12 months (in NOK million)	9,429
Production costs last 12 months International E&P (in USD million)	259
Normalized exchange rate (NOK/USD)	6.75
Production costs last 12 months International E&P (in NOK million), normalized at 6.75	1,747
Total production costs last 12 months in NOK (normalized)	9,501
Lifted volumes last 12 months (million boe)	426
Production cost (NOK/boe) normalized at NOK/USD 6.75	22.3

Net debt to capital employed ratio

The calculated net debt to capital employed ratio is viewed by the company as providing a more complete picture of the group's current debt situation than gross interest-bearing debt. The calculation uses balance sheet items related to total debt and adjusts for cash, cash equivalents and short-term investments. Two additional adjustments are made for two different reasons:

- Since different legal entities in the group lend to and borrow from banks, project financing through an external bank or similar will not be netted in the balance sheet, and will over-report the debt stated in the balance sheet compared to the underlying exposure in the group.
- Some interest–bearing elements are classified together with non-interest-bearing elements, and are therefore included when calculating the net interest-bearing debt.

The net interest-bearing debt adjusted for these two items is included in the average capital employed, which is also used in the calculation of ROACE and normalized ROACE.

The table below reconciles net interest-bearing debt, capital employed and net debt to capital employed ratio to the most directly comparable financial measure or measures calculated in accordance with GAAP.

Calculation of capital employed (in NOK million)	2005	2004	2003
Total shareholders' equity	106,644	85,030	70,174
Minority interest	1,492	1,616	1,483
Total equity and minority interest (A)	108,136	86,646	71,657
Short-term debt	1,529	4,730	4,287
Long-term debt	32,669	31,459	32,991
Gross interest-bearing debt	34,198	36,189	37,278
Cash and cash equivalents	(7,025)	(5,028)	(7,316)
Short-term investments	(6,841)	(11,621)	(9,314)
Cash, cash equivalents and short-term investments	(13,866)	(16,649)	(16,630)
Net interest-bearing debt (B1)	20,332	19,540	20,648
Capital employed (A+B1)	128,468	106,186	92,305
Average capital employed	117,327	99,246	88,016
Net debt to capital employed (B1/(A+B1))	15.8%	18.4%	22.4%
Calculation of adjusted net interest-bearing debt			
Adjustment of net interest-bearing debt for project loan [1]	(2,623)	(2,209)	(1,500)
Adjustment of net interest-bearing debt for other items [2]	1,783	2,995	1,758
Net interest-bearing debt after adjustments (B2)	19,492	20,326	20,906
Calculation of adjusted capital employed			
Adjusted capital employed (A+B2)	127,628	106,972	92,563
Average adjusted capital employed	117,300	99,768	87,361
Net debt to capital employed (B2/(A+B2))	15.3%	19.0%	22.6%

(1) Adjustment for inter-company project financing through an external bank.

(2) Adjustment made for deposits received for financial derivatives. Although these deposits are classified as liquid assets, they are interest-bearing and are therefore not excluded from gross interest-bearing debt when calculating our net interest-bearing debt.

Forward-looking statements

All statements other than statements of historical facts, including, among others, statements regarding our future financial position, business strategy, reserve information, projected levels of capacity and production, projected operating costs, estimates of capital expenditure, expected exploration and development activities and plans and objectives of management for future operations, are forward-looking statements. These forward-looking statements reflect current views with respect to future events and are, by their nature, subject to significant risks and uncertainties because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including levels of industry product supply, demand and pricing; currency exchange rates; political and economic policies of Norway and other oil-producing countries; general economic conditions; political stability and economic growth in relevant areas of the world; global political events and actions, including war, terrorism and sanctions; the timing of bringing new fields on stream; material differences from reserves estimates; inability to find and develop reserves; adverse changes in tax regimes; development and use of new technology; geological or technical difficulties; the actions of competitors; the actions of field partners; natural disasters and other changes to business conditions. Additional information, including information on factors which may affect our business, is contained in our Registration Statement on Form F-1 filed with the US Securities and Exchange Commission and will be contained in our Annual Report on Form 20F expected to be filed with the US Securities and Exchange Commission in March 2006.

Statoil group – USGAAP

CONSOLIDATED STATEMENTS OF INCOME – USGAAP

(in NOK million)	For the year ended December 31, 2005	2004	2003
REVENUES			
Sales	**390,540**	303,756	248,527
Equity in net income of affiliates	**1,090**	1,209	616
Other income	**1,668**	1,253	232
Total revenues	**393,298**	306,218	249,375
EXPENSES			
Cost of goods sold	**(235,722)**	(188,179)	(149,645)
Operating expenses	**(30,327)**	(27,350)	(26,651)
Selling, general and administrative expenses	**(7,803)**	(6,298)	(5,517)
Depreciation, depletion and amortization	**(21,097)**	(17,456)	(16,276)
Exploration expenses	**(3,253)**	(1,828)	(2,370)
Total expenses before financial items	**(298,202)**	(241,111)	(200,459)
Income before financial items, other items, income taxes and minority interest	**95,096**	65,107	48,916
Net financial items	**(3,562)**	5,739	1,399
Other items	**0**	0	(6,025)
Income before income taxes and minority interest	**91,534**	70,846	44,290
Income taxes	**(60,039)**	(45,425)	(27,447)
Minority interest	**(765)**	(505)	(289)
Net income	**30,730**	24,916	16,554
Ordinary and diluted earnings per share	14.19	11.50	7.64
Weighted average number of ordinary shares outstanding	2,165,740,054	2,166,142,636	2,166,143,693

Revenues are net of excise tax of NOK 23,336, NOK 22,910 and NOK 20,753 million in 2005, 2004 and 2003, respectively.

See notes to the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS – USGAAP

(in NOK million)	At December 31, 2005	2004
ASSETS		
Cash and cash equivalents	**7,025**	5,028
Short-term investments	**6,841**	11,621
Cash, cash equivalents and short-term investments	**13,866**	16,649
Accounts receivable	**43,361**	31,736
Inventories	**8,635**	6,971
Prepaid expenses and other current assets	**10,989**	9,713
Total current assets	**76,851**	65,069
Investments in affiliates	**4,451**	10,339
Long-term receivables	**9,691**	8,176
Net property, plant and equipment	**181,481**	152,916
Other assets	**16,505**	11,743
TOTAL ASSETS	**288,979**	248,243
LIABILITIES AND SHAREHOLDERS' EQUITY		
Short-term debt	**1,529**	4,730
Accounts payable	**23,262**	19,282
Accounts payable - related parties	**9,766**	5,621
Accrued liabilities	**13,145**	12,385
Income taxes payable	**29,750**	19,117
Total current liabilities	**77,452**	61,135
Long-term debt	**32,669**	31,459
Deferred income taxes	**43,347**	44,270
Other liabilities	**27,375**	24,733
Total liabilities	**180,843**	161,597
Minority interest	**1,492**	1,616
Common stock (NOK 2.50 nominal value), 2,189,585,600 shares authorized and issued	**5,474**	5,474
Treasury shares, 24,208,212 and 23,452,876 shares	**(156)**	(60)
Additional paid-in capital	**37,304**	37,273
Retained earnings	**65,402**	46,153
Accumulated other comprehensive income (loss)	**(1,380)**	(3,810)
Total shareholders' equity	**106,644**	85,030
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**288,979**	248,243

See notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY – USGAAP

(in NOK million, except share data)	Number of shares issued	Share capital	Treasury shares	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Total
At January 1, 2003	2,189,585,600	5,474	(59)	37,728	17,355	(3,481)	57,017
Net income					16,554		16,554
Translation adjustment and other comprehensive income						2,885	2,885
Total comprehensive income							19,439
Ordinary dividend					(6,282)		(6,282)
At December 31, 2003	2,189,585,600	5,474	(59)	37,728	27,627	(596)	70,174
Net income					24,916		24,916
Translation adjustment and other comprehensive income						(3,214)	(3,214)
Total comprehensive income							21,702
Settlement with the Norwegian State (see note 1)				(458)			(458)
Value of stock compensation plan				3			3
Treasury shares purchased			(1)				(1)
Ordinary dividend					(6,390)		(6,390)
At December 31, 2004	2,189,585,600	5,474	(60)	37,273	46,153	(3,810)	85,030
Net income					30,730		30,730
Translation adjustment and other comprehensive income						2,430	2,430
Total comprehensive income							33,160
Value of stock compensation plan				31			31
Treasury shares purchased			(96)				(96)
Ordinary dividend					(11,481)		(11,481)
At December 31, 2005	2,189,585,600	5,474	(156)	37,304	65,402	(1,380)	106,644

Other comprehensive income amounts are net of income tax benefit of NOK 161, NOK 38 and NOK 81 million at December 31, 2005, 2004 and 2003, respectively.

Dividends paid per share were NOK 5.30, NOK 2.95 and NOK 2.90 in 2005, 2004 and 2003, respectively.

See notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS - USGAAP

(in NOK million)	For the year ended December 31, 2005	2004	2003
OPERATING ACTIVITIES			
Consolidated net income	**30,730**	24,916	16,554
Adjustments to reconcile net income to net cash flows provided by operating activities:			
Minority interest in income	**765**	505	289
Depreciation, depletion and amortization	**21,097**	17,456	16,276
Exploration expenditures written off	**158**	110	256
(Gains) losses on foreign currency transactions	**1,330**	(1,919)	781
Deferred taxes	**(5,078)**	5,006	(6,177)
(Gains) losses on sales of assets and other items	**(1,605)**	(1,531)	5,719
Changes in working capital (other than cash and cash equivalents):			
• (Increase) decrease in inventories	**(1,664)**	(1,645)	349
• (Increase) decrease in accounts receivable	**(11,625)**	(1,149)	2,054
• (Increase) decrease in prepaid expenses and other current assets	**(1,842)**	(4,590)	(1,511)
• (Increase) decrease in short-term investments	**4,780**	(2,307)	(4,047)
• Increase (decrease) in accounts payable	**7,923**	(147)	(949)
• Increase (decrease) in other payables	**282**	1,449	2,436
• Increase (decrease) in taxes payable	**10,522**	1,387	(682)
(Increase) decrease in non-current items related to operating activities	**477**	1,266	(551)
Cash flows provided by operating activities	**56,250**	38,807	30,797
INVESTING ACTIVITIES			
Acquisitions, net of cash acquired	**(13,154)**	0	0
Additions to property, plant and equipment	**(31,389)**	(31,800)	(22,075)
Exploration expenditures capitalized	**(1,242)**	(748)	(331)
Change in long-term loans granted and other long-term items	**(734)**	(2,650)	(7,682)
Proceeds from sale of business	**7,802**	0	0
Proceeds from sale of assets	**1,053**	3,239	6,890
Cash flows used in investing activities	**(37,664)**	(31,959)	(23,198)

CONSOLIDATED STATEMENTS OF CASH FLOWS - USGAAP

(in NOK million)	For the year ended December 31, 2005	2004	2003
FINANCING ACTIVITIES			
New long-term borrowings	**422**	4,599	3,206
Repayment of long-term borrowings	**(3,187)**	(6,574)	(2,774)
Distribution to minority shareholders	**(910)**	(559)	(356)
Dividends paid	**(11,481)**	(6,390)	(6,282)
Net short-term borrowings, bank overdrafts and other	**(1,358)**	(131)	(1,656)
Cash flows used in financing activities	**(16,514)**	(9,055)	(7,862)
Net increase (decrease) in cash and cash equivalents	**2,072**	(2,207)	(263)
Effect of exchange rate changes on cash and cash equivalents	**(75)**	(81)	877
Cash and cash equivalents at the beginning of the year	**5,028**	7,316	6,702
Cash and cash equivalents at the end of the year	**7,025**	5,028	7,316
Interest paid	2,004	1,179	1,336
Taxes paid	54,625	38,844	34,230

Changes in working capital items resulting from the disposal of the subsidiary Navion in 2003 are excluded from Cash flows provided by operating activities and classified as Proceeds from sale of assets. Changes in balance sheet items resulting from the acquisition of the Statoil Detaljhandel Skandinavia in 2004 are excluded from Cash flows provided by operating activities and Cash flows used in financing activities, and classified as Additions to property, plant and equipment.

See notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – USGAAP

1. ORGANIZATION AND BASIS OF PRESENTATION

Statoil ASA was founded in 1972, as a 100 per cent Norwegian State-owned company. Statoil's business consists principally of the exploration, production, transportation, refining and marketing of petroleum and petroleum-derived products. In 1985, the Norwegian State transferred certain properties from Statoil to the State's direct financial interest (SDFI), which were also 100 per cent owned by the Norwegian State.

In conjunction with a partial privatization of Statoil in June 2001, the Norwegian State restructured its holdings in oil and gas properties on the Norwegian Continental Shelf. In this restructuring, the Norwegian State transferred to Statoil certain SDFI properties with a book value of approximately NOK 30 billion, in consideration for which NOK 38.6 billion in cash plus interest and currency fluctuation from the valuation date of NOK 2.2 billion (NOK 0.7 billion after tax), and certain pipelines and other assets with a net book value of NOK 1.5 billion were transferred to the Norwegian State. The transaction was completed June 1, 2001 with a valuation date of January 1, 2001 with the exception of the sale of an interest in the Mongstad terminal which had a valuation date of June 1, 2001.

The total amount paid to the Norwegian State was financed through a public offering of shares of NOK 12.9 billion, issuance of new debt of NOK 9 billion and the remainder from existing cash and short-term borrowings.

The transfer of properties from SDFI has been accounted for as transactions among entities under common control and the results of operations and financial position have been accounted for at historical cost. The final cash settlement is under review by the Norwegian State, and Statoil recorded in 2004 the estimated outcome against shareholders' equity. No further material impact is expected.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of Statoil ASA and its subsidiaries (the Company or the group) are prepared in accordance with United States generally accepted accounting principles (USGAAP).

Consolidation

The consolidated financial statements include the accounts of Statoil ASA and subsidiary companies owned directly or indirectly more than 50 per cent. Inter-company transactions and balances have been eliminated. Investments in companies in which Statoil does not have control, but has the ability to exercise significant influence over operating and financial policies (generally 20 to 50 per cent ownership), are accounted for by the equity method. Undivided interests in unincorporated joint ventures in the oil and gas business, including pipeline transportation, are consolidated on a pro rata basis.

Foreign currency translation

Each foreign entity's financial statements are prepared in the currency in which that entity primarily conducts its business (the functional currency). For Statoil's foreign subsidiaries the local currency is normally identical with the functional currency, with the exception of some upstream and trading subsidiaries, which have US dollar as functional currency, mainly because most of the revenues and costs are in US dollar.

When translating foreign functional currency financial statements to Norwegian kroner, year-end exchange rates are applied to asset and liability accounts, and average rates are applied to income statement accounts. Adjustments resulting from this process are included in the Accumulated other comprehensive income account in shareholders' equity, and do not affect net income.

Transactions denominated in currencies other than the entity's functional currency are re-measured into the functional currency using current exchange rates. Gains or losses from this re-measurement are included in income.

Revenue recognition

Revenues associated with sale and transportation of crude oil, natural gas, petroleum and chemical products and other merchandises are recorded when title passes to the customer at the point of delivery of the goods based on the contractual terms of the agreements. Revenue is recorded net of customs, excise taxes and royalties paid in kind on petroleum products.

Sales and purchases of physical commodities which are not settled net are presented on a gross basis as Sales and Cost of goods sold in the Income statement. Activities related to the trading of commodity based derivative instruments are reported on a net basis, with the margin included in Sales. Arrangements involving a series of buys and sells entered into in order to obtain a given quantity and quality of a commodity at a given location are recognized net and included in Sales.

Revenues from the production of oil and gas properties in which we have an interest with other companies are recorded on the basis of volumes lifted and sold to customers during the period in accordance with the sales method.

Transactions with the Norwegian State

Statoil markets and sells the Norwegian State's share of oil and gas production from the Norwegian continental shelf (NCS). All purchases and sales of SDFI oil production are recorded as Cost of goods sold and Sales. All oil received by the Norwegian State as royalty in kind from fields on the NCS is purchased by Statoil. Statoil includes the costs of purchase and proceeds from the sale of this royalty oil in its Cost of goods sold and Sales respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – USGAAP

Statoil is selling, in its own name, but for the Norwegian State's account and risk, the state's production of natural gas. This sale and related expenses refunded by the State, are recorded net in Statoil's financial statements. Refunds include expenses related to activities incurred to secure market access, and investments made to maximize profitability from the sale of natural gas.

Inter-company balances and transactions in connection with activities in licenses are not included in related parties' transactions.

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

Short-term investments
Short-term investments include bank deposits and all other monetary instruments and marketable equity and debt securities with a maturity of between three and twelve months at the date of purchase. The portfolios of securities are considered trading securities and are valued at fair value (market). The resulting unrealized holding gains and losses are included in Net financial items.

Inventories
Inventories are valued at the lower of cost or market. Costs of crude oil held at refineries and the majority of refined products are determined under the last-in, first-out (LIFO) method. Certain inventories of crude oil, refined products and non-petroleum products are determined under the first-in, first-out (FIFO) method. Cost includes raw material, freight, and direct production costs together with a share of indirect costs.

Use of estimates
Preparation of the financial statements requires the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as disclosures of contingencies. Actual results may ultimately differ from the estimates and assumptions used.

The nature of Statoil's operations, and the many countries in which Statoil operates, are subject to changing economic, regulatory and political conditions. Statoil does not believe it is vulnerable to the risk of a near-term severe impact as a result of any concentration of its activities.

Property, plant and equipment
Property, plant and equipment are carried at historical cost less accumulated depreciation, depletion and amortization. Expenditures for significant renewals and improvements are capitalized. Ordinary maintenance and repairs are charged to income when performed. Provisions are made for costs related to significant periodic maintenance programs.

Depreciation of production installations and field-dedicated transport systems for oil and gas is calculated using the unit of production method based on proved reserves expected to be recovered during the concession or contract period. Ordinary depreciation of other assets and of transport systems used by several fields is calculated on the basis of their economic life expectancy, using the straight-line method. The economic life of nonfield-dedicated transport systems is normally the production period of the related fields, limited by the concession or contract period. Straight-line depreciation of other assets is based on the following estimated useful lives:

Machinery and equipment	3 — 10 years
Production plants onshore	15 — 20 years
Buildings	20 — 33 years
Vessels	20 — 25 years
Intangibles	10 — 20 years

Oil and gas accounting
Statoil uses the "Successful efforts"- method of accounting for oil and gas producing activities. Expenditures to acquire mineral interests in oil and gas properties and to drill and equip exploratory wells are capitalized until it is clarified if there are proved reserves. Expenditures to drill exploratory wells that do not find proved reserves, and geological and geophysical and other exploration expenditures are expensed.

Unproved oil and gas properties are assessed quarterly; unsuccessful wells are expensed. Exploratory wells that have found reserves, but classification of those reserves as proved depends on whether a major capital expenditure can be justified, may remain capitalized for more than one year. The main conditions are that either firm plans exist for future drilling in the license or a development decision is planned in the near future.

Expenditures to drill and equip exploratory wells that find proved reserves are capitalized. Capitalized expenditures of producing oil and gas properties are depreciated and depleted by the unit of production method. Pre-production expenditures are expensed as incurred.

Impairment of long-lived assets
Tangible assets, identifiable intangible assets and goodwill, are tested for impairment when events or a change in circumstances during the year indicate that their carrying amount may not be recoverable. Goodwill is tested for impairment every year.

Impairment of long lived assets is determined for each autonomous group of assets (oil and gas fields or licenses, or independent operating units) by comparing their carrying value with the undiscounted cash flows they are expected to generate based upon management's expectations of future economic and operating conditions . Should this comparison indicate that an asset is impaired, the asset is written down to fair value, generally determined based on expected discounted cash flows.

Goodwill is tested for impairment at the reporting unit level by comparing the reporting unit's carrying value (including goodwill) with its estimated fair value, generally determined based on expected discounted cash flows.

Assets held for sale
Assets held for sale are classified as short-term if the appropriate accounting criteria are met. The main criteria are that management with the authority to do so commits to a plan to sell the assets and expects to record the transfer of the assets as a completed sale within one year. Assets held for sale are measured at the lower of its carrying amount or fair value less costs to sell.

Asset retirement obligation
Financial Accounting Standard (FAS) 143, Accounting for Asset Retirement Obligations was effective from January 1, 2003. The Statement requires legal obligations associated with the retirement of long-lived assets to be recognized at their fair value at the time that the obligations are incurred. Fair value is estimated based on existing technology and regulation. Upon initial recognition of a liability, the costs are capitalized as part of the related long-lived asset and allocated to expense over the useful life of the asset. Changes in asset retirement obligation estimates are capitalized as part of the long-lived asset and charged to income prospectively over the remaining useful life of the asset. The discount rate used when estimating the fair value of the asset retirement obligation is a credit-adjusted risk-free interest rate with the same expected maturity as the removal obligation.

We consider that refining and processing plants that are not limited by an expected license period have indefinite lives and that there is no measurable asset retirement obligation.

Leased assets
Capital leases, which provide Statoil with substantially all the rights and obligations of ownership, are classified as assets under Property, plant and equipment and as liabilities under Long-term debt valued at the present value of minimum lease payments. The assets are subsequently depreciated over their expected economic life, and the liability is reduced for lease payments less the effective interest expense.

Employee retirement plans
Defined benefit plans where the employees have the right of a defined amount of pension, are allocated to net income over the service period. Accumulated gains and losses in excess of 10 per cent of the greater of the benefit obligation or the fair value of assets are amortized over the remaining service period of active plan participants. Prior service costs, due to plan amendments on defined benefit plans, are amortized on a straight-line basis over the average remaining service period of active participants.

Contribution plans, plans where the company's obligation is to contribute a defined amount to the employee, are allocated to net income in the period the contribution covers. Multi-employer plans are recognized similar to contribution plans.

Stock based compensation
Statoil adopted in 2004 FAS 123 (R) and related interpretations in accounting for the compensation plan as it relates to bonus shares. In accordance with this standard compensation expense is measured at fair value. Compensation expense is measured at the grant date based on the estimated value of the awarded shares and recognized over the service period. The awarded shares are accounted for as compensation expense in the Income Statement and recorded as an equity transaction (included in Additional paid-in capital).

Research and development
Research and development expenditures are expensed as incurred.

Income taxes
Deferred income tax expense is calculated using the liability method. Under this method, deferred tax assets and liabilities are determined by applying the enacted statutory tax rates applicable to future years to the temporary differences between the carrying values of assets and liabilities for financial reporting and their tax basis. Effects of changes in tax laws and tax rates are recognized at the date the tax law changes.

Deferred tax benefit is reduced by a valuation allowance if it is unlikely that the benefit can be used. Uplift benefit is reflected in the accounts when the deduction impacts taxes payable.

Derivative financial instruments and hedging activities
Statoil operates in the worldwide crude oil, refined products, and natural gas markets and is exposed to fluctuations in hydrocarbon prices, foreign currency rates and interest rates that can affect the revenues and cost of operating, investing and financing. Statoil's management has used and intends to use financial and commodity-based derivative contracts to reduce the risks in overall earnings and cash flows. Statoil applies hedge accounting in certain circumstances as

allowed by FAS 133, and enters into derivatives which economically hedge certain of its risks even though hedge accounting is not allowed by the Statement or is not applied by Statoil.

For derivatives where hedge accounting is used, Statoil formally designates the derivative as either a fair value hedge of a recognized asset or liability or unrecognized firm commitment, or a cash flow hedge of an anticipated transaction. Statoil documents the designated hedging relationship upon entering into the derivative, including identification of the hedging instrument and the hedged item or transaction, strategy and risk management objective for undertaking the hedge, and the nature of the risk being hedged. Furthermore, each derivative is assessed for hedge effectiveness both at the inception of the hedging relationship and on a quarterly basis, for as long as the derivative is outstanding. Hedge accounting is only applied when the derivative is deemed to be highly effective at offsetting changes in fair values or anticipated cash flows of the hedged item or transaction. For hedged forecasted transactions, hedge accounting is discontinued if the forecasted transaction is no longer probable of occurring. Any previously deferred hedging gains or losses would be recorded to earnings when the transaction is considered to be probable of not occurring. Earnings impacts for all designated hedges are recorded in the Consolidated Statement of Income generally on the same line item as the gain or loss on the item being hedged.

Statoil records all derivatives that do not qualify for the normal purchase and normal sales exemption at fair value as assets or liabilities in the Consolidated Balance Sheets. For fair value hedges, the effective and ineffective portions of the change in fair value of the derivative, along with the gain or loss on the hedged item attributable to the risk being hedged, are recorded in earnings as incurred. For cash flow hedges, the effective portion of the change in fair value of the derivative is deferred in accumulated Other comprehensive income in the Consolidated Balance Sheets until the transaction is reflected in the Consolidated Statements of Income, at which time any deferred hedging gains or losses are recorded in earnings. The ineffective portion of the change in the fair value of a derivative used as a cash flow hedge is recorded in earnings in Sales or Cost of goods sold as incurred.

Reclassifications
Certain reclassifications have been made to prior years' figures to be consistent with current year's presentation.

New Accounting Standards and changes in regulations
The Norwegian Parliament decided in June 2003 to replace governmental refunds for removal costs on the Norwegian continental shelf with ordinary tax deductions for such costs. Previously, removal costs were refunded by the Norwegian State based on the company's percentage of income taxes payable over the productive life of the removed installation. As a consequence of the changes in legislation, Statoil has charged the receivable of NOK 6.0 billion against the Norwegian State related to refund of removal costs to income under Other items in the second quarter of 2003. Furthermore, the resulting deferred tax benefit of NOK 6.7 billion has been taken to income under Income taxes.

Statoil adopted Financial Accounting Standard (FAS) 123 (R) Share-Based Payment in 2004, as an employee share saving plan was introduced. Employees have the opportunity to buy shares in Statoil every year up to a ceiling of five per cent of their gross salary. For shares held for at least two calendar years, employees will receive one bonus share for every two purchased. The bonus element is valued at the grant day and charged to income over the vesting period. The effect on the Consolidated Statements of Income and financial position is immaterial.

As of January 1, 2005, Statoil adopted Financial Accounting Standard Board (FASB) Staff Position FSP FAS 19-1, Accounting for Suspended Well Costs. Upon adoption of the FSP, the Company evaluated all existing capitalized exploratory well expenditures under the provisions of the FSP. The adoption did not have any effects on Statoil's Consolidated Statements of Income and financial position.

As of July 1, 2005 Statoil adopted FAS 153 Exchanges of Nonmonetary Assets. Before adoption of FAS 153 Statoil recognized some exchanges at book value. After the adoption of FAS 153 only exchanges which lack commercial substance will be recognized at book value. The pronouncement is only required to be recognized prospectively and therefore no cumulative effect is recognized.

In March 2005, the FASB issued Interpretation No. 47, Accounting for Conditional Asset Retirement Obligations (FIN 47), which is effective for fiscal years ending after December 15, 2005. FIN 47 clarifies the requirement to record liabilities stemming from a legal obligation to retire assets, when a retirement depends on a future event. Statoil adopted FIN 47 in the fourth quarter of 2005. Application of the new interpretation resulted in an increase in net property, plant and equipment of NOK 35 million, an increase in accrued asset retirement obligation of NOK 95 million and a reduction in deferred tax of NOK 17 million. The increase represents the removal costs of retail stations. We consider that refining and processing plants that are not limited by an expected license period have indefinite lives and that there is no measurable asset retirement obligation. The implementation effect of NOK 43 million after tax is recorded as Operating expenses in the segment Other and eliminations. If the standard had been applied as of January 1, 2003 the impact to the results and equity for the years 2003, 2004 and 2005 would have been immaterial.

Beginning January 1, 2006 Statoil will adopt FAS 154 Accounting Changes and Error Corrections as a replacement of APB Opinion No. 20 and FASB Statement No. 3. APB 20 required that most voluntary changes in accounting principle should be recognized in net income of the period of the change. The recognized effect should be the cumulative effect of changing to the new accounting principle. FAS 154, on the other hand, in general requires retrospective application to prior periods' financial statements of changes in accounting principles. This Statement also requires that a change in depreciation, amortization or depletion method for long-lived, nonfinancial assets be accounted for as a change in accounting estimate effected by a change in accounting principle.

3. SEGMENTS

Statoil operates in four segments; Exploration and Production Norway, International Exploration and Production, Natural Gas and Manufacturing and Marketing.

Operating segments are determined based on differences in the nature of their operations, geographic location and internal management reporting. The composition of segments and measure of segment profit are consistent with that used by management in making strategic decisions.

As of January 1, 2004 Natural Gas has taken over certain activities from International Exploration and Production. The activities consist of gas sales activities in some foreign countries, construction of a pipeline for transportation of natural gas from Azerbaijan to Turkey and sale of Statoil's natural gas processed at the Cove Point terminal in the USA. Figures for 2003 have been adjusted to reflect the new structure.

At January 1, 2004 the Kollsnes activity was transferred from Exploration and Production Norway to Natural Gas. At February 1, 2004 the Kollsnes gas processing plant was transferred to Gassled. The transfer did not lead to significant changes in Statoil's existing rights, obligations or book values of the Kollsnes assets. The operatorship was taken over by Gassco. Assets related to Kollsnes were transferred from Exploration and Production Norway to Natural Gas at net book value of NOK 4.2 billion. Prior periods' figures have been adjusted to reflect the new structure.

The segment Other includes increased insurance costs of NOK 0.8 billion in 2005, due to extra insurance premiums and liabilities in the two mutual insurance companies in which Statoil Forsikring participates. The corresponding increase for 2004 is NOK 0.4 billion.

Segment data for the years ended December 31, 2005, 2004 and 2003 is presented below:

(in NOK million)	Exploration and Production Norway	International Exploration and Production	Natural Gas	Manufacturing and Marketing	Other and eliminations	Total
Year ended December 31, 2005						
Revenues third party	2,114	6,366	44,973	338,318	437	392,208
Revenues inter-segment	95,417	13,197	586	236	(109,436)	0
Income (loss) from equity investments	92	0	264	826	(92)	1,090
Total revenues	97,623	19,563	45,823	339,380	(109,091)	393,298
Depreciation, depletion and amortization	11,450	6,273	775	2,207	392	21,097
Income before financial items, other items, income taxes and minority interest	74,132	8,364	5,901	7,646	(947)	95,096
Imputed segment income taxes	(56,030)	(3,027)	(4,013)	(1,288)	0	(64,358)
Segment net income	18,102	5,337	1,888	6,358	(947)	30,738
Year ended December 31, 2004						
Revenues third party	1,570	3,261	32,657	266,182	1,339	305,009
Revenues inter-segment	72,403	6,504	447	58	(79,412)	0
Income (loss) from equity investments	77	0	222	937	(27)	1,209
Total revenues	74,050	9,765	33,326	267,177	(78,100)	306,218
Depreciation, depletion and amortization	12,381	2,215	652	1,719	489	17,456
Income before financial items, other items, income taxes and minority interest	51,029	4,188	6,784	3,921	(815)	65,107
Imputed segment income taxes	(37,904)	(1,429)	(4,381)	(850)	0	(44,564)
Segment net income	13,125	2,759	2,403	3,071	(815)	20,543

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(in NOK million)	Exploration and Production Norway	International Exploration and Production	Natural Gas	Manufacturing and Marketing	Other and eliminations	Total
Year ended December 31, 2003						
Revenues third party	2,250	2,157	24,785	218,169	1,398	248,759
Revenues inter-segment	60,170	4,458	445	120	(65,193)	0
Income (loss) from equity investments	74	0	222	353	(33)	616
Total revenues	62,494	6,615	25,452	218,642	(63,828)	249,375
Depreciation, depletion and amortization	11,969	1,784	619	1,419	485	16,276
Income before financial items, other items, income taxes and minority interest	37,855	1,781	6,005	3,555	(280)	48,916
Imputed segment income taxes	(28,066)	(676)	(4,196)	(755)	(15)	(33,708)
Segment net income	9,789	1,105	1,809	2,800	(295)	15,208

Borrowings are managed at a corporate level and interest expenses are not allocated to segments. Income tax is calculated on Income before financial items, other items, income taxes and minority interest. Additionally, income tax benefit on segments with net losses is not recorded. As such, Imputed segment income taxes and Segment net income can be reconciled to Income taxes and Net income per the Consolidated Statements of Income as follows:

(in NOK million)	For the year ended December 31, 2005	2004	2003
Segment net income	30,738	20,543	15,208
Net financial items	(3,562)	5,739	1,399
Other items (see note 2)	0	0	(6,025)
Change in deferred tax due to new legislation (see note 2)	0	0	6,712
Tax on financial items and other tax adjustments	4,319	(2,261)	(451)
Change in deferred tax on undistributed earnings in foreign companies*	0	1,400	0
Minority interest	(765)	(505)	(289)
Net income	30,730	24,916	16,554
Imputed segment income taxes	64,358	44,564	33,708
Change in deferred tax due to new legislation (see note 2)	0	0	(6,712)
Tax on financial items and other tax adjustments	(4,319)	2,261	451
Change in deferred tax on undistributed earnings in foreign companies*	0	(1,400)	0
Income taxes	60,039	45,425	27,447

* Due to changes in Norwegian tax legislation in 2004 dividends received from corporations are, with a few exceptions, exempted from Norwegian income tax. Consequently, deferred tax liabilities of NOK 1.4 billion related to undistributed retained earnings in subsidiaries and affiliates have been reversed.

The Exploration and Production Norway and International Exploration and Production segments explore for, develop and produce crude oil and natural gas, and extract natural gas liquids, sulfur and carbon dioxide. The Natural Gas segment transports and markets natural gas and natural gas products. Manufacturing and Marketing is responsible for petroleum refining operations and the marketing of crude oil and refined petroleum products except gas.

Inter-segment revenues are sales to other business segments within Statoil and are at estimated market prices. These inter-company transactions are eliminated for consolidation purposes. Imputed segment income taxes are calculated on the basis of Income before financial items, other items, income taxes and minority interest.

Long-term deferred tax assets, included in Other long-term assets, are not allocated to business segments, but are included in the segment Other.

(in NOK million)	Addition to long-lived assets	Investments in affiliates	Other long-term assets
Year ended December 31, 2005			
Exploration and Production Norway	16,257	252	86,134
International Exploration and Production	25,295	0	62,163
Natural Gas	2,542	3,261	15,976
Manufacturing and Marketing	1,630	818	22,345
Other	470	120	20,892
Total	46,194	4,451	207,510
Year ended December 31, 2004			
Exploration and Production Norway	16,776	258	81,371
International Exploration and Production	18,987	0	37,956
Natural Gas	2,368	2,984	14,551
Manufacturing and Marketing	4,162	7,022	23,033
Other	551	75	15,924
Total	42,844	10,339	172,835
Year ended December 31, 2003			
Exploration and Production Norway	13,136	1,324	75,144
International Exploration and Production	8,019	0	31,875
Natural Gas	860	2,006	13,766
Manufacturing and Marketing	1,546	7,655	15,571
Other	530	37	15,053
Total	24,091	11,022	151,409

Revenues by geographic areas

	For the year ended December 31,		
(in NOK million)	2005	2004	2003
Norway	290,708	224,361	186,823
Europe (excluding Norway)	48,189	44,465	27,436
United States	35,106	26,974	26,486
Other areas	18,205	9,209	8,014
Total revenues (excluding equity in net income of affiliates)	392,208	305,009	248,759

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Long-lived assets by geographic areas

(in NOK million)	For the year ended December 31, 2005	2004	2003
Norway	132,828	121,511	112,993
Europe (excluding Norway)	34,041	35,890	26,620
United States	15,490	678	638
Other areas	29,397	24,890	21,554
Total long-lived assets (excluding long-term deferred tax assets)	211,756	182,969	161,805

4. SIGNIFICANT ACQUISITIONS AND DISPOSITIONS

Effective January 1, 2003 Statoil sold 100 per cent of the shares in Navion ASA to Norsk Teekay AS, a wholly-owned subsidiary of Teekay Shipping Corporation. The operations of Navion were shuttle tanking and conventional shipping. The sales price for the fixed assets of Navion, excluding *Navion Odin* and Navion's 50 per cent share in the *West Navigator* drillship which were not included in the sale, was approximately USD 800 million. The sale was accounted for in the Manufacturing and Marketing segment and the effect on consolidated net income was immaterial.

Statoil and BP signed an agreement in June 2003 whereby Statoil acquired 49 per cent of BP's interest in the In Salah gas project and 50 per cent of BP's interest in the In Amenas gas condensate project, both in Algeria. The purchase price was USD 740 million, and Statoil has in addition covered the expenditures incurred after January 1, 2003 related to the acquired interests. After the receipt of necessary governmental approvals in 2004, the two projects were transferred from Long-term receivables to Property, plant and equipment in the Consolidated Balance Sheets. The projects are included in the segment International Exploration and Production.

In January 2004 Statoil acquired 11.24 per cent of the Snøhvit field, of which 10 per cent from Norsk Hydro and 1.24 per cent from Svenska Petroleum. Following these transactions, Statoil has an ownership share of 33.53 per cent in the Snøhvit field. The field is included in Property, plant and equipment and recorded in the segment Exploration and Production Norway.

In January 2004 Statoil sold its 5.26 per cent shareholding in the German company Verbundnetz Gas, generating a gain of NOK 619 million before tax (NOK 446 million after tax). The gain was classified as Other income in the Consolidated Statements of Income, and included in the segment Natural Gas.

In 2004 Statoil acquired the retailer group ICA's 50 per cent holding in Statoil Detaljhandel Skandinavia AS (SDS), and now owns 100 per cent of SDS. Following approval under the EU merger control regulations on July 1, the transaction was completed on July 8, 2004. Based on Statoil's ownership share, SDS was accounted for in accordance with the equity method up to and including the second quarter of 2004. SDS is consolidated as a subsidiary from the third quarter of 2004. NOK 0.5 billion of the cost price for SDS was allocated to goodwill and NOK 0.7 billion to intangible assets, mainly consisting of franchise agreements. SDS is included in the Manufacturing and Marketing segment.

In October 2004 Statoil sold its 50 per cent interest in the joint venture "Partrederiet West Navigator DA", which owns the deepwater drill ship *West Navigator*, to Smedvig ASA. The interest in the joint venture was included in the segment Exploration and Production Norway. The agreed purchase price was USD 175 million for the vessel adjusted for Statoil's share of the cash flow from the operation of the vessel from May 1, 2004. The effect on Income before financial items, other items, income taxes and minority interest was immaterial, while there was a positive tax effect of NOK 0.3 billion.

On April 27, 2005 Statoil entered into an agreement to acquire assets from EnCana Corporation's Gulf of Mexico subsidiary at a cost of USD 2.0 billion plus the balance of costs incurred between effective date January 1, 2005 and the closing date. The acquisition includes working interests in six discoveries, including a 25 per cent interest in the Tahiti discovery currently under development, and an average 40 per cent working interest in 239 gross blocks covering approximately 1.4 million acres (5,665 square km). The closing of the transaction took place May 26, 2005 and the acquired assets and liabilities were included in Statoil's accounts from the same date. The investment is recognized in the segment International Exploration and Production. Statoil is currently allocating the purchase price based on the fair value of the assets acquired.

In June 2005 Statoil agreed to sell its 50 per cent holding in Borealis A/S to IOB Holding A/S, a company jointly owned by International Petroleum Investment Company and OMV Aktiengesellschaft. Borealis' activity consists primarily of production of olefins and polyolefins as feedstock for plastic products. Including a dividend of EUR 80 million, the sales price amounted to EUR 1 billion. The closing of the transaction took place on October 13, 2005 and the gain of approximately NOK 1.5 billion (before and after tax) has been classified as Other income in the Consolidated Statements of Income and is included in the Manufacturing and Marketing segment.

5. ASSET IMPAIRMENTS

In 2005 an impairment charge of NOK 2.2 billion before tax (NOK 1.6 billion after tax) was recorded in Depreciation, depletion and amortization in the International Exploration and Production segment to write down book value of Statoil's share in the Iranian South Pars gas field project. The write-down is due to considerable cost increases and delays in development of phases 6-7-8 in the project. Fair value was calculated based on an assessment of expected discounted cash-flows for the project.

6. AUDITORS' REMUNERATION

(in NOK million)	Audit fees	Audit related fees	Tax fees	Total
2005				
Ernst & Young - Norway	11.8	10.2	0.1	22.1
Ernst & Young - abroad	13.2	1.2	0	14.4
Total	25.0	11.4	0.1	36.5
2004				
Ernst & Young - Norway	11.4	4.1	2.3	17.8
Ernst & Young - abroad	12.4	0.4	2.8	15.6
Total	23.8	4.5	5.1	33.4

In addition audit fee related to Statoil-operated licenses amounts to NOK 3.8 and NOK 3.5 million for 2005 and 2004, respectively.

7. INVENTORIES

Inventories are valued at the lower of cost or market. Costs of crude oil held at refineries and the majority of refined products are determined under the last-in, first-out (LIFO) method. Certain inventories of crude oil, refined products and non-petroleum products are determined under the first-in, first-out (FIFO) method. There have been no liquidations of LIFO layers which resulted in a material impact to Net income for the reported years.

	At December 31,	
(in NOK million)	2005	2004
Crude oil	4,383	3,664
Petroleum products	5,915	3,344
Other	1,157	1,253
Total - inventories valued on a FIFO basis	11,455	8,261
Excess of current cost over LIFO value	(2,820)	(1,290)
Total	8,635	6,971

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – USGAAP

8. SUMMARY FINANCIAL INFORMATION OF UNCONSOLIDATED EQUITY AFFILIATES

Statoil's investments in affiliates included up to October 13, 2005 a 50 per cent interest in Borealis A/S, a petrochemical production company, and included up to July 8, 2004 a 50 per cent interest in Statoil Detaljhandel Skandinavia AS (SDS), a group of retail petroleum service stations. As from July 8, 2004 SDS became a subsidiary of Statoil ASA.

Summary of financial information for affiliated companies accounted for by the equity method is shown below. Statoil's investment in these companies is included in Investments in affiliates.

Equity method affiliates - gross amounts

	Borealis A/S			SDS		
(in NOK million)	2005	2004	2003	2005	2004	2003
At December 31,						
Current assets	-	8,321	7,286	-	-	2,799
Non-current assets	-	17,548	19,085	-	-	6,787
Current liabilities	-	8,502	7,058	-	-	3,717
Long-term debt	-	2,323	6,140	-	-	1,951
Other liabilities	-	2,785	2,375	-	-	444
Net assets	-	12,259	10,798	-	-	3,474
Year ended December 31,						
Gross revenues	28,755	38,504	30,936	-	13,244	24,615
Income before taxes	1,806	2,205	126	-	60	210
Net income	1,409	1,689	135	-	46	148
Capital expenditures	1,255	1,805	1,002	-	237	779

Statoil received a total of NOK 861 million in dividends from Borealis for 2005, of which NOK 627 million were declared and received as a part of the Borealis sales transaction. Further reference is made to note 4. No dividends were received from Borealis for the years 2004 and 2003.

Statoil received dividends amounting to NOK 100 and NOK 65 million from SDS in 2004 and 2003, respectively.

Equity method affiliates - detailed information

		(in million)			(in NOK million)	
	Currency	Par value	Share capital	Ownership	Book value	Profit share
Borealis A/S	EUR	-	-	-	-	705
South Caucasus Pipeline Holding Company Limited	USD	253	1,012	25.5%	1,743	-
Other companies		-	-	-	2,708	385
Total					4,451	1,090

Ownership corresponds to voting rights.

South Caucasus Pipeline Holding Company Limited is in the process of constructing a gas pipeline from Baku in Azerbaijan to Turkey. The pipeline is expected to be operational in 2007.

9. INVESTMENTS

Short-term investments

(in NOK million)	At December 31, 2005	2004
Short-term deposits	12	53
Commercial papers	6,621	9,735
Liquidity funds	47	1,662
Other	161	171
Total short-term investments	6,841	11,621

The cost price of short-term investments for the years ended December 31, 2005 and 2004 was NOK 6,795 and NOK 11,876 million, respectively. All short-term investments are considered to be trading securities and are recorded at fair value with unrealized gains and losses included in income.

Long-term investments included in Other assets

(in NOK million)	At December 31, 2005	2004
Shares in other companies (cost method)	2,921	2,206
Commercial papers	1,408	1,810
Bonds	5,422	2,891
Marketable equity securities	3,994	2,257
Total long-term investments	13,745	9,164

Included in Shares in other companies is Statoil BTC Caspian AS' investment in 8.71 per cent of the shares in BTC Pipeline Company. The investment had a book value of NOK 2,272 and NOK 1,543 million as at year-end 2005 and 2004, respectively. BTC Pipeline Company is in the process of constructing an oil pipeline from Baku in Azerbaijan to Ceyhan in Turkey. The pipeline is expected to be operational in 2006.

10. PROPERTY, PLANT AND EQUIPMENT

(in NOK million)	Machinery, equipment and transportation equipment	Production plants oil and gas, incl. pipelines	Production plants onshore	Buildings and land	Vessels	Construction in progress	Capitalized exploration expenditures**	Total
Cost as at January 1, 2005	10,729	249,412	39,292	11,441	754	36,101	2,886	350,615
Accumulated depreciation, depletion and amortization at January 1	(6,947)	(167,217)	(20,905)	(2,467)	(160)	(3)	0	(197,699)
Additions and transfers	968	28,460	1,060	728	121	4,101	10,319	45,757
Disposal at booked value	(41)	(24)	(52)	(147)	(502)	(5)	(3)	(774)
Expensed exploration expenditures capitalized earlier years	0	0	0	0	0	0	(158)	(158)
Depreciation, depletion and amortization for the year	(854)	(15,085)	(2,250)	(479)	(31)	(2,211)	0	(20,910)
Foreign currency translation	(97)	1,146	851	99	(3)	1,597	1,057	4,650
Balance specified at December 31, 2005	3,758	96,692	17,996	9,175	179	39,580	14,101	181,481
Estimated useful life (years)	3 -10	*	15-20	20-33	20-25			

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Goodwill and intangible assets are included in Other assets in the Consolidated Balance Sheets. Intangible assets are depreciated over 10-20 years.

* Depreciation according to Unit of production, see note 2.

In 2005, 2004 and 2003, capitalized interests amounted to NOK 1,672, NOK 829 and NOK 442 million, respectively. In addition to depreciation, depletion and amortization specified above intangible assets have been amortized by NOK 187 million in 2005.

** Capitalized exploration expenditures include signature bonuses and other acquired exploration rights of NOK 11,071, NOK 609 and NOK 1,045 million as at the end of 2005, 2004 and 2003, respectively.

Capitalized exploratory expenditures that are pending the determination of proved reserves

(in NOK million)	2005	2004	2003
Capitalized expenditures at January 1	2,277	2,747	2,550
Additions	1,236	935	365
Reclassified to Production plants oil and gas, including pipelines based on the booking of proved reserves	(480)	(1,235)	(63)
Expensed, previously capitalized exploration expenditures	(149)	(61)	(59)
Foreign currency translation	146	(109)	(46)
Capitalized expenditures at December 31	3,030	2,277	2,747

In addition to capitalized signature bonuses and other acquired exploration rights of NOK 11,071 million, capitalized exploratory drilling expenditures at year-end 2005 consisted of the following capitalized exploratory drilling expenditures that are pending the determination of proved reserves at December 31:

	NOK million	Number of wells
Exploratory well expenditures that have been capitalized for a period of one year or less (A)	1,461	20
Exploratory well expenditures that have been capitalized for a period greater than one year, aged (B)		
- Completed in 2004	413	6
- Completed in 2003	306	12
- Completed in 2002	233	8
- Completed in 2001	340	3
- Completed in 2000	97	4
- Completed in 1999	66	2
- Completed in 1998	114	2
Total	1,569	37
Exploratory well expenditures that have been capitalized for a period greater than one year, by category (B)		
- Wells where additional drilling efforts are underway or firmly planned in the near future	519	13
- Wells with economic reserves, development decision planned in the near future	973	23
- Wells with economic reserves, development decision pending available capacity in infrastructure	77	1
Total	1,569	37
Total of capitalized exploratory drilling expenditures (A+B)	3,030	57

11. PROVISIONS

Provisions against assets (other than property, plant and equipment and intangible assets) recorded during the past three years are as follows:

(in NOK million)	Balance at January 1,	Foreign currency translation	Expense	Recovery	Write-off	Other 1)	Balance at December 31,
Year 2005							
Provisions against other long-term assets	0	0	4	0	0	0	4
Provisions against accounts receivable	255	(4)	54	(9)	(75)	38	259
Year 2004							
Provisions against other long-term assets	0	0	0	0	0	0	0
Provisions against accounts receivable	275	0	29	(39)	(22)	12	255
Year 2003							
Provisions against other long-term assets	0	0	0	0	0	0	0
Provisions against accounts receivable	153	0	59	(5)	(5)	73	275

1) Other is primarly related to provisions for accounts receivable in acquired companies.

12. FINANCIAL ITEMS

(in NOK million)	For the year ended December 31, 2005	2004	2003
Interest and other financial income	738	775	1,057
Currency exchange adjustments, net	(5,835)	5,031	98
Interest and other financial expenses	(589)	(317)	(877)
Dividends received	700	271	179
Gain (loss) on sale of securities	755	286	205
Unrealized gain (loss) on securities	669	(307)	737
Net financial items	(3,562)	5,739	1,399

13. INCOME TAXES

Income before income taxes and minority interest consists of

(in NOK million)	For the year ended December 31, 2005	2004	2003
Norway			
Offshore	75,414	55,709	43,516
Onshore	(208)	7,532	3,121
Other countries 1)	16,328	7,605	3,678
Other items (see note 2)	0	0	(6,025)
Total	91,534	70,846	44,290

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Significant components of income tax expense were as follows

(in NOK million)	For the year ended December 31, 2005	2004	2003
Norway			
Offshore	63,120	40,548	34,754
Onshore	4	133	2
Other countries 1)	4,122	1,635	737
Uplift benefit	(2,129)	(1,897)	(1,869)
Current income tax expense	65,117	40,419	33,624
Norway			
Offshore	(4,287)	3,512	(376)
Onshore 2)	(188)	722	859
Other countries 1)	(603)	772	52
Change in deferred tax due to new legislation (see note 2)	0	0	(6,712)
Deferred tax expense	(5,078)	5,006	(6,177)
Total income tax expense	60,039	45,425	27,447

1) Includes taxes liable to Norway on income in other countries.
2) Due to changes in Norwegian tax legislation in 2004, dividends from companies, with some exceptions, are not be taxable in Norway. Consequently, NOK 1.4 billion in deferred taxes related to retained earnings in subsidiaries and affiliates have been reversed in 2004.

Significant components of deferred tax assets and liabilities were as follows

(in NOK million)	At December 31, 2005	2004
Deferred tax assets		
Inventory	2,930	1,825
Other short-term items	1,665	331
Net operating loss carry-forwards	1,278	1,160
Property, plant and equipment	3,930	1,837
Decommissioning and asset retirement obligation	13,107	10,289
Other long-term items	1,462	1,596
Valuation allowance	(2,592)	(1,923)
Total deferred tax assets	21,780	15,115
Deferred tax liabilities		
Other short-term items	864	1,179
Property, plant and equipment	46,714	43,045
Capitalized exploration expenditures and interest	8,002	8,367
Other long-term items	5,442	6,589
Total deferred tax liabilities	61,022	59,180
Net deferred tax liabilities	39,242	44,065

Deferred taxes are classified as follows

(in NOK million)	At December 31, 2005	2004
Short-term deferred tax asset	(3,733)	0
Long-term deferred tax asset	(372)	(205)
Long-term deferred tax liability	43,347	44,270
Net deferred tax liability	39,242	44,065

A valuation allowance has been provided as Statoil believes that available evidence creates uncertainty as to the realizability of certain deferred tax assets. Statoil will continue to assess the valuation allowance and to the extent it is determined that such allowance is no longer required, the tax benefit of the remaining net deferred tax assets will be recognized in the future.

Reconciliation of Norwegian nominal statutory tax rate of 28 per cent to effective tax rate

(in NOK million)	For the year ended December 31, 2005	2004	2003
Calculated income taxes at statutory rate	25,630	19,837	14,088
Petroleum surtax at statutory rate	37,707	27,855	21,758
Uplift benefit	(2,129)	(1,897)	(1,869)
Other, net	(1,169)	(370)	182
Change in deferred tax due to new legislation (see note 2)	0	0	(6,712)
Income tax expense	60,039	45,425	27,447

Revenue from oil and gas activities on the NCS is taxed according to the Petroleum tax law. In addition to normal corporation tax, a special tax of 50 per cent is levied after deducting uplift, a special investment tax credit. Uplift is deducted by 7.5 per cent per year for four years, as from the year of investment. Uplift credits of NOK 10.8 billion will be recognized over a period of four years.

At the end of 2005, Statoil had tax losses carry forwards of NOK 3.9 billion, primarily in the US and Ireland. Only a minor part of the carry-forward amounts expire before 2019.

14. SHORT-TERM INTEREST-BEARING DEBT

(in NOK million)	At December 31, 2005	2004
Bank loans and overdraft facilities	288	1,541
Current portion of long-term debt	1,131	2,971
Other	110	218
Total	1,529	4,730
Weighted average interest rate	4.81%	3.64%

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15. LONG-TERM INTEREST-BEARING DEBT

	Weighted average interest rate		Balance in NOK million at December 31,	
	2005	2004	2005	2004
Unsecured debentures bonds				
US dollar (USD)	6.25%	6.25%	14,609	13,219
Norwegian kroner (NOK)	2.69%	2.19%	500	499
Euro (EUR)	5.06%	4.27%	5,891	8,127
Swiss franc (CHF)	4.01%	4.01%	1,128	1,197
Japanese yen (JPY)	0.91%	0.95%	2,469	2,632
Great British pounds (GBP)	6.13%	6.13%	3,069	2,948
Total			27,666	28,622
Unsecured bank loans				
US dollar (USD)	4.40%	2.39%	1,391	2,108
Secured bank loans				
US dollar (USD)	5.21%	3.46%	3,899	3,332
Other currencies	3.51%	6.10%	306	13
Other debt			538	355
Grand total debt outstanding			33,800	34,430
Less current portion			1,131	2,971
Total long-term debt			32,669	31,459

The table above contains market values of loans per currency and loan type, and does therefore not illustrate the economic effects of agreements entered into to swap the various currencies to USD.

Statoil has an unsecured debenture bond agreement for USD 500 million with a fixed interest rate of 6.5 per cent, maturing in 2028. At December 31, 2005 and 2004, NOK 3,343 and NOK 2,981 million were outstanding, respectively. The interest rate of the bond has been swapped to a LIBOR-based floating interest rate.

Statoil has an unsecured debenture bond agreement for USD 500 million, with a fixed interest rate of 5.125 per cent, maturing in 2014. At December 31, 2005 and 2004, NOK 3,382 and NOK 3,017 million were outstanding, respectively. The interest rate of the bond has been swapped to a LIBOR-based floating interest rate.

Statoil has an unsecured debenture bond agreement for EUR 500 million, with a fixed interest rate of 5.125 per cent, maturing in 2011. At December 31, 2005 and 2004, NOK 3,961 and NOK 4,081 million were outstanding, respectively. EUR 200 million of the bond has been swapped through an interest rate swap agreement to an EURIBOR-based floating interest rate.

Statoil has an unsecured debenture bond agreement for GBP 225 million, with a fixed interest rate of 6.125 per cent, maturing in 2028. At December 31, 2005 and 2004, NOK 2,622 and NOK 2,619 million were outstanding, respectively. The bond has been swapped through cross currency interest rate swap agreements to an USD LIBOR-based floating interest rate.

Statoil has an unsecured debenture bond agreement for USD 375 million, with a fixed interest rate of 5.75 per cent, maturing in 2009. At December 31, 2005 and 2004, NOK 2,528 and NOK 2,252 million were outstanding, respectively. Net after buyback this amounts to NOK 2,197 and NOK 1,955 million at year-end exchanges rates.

In addition to the unsecured debentures bond debt of NOK 14,609 million, denominated in US dollars, Statoil utilizes foreign currency swaps to manage foreign exchange risk on its long-term debt. As a result, an additional NOK 13,057 million of Statoil's unsecured debentures bond debt has been swapped to US dollars. The foreign currency swaps are not reflected in the table above as the swaps are separate legal agreements. The foreign currency swaps do not qualify as hedges according to FAS 133 as the swaps are not to functional currency, although they represent economic hedges. The stated interest rate on the majority of the long-term debt is fixed. Interest rate swaps are utilized to manage interest rate exposure.

Substantially all unsecured debenture bond and unsecured bank loan agreements contain provisions restricting the pledging of assets to secure future borrowings without granting a similar secured status to the existing bondholders and lenders.

Statoil's secured bankloans in USD have been secured by guarantee commitments amounting to USD 83 million, mortgage in shares in a subsidiary and investments in other companies with a combined book value of NOK 4,490 million, a bank deposit with a book value of NOK 1,494 million, and Statoil's pro-rata share of income from certain applicable projects.

Statoil has 20 debenture bond agreements outstanding, which contain provisions allowing Statoil to call the debt prior to its final redemption at par if there are changes to the Norwegian tax laws or at certain specified premiums. The agreements are, net after buyback, valued at NOK 23,743 million at the December 31, 2005 closing rate.

Long-term debt falls due as follows

(in NOK million)	
2006	1,131
2007	2,255
2008	2,257
2009	3,612
2010	530
Thereafter	24,015
Total	33,800

Statoil has an agreement with an international bank syndicate for committed long-term revolving credit facility totaling USD 2.0 billion, all undrawn. Commitment fee is 0.0575 per cent per annum.

As of December 31, 2005 and 2004 respectively, Statoil had no committed short-term credit facilities available or drawn.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Statoil uses derivative financial instruments to manage risks resulting from fluctuations in underlying interest rates, foreign currency exchange rates and commodity (such as oil, natural gas and refined petroleum products) prices. Because Statoil operates in the international oil and gas markets and has significant financing requirements, it has exposure to these risks, which can affect the cost of operating, investing and financing. Statoil has used and intends to use financial and commodity-based derivative contracts to reduce the risks in overall earnings and cash flows. Derivative instruments creating essentially equal and offsetting market exposures are used to help manage certain of these risks. Management also uses derivatives to establish certain positions based on market movements although this activity is immaterial to the consolidated financial statements.

Interest and currency risks constitute significant financial risks for the Statoil group. Total exposure is managed at portfolio level in accordance with the strategies and mandates issued by the Enterprise-Wide Risk Management Program and monitored by the Corporate Risk Committee. Statoil's interest rate exposure is mainly associated with the group's debt obligations and management of the assets in Statoil Forsikring AS. Statoil mainly employs interest rate swap and currency swap agreements to manage interest rate and currency exposure.

Statoil uses swaps, options, futures, and forwards to manage its exposure to changes in the value of future cash flows from future purchases and sales of crude oil and refined oil products. The term of the oil and refined oil products derivatives is usually less than one year. Natural gas and electricity swaps, options, forwards, and futures are likewise utilized to manage Statoil's exposure to changes in the value of future sales of natural gas and electricity. These derivatives usually have terms of approximately three years or less. Most of the derivative transactions are made in the over-the-counter (OTC) market.

Cash Flow Hedges

Statoil has in the past designated certain derivative instruments as cash flow hedges to hedge against changes in the amount of future cash flows related to the sale of crude oil and petroleum products and cash flows related to interest payments over periods ending no later than December 31, 2005. Hedge ineffectiveness related to Statoil's then outstanding cash flow hedges was immaterial and recorded to earnings during the year ended December 31, 2005. The net change in Accumulated other comprehensive income associated with hedging transactions during the year was NOK 393 million after tax. The net amount reclassified into earnings during the year was NOK 470 million after tax. At December 31, 2005, the net deferred hedging loss in Accumulated other comprehensive income related to cash flow hedges was zero, and there will be no effects on earnings over the next 12 months from the expired cash flow hedges. The unrealized loss component of derivative instruments excluded from the assessment of hedge effectiveness related to cash flow hedges during the year ended December 31, 2005 was immaterial.

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Fair Value Hedges

Statoil has designated certain derivative instruments as fair value hedges to hedge against changes in the value of financial liabilities. There was no gain or loss component of a derivative instrument excluded from the assessment of hedge effectiveness related to fair value hedges during the year ended December 31, 2005. The net loss recognized in earnings in Income before income taxes and minority interest during the year for ineffectiveness of fair value hedges was NOK 22 million.

Fair Value of Financial Instruments

Except for the recorded amount of fixed interest long-term debt, the recorded amounts of cash and cash equivalents, receivables, bank loans, other interest-bearing short-term debt, and other liabilities approximate their fair values. Marketable equity and debt securities are also recorded at their fair values.

The following table contains the carrying amounts and estimated fair values of financial derivative instruments, and the carrying amounts and estimated fair value of long-term debts. Commodity contracts settled by delivery of commodities (oil and oil products, natural gas and electricity) are excluded from the summary:

(in NOK million)	Fair market value of assets	Fair market value of liabilities	Net carrying amount
At December 31, 2005			
Debt-related instruments	3,443	(18)	3,425
Non-debt-related instruments	8	(2,033)	(2,025)
Long-term fixed interest debt	0	(28,498)	(26,570)
Crude oil and Refined products	681	(755)	(74)
Gas and Electricity	230	(83)	147
At December 31, 2004			
Debt-related instruments	5,022	(12)	5,011
Non-debt-related instruments	1,972	(5)	1,967
Long-term fixed interest debt	0	(27,702)	(25,793)
Crude oil and Refined products	1,089	(395)	694
Gas and Electricity	86	(131)	(45)

Fair values are estimated using quoted market prices, estimates obtained from brokers, prices of comparable instruments, and other appropriate valuation techniques. The fair value estimates approximate the gain or loss that would have been realized if the contracts had been closed out at year-end, although actual results could vary due to assumptions utilized.

Credit risk management

Statoil manages credit risk concentration with respect to financial instruments by holding only investment grade securities distributed among a variety of selected issuers. A list of authorized investment limits by commercial issuer is maintained and reviewed regularly along with guidelines which include an assessment of the financial position of counter-parties as well as requirements for collateral.

Credit risk related to commodity-based instruments is managed by maintaining, reviewing and updating lists of authorized counter-parties by assessing their financial position, by frequently monitoring credit exposure for counter-parties, by establishing internal credit lines for counterparties, and by requiring collateral or guarantees when appropriate under contracts and required in internal policies. Collateral will typically be in the form of cash or bank guarantees from first class international banks.

Credit risk from interest rate swaps and currency swaps, which are over-the-counter (OTC) transactions, derive from the counter-parties to these transactions. Counter-parties are highly rated financial institutions. The credit ratings are reviewed minimum annually and counter-party exposure is monitored on a continuous basis to ensure exposure does not exceed credit lines and complies with internal policies. Non-debt-related foreign currency swaps usually have terms of less than one year, and the terms of debt-related-interest swaps and currency swaps are up to 24 years, in line with that of corresponding hedged or risk managed long-term loans.

The credit risk concentration with respect to receivables is limited due to the large number of counter-parties spread worldwide in numerous industries.

17. EMPLOYEE RETIREMENT PLANS

Pension benefits

Statoil and many of its subsidiaries have defined benefit retirement plans, which cover substantially all of their employees. Plan benefits are generally based on years of service and final salary levels. Some subsidiaries have defined contribution plans and multi-employer plans.

Net periodic pension cost

	For the year ended December 31,		
(in NOK million)	2005	2004	2003
Benefits earned during the year	1,079	1,062	849
Interest cost on prior years' benefit obligation	1,025	938	791
Expected return on plan assets	(1,125)	(902)	(843)
Amortization of loss	53	175	54
Amortization of prior service cost	37	34	34
Amortization of net transition assets	0	0	(15)
Defined benefit plans	1,069	1,307	870
Defined contribution plans	47	34	27
Multi-employer plans	26	21	0
Total net pension cost	1,142	1,362	897

Pension costs are partly charged to partners of Statoil-operated activities.

Change in projected benefit obligation (PBO)

(in NOK million)	2005	2004
Projected benefit obligation at January 1	19,021	17,642
Benefits earned during the year	1,079	1,062
Interest cost on prior years' benefit obligation	1,025	938
Actuarial loss (gain)	1,840	(388)
Benefits paid	(372)	(350)
Acquisitions	14	117
Foreign currency translation	(39)	0
Projected benefit obligation at December 31	22,568	19,021

Change in pension plan assets

(in NOK million)	2005	2004
Fair value of plan assets at January 1	17,319	15,143
Actual return on plan assets	1,807	1,157
Company contributions*	1,488	1,154
Benefits paid	(234)	(188)
Acquisitions	10	53
Foreign currency translation	(43)	0
Fair value of plan assets at December 31	20,347	17,319

* In 2004 the amount included paid-up policies transferred from external companies.

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Status of pension plans reconciled to Consolidated Balance Sheets

(in NOK million)	2005	2004
Funded status of the plans at December 31	(2,221)	(1,702)
Unrecognized net loss	3,811	2,685
Unrecognized prior service cost	256	295
Total net prepaid pension recognized at December 31	1,846	1,278

Amounts recognized in the Consolidated Balance Sheets

(in NOK million)	2005	2004
Prepaid pension at December 31	5,538	4,633
Accrued pension liabilities	(4,564)	(3,960)
Intangible assets	258	295
Other comprehensive income	614	310
Net amount recognized at December 31	1,846	1,278

Weighted-average assumptions for the year ended (Profit and Loss items)

(in per cent)	2005	2004
Discount rate	5.50	5.50
Expected return on plan assets	6.50	6.00
Expected rate of compensation increase	3.50	3.50

Weighted-average assumptions at the end of the year (Balance sheet items)

(in per cent)	2005	2004
Discount rate	4.75	5.50
Expected return on plan assets	5.75	6.50
Expected rate of compensation increase	3.00	3.50

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets

	At December 31,	
(in NOK million)	2005	2004
Projected benefit obligation	5,754	4,894
Accumulated benefit obligation	4,557	3,648
Fair value on plan assets	470	365

The accumulated benefit obligation (ABO) was NOK 18,550 million at December 31, 2005.

Benefits expected to be paid (from the funded plans)

(in NOK million)	
2006	232
2007	260
2008	295
2009	336
2010	381
2011-2015	2,823
Total payments expected during the next 10 years	4,327

Pension assets allocated on respective investments classes

(in per cent)	At December 31, 2005	2004
Equity securities	30	26
Debt securities	46	32
Commercial papers	10	31
Real estate	5	6
Other assets	9	5
Total	100	100

In its asset management, the pension fund aims at achieving long-term returns which contribute towards meeting future pension liabilities. Assets are managed to achieve a return as high as possible within a framework of public regulation and prudent risk management policies. The pension fund's target returns require a need to invest in assets with a higher risk than risk-free investments. Risk is reduced through maintaining a well diversified asset portfolio. Assets are diversified both in terms of location and different asset classes. Derivatives are used within set limits to facilitate effective asset management.

Statoil's pension funds invest in both financal assets and real estate. The expected rate of return on real estate is expected to be between the rate of return on equity securities and debt securities. The table below presents the portfolio weight and expected rate of return of the finance portfolio, as approved by the board of the Statoil pension funds for 2006.

Finance portfolio Statoils pension funds	Portfolio weight 1)		Expected rate of return
Equity securities	35.0%	(+/- 5.0%)	X + 4.0%
Debt securities	64.5%	(+5.5%/-10.0%)	X
Commercial papers	0.5%	(+15.0%/-0.5%)	X - 0.4%
Total finance portfolio	100.0%		

1) The brackets express the scope of tactical deviation by Statoil Kapitalforvaltning ASA (the asset manager).
X = Long-term rate of return on debt securities.

The long-term expected return on pension assets is based on long-term risk-free rate adjusted for the expected long-term risk premium for the respective investment classes.

Company contributions are mainly related to employees in Norway. This payment may either be paid in cash or be deducted from the pension premium fund. Statoil has a relatively large amount classified as pension premium fund in Statoil's pension funds. The decision whether to pay in cash or deduct from the pension premium fund is made on an annual basis. The expected company contribution for the next five years will be approximately NOK 1.0 billion annually. The company contribution in 2005 was NOK 2.5 billion, of which NOK 1.2 billion was deducted from the pension premium fund.

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18. DECOMMISSIONING AND REMOVAL LIABILITIES

The asset retirement obligation (ARO) is related to future well closure, decommissioning and removal expenditures. The accretion expense is classified as Operating expenses.

(in NOK million)	2005	2004
Asset retirement obligation at January 1	18,602	16,494
Liabilities incurred/revision in estimates	796	1,515
Accretion expense	840	771
Disposals	(69)	(22)
Incurred removal cost	(212)	(89)
Currency exchange adjustments	77	(67)
Asset retirement obligation at December 31	20,034	18,602
Long-lived assets related to ARO at January 1	3,388	2,757
Net assets incurred/revision in estimates	615	1,470
Depreciation	(437)	(821)
Currency exchange adjustments	40	(18)
Long-lived assets related to ARO at December 31	3,606	3,388

The 2005 figures in the tables above include the implementation effect of FIN 47. See note 2 for further information regarding the implementation.

19. RESEARCH AND DEVELOPMENT EXPENDITURES

Research and Development (R&D) expenditures were NOK 1,066, NOK 1,027 and NOK 1,004 million in 2005, 2004 and 2003, respectively. R&D expenditures are partly financed by partners of Statoil-operated activities.

20. LEASES

Statoil leases certain assets, notably shipping vessels and drilling rigs.

In 2005, rental expense was NOK 4,502 million. In 2004 and 2003 rental expenses were NOK 4,367 and NOK 4,893 million, respectively.

The information in the table below shows future minimum lease payments under non-cancelable leases at December 31, 2005. In addition, Statoil has entered into subleases of certain assets amounting to a total future rental income of NOK 1,970 million, of which NOK 1,390 million for 2006.

Statoil has entered into a number of general or field specific long-term frame agreements mainly related to loading and transport of crude oil. The main contracts expire in 2007 or later, up until the end of the respective field lives. Such contracts are not included in the below table of future lease payments unless they entail specific minimum payment obligations.

Amounts related to capital leases include future lease payments for assets in the books at year-end 2005.

(in NOK million)	Operating leases	Capital leases
2006	3,121	54
2007	2,680	47
2008	2,921	25
2009	1,887	24
2010	1,130	23
Thereafter	3,445	507
Total future lease payments	15,184	680
Interest component		(486)
Net present value		194

Property, plant and equipment include the following amounts for leases that have been capitalized at December 31, 2005 and 2004.

(in NOK million)	At December 31, 2005	2004
Vessels and equipment	307	190
Accumulated depreciation	(128)	(97)
Capitalized amounts	179	93

21. OTHER COMMITMENTS AND CONTINGENCIES

Contractual commitments

(in NOK million)	2006	Thereafter	Total
Contractual commitments related to investments and property, plant and equipment	13,458	9,552	23,010

These contractual commitments mainly comprise construction and acquisition of property, plant and equipment.

Statoil has entered into agreements for pipeline transportation for most of its prospective gas sales contracts. These agreements ensure the right to transport the production of gas through the pipelines, but also impose an obligation to pay for booked capacity. In addition, the group has entered into certain obligations for entry capacity fees and terminal, processing, storage and vessel transport capacity commitments. The following table outlines nominal minimum obligations for future years. Corresponding expenses for 2005 and 2004 were NOK 4,460 and NOK 3,701 million. Obligations payable by the group to unconsolidated equity affiliates are included gross in the table below. Where the group reflects both ownership interests and transport capacity cost for a pipeline in the consolidated accounts, the amounts in the table include the transport commitments that exceed Statoil's ownership share.

Transport capacity and other obligations at December 31, 2005:

(in NOK million)	
2006	4,853
2007	5,002
2008	4,331
2009	3,839
2010	3,724
Thereafter	27,125
Total	48,874

In 2004 Statoil signed an agreement with the U.S. based energy company Dominion regarding additional capacity at the Cove Point liquefied natural gas (LNG) terminal in the USA. The agreement involves annual terminal capacity of approximately 7.7 billion cubic meters of gas for a 20-year period with planned start-up in 2008, and is subject to approval from US authorities. Pending such approval, no obligations related to the additional Cove Point capacity have been included in the table above at year-end 2005.

Guarantees

In 2004 Statoil, as an owner in BTC Co, entered into guarantee commitments for financing of the development of the BTC pipeline. At December 31, 2005 the maximum potential future amount of payment under these guarantee commitments amounts to USD 110 million (NOK 0.7 billion), and is subject to measurement requirements of FIN 45. The expected fair value of the guarantee has been recognized as a current liability in the Consolidated Balance Sheet and the cost has been recorded as other financial expenses.

Statoil Detaljhandel has issued guarantees amounting to a total of SEK 1.1 billion (NOK 0.9 billion), the main part of which relates to guarantee commitments to retailers. The liability recognized under FIN 45 in the Consolidated Balance Sheets related to these guarantee commitments is immaterial at year-end.

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 USD 0.8 billion (NOK 5.4 billion) for each incident, including liability for claims arising from pollution damage. Most of the group's production installations are covered through Statoil Forsikring a.s, which reinsures a major part of the risk in the international insurance market. About 23 per cent is retained.

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Statoil Forsikring a.s is a member of two mutual insurance companies, Oil Insurance Ltd and sEnergy Insurance Ltd. Membership of these companies means that Statoil Forsikring is liable for its proportionate share of any losses which might arise in connection with the business operations of the companies. Members of the companies have joint and several liability for any losses that arise to the pool.

Other commitments and contingencies

As a condition for being awarded oil and gas exploration and production licenses, participants may be committed to drill a certain number of wells. At the end of 2005, Statoil was committed to participate in 16 wells off Norway and 16 wells outside Norway, with an average ownership interest of approximately 50 per cent. Statoil's share of estimated expenditures to drill these wells amounts to approximately NOK 4 billion. Additional wells that Statoil may become commited to participate in depending on future discoveries in certain licences are not included in these numbers.

The price reviews for two long-term natural gas sales contracts are currently in arbitration. Contractual prices for a total volume of 3.2 billion cubic meters of gas delivered as of December 31, 2005 and for future deliveries under these contracts may be positively or negatively affected by the arbitration verdicts, the final outcome of which cannot be determined at this time.

The Ministry of Energy and Petroleum in Venezuela has challenged the production level and the royalty rates of the Sincor joint venture. Effective as of June 24, 2005 Sincor has been charged and has paid an increased royalty rate of 30 per cent related to production exceeding 114,000 barrels a day. Statoil and our partner have filed an administrative appeal to annul the demand for such payments, and are communicating with the Ministry to find an overall solution for Sincor.

During the normal course of its business Statoil is involved in legal proceedings, and several other unresolved claims are currently outstanding. The ultimate liability in respect of such litigation and claims cannot be determined at this time. Statoil has provided in its accounts for these items based on the Company's best judgment. Statoil does not expect that neither the financial position, results of operations nor cash flows will be materially adversely affected by the resolution of these legal proceedings.

The Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim) has conducted an investigation concerning an agreement which Statoil entered into in 2002 with Horton Investments Ltd for consultancy services in Iran. On June 28, 2004 Økokrim informed Statoil that it had concluded that Statoil violated section 276c, first paragraph (b) of the Norwegian Penal Code, which became effective from July 4, 2003 and prohibits conferring on or offering to a middleman an improper advantage in return for exercising his influence with a decision-maker, without the decision-maker receiving any advantage, and imposed a penalty on Statoil of NOK 20 million. The Board of Statoil ASA decided on October 14, 2004 to accept the penalty without admitting or denying the charges by Økokrim.

The U.S. Securities and Exchange Commission (SEC) is also conducting a formal investigation into the Horton consultancy arrangement to determine if there have been any violations of U.S. federal securities laws, including the Foreign Corrupt Practices Act. The U.S. Department of Justice is conducting a criminal investigation of the Horton matter jointly with the Office of the United States Attorney for the Southern District of New York. The SEC Staff informed Statoil on September 24, 2004 that it is considering recommending that the SEC authorize a civil enforcement action in federal court against Statoil for violations of various U.S. federal securities laws, including the anti-bribery and books and records provisions of the Foreign Corrupt Practices Act. Statoil is continuing to provide information to the U.S. authorities to assist them in their ongoing investigations.

Iranian authorities have been carrying out inquiries into the matter. In April 2004 the Iranian Consultative Assembly initiated an official probe into allegations of corruption in connection with the Horton matter with Iran. The probe was finalized for the parliamentary session at the end of May 2004. It was reported in the international press that at such time no evidence of wrongdoing by the subjects of the probe in Iran had been revealed by the probe.

22. RELATED PARTIES

Total purchases of oil and natural gas liquid from the Norwegian State amounted to NOK 97,078 million (282 million barrels oil equivalents), NOK 81,487 million (319 million barrels oil equivalents), and NOK 68,479 million (336 million barrels oil equivalents), in 2005, 2004 and 2003, respectively. Purchases of natural gas from the Norwegian State amounted to NOK 262, NOK 237 and NOK 255 million in 2005, 2004 and 2003, respectively. Amounts payable to the Norwegian State for these purchases are included as Accounts payable - related parties in the Consolidated Balance Sheets. The prices paid by Statoil for the purchases from the Norwegian State are estimated market prices.

Statoil is, in its own name, but for the Norwegian State's account and risk, selling the State's natural gas production. This sale, as well as related expenditures refunded by the State, are shown net in Statoil's Financial Statements. Refunds include expenses incurred related to activities and investments necessary to obtain market access and to optimize the profit from sale of natural gas.

23. SHAREHOLDERS' EQUITY

The common stock consists of 2,189,585,600 shares at nominal value NOK 2.50.

In 2001, 25,000,000 treasury shares were issued. During 2002 and 2003 a total of 1,558,115 of the treasury shares were distributed as bonus shares in favor of retail investors in the initial public offering in 2001. Distribution of treasury shares requires approval by the general meeting.

There exists only one class of shares and all shares have voting rights.

The board of directors is authorized on behalf of the company to acquire Statoil shares in the market. The authorization may be used to acquire Statoil shares with an overall nominal value of up to NOK 10 million. The board will decide the manner in which the acquisition of Statoil shares in the market will take place. Such shares acquired in accordance with the authorization may only be used for sale and transfer to employees of the Statoil group as part of the group's share investment plan approved by the board. The lowest amount which may be paid per share is the nominal value; the highest amount which may be paid per share is a maximum of 100 times the nominal value. The authorization will apply untill November 2006. As per December 31, 2005 Statoil has 766,327 shares according to this authorization.

Retained earnings available for distribution of dividends at December 31, 2005 is limited to the retained earnings of the parent company based on Norwegian accounting principles and legal regulations and amounts to NOK 80,952 million (before provisions for proposed dividend for the year ended December 31, 2005 of NOK 17,756 million). This differs from retained earnings in the financial statements of NOK 65,402 million mainly due to the impact of the transfer of the SDFI properties to Statoil, which is not reflected in the Norwegian GAAP accounts until the second quarter of 2001. Distribution of dividends is not allowed to reduce the shareholders' equity of the parent company below 10 per cent of total assets.

24. SHARE-BASED COMPENSATION

In 2004 Statoil introduced a Share Saving Plan for all permanent Statoil employees both in full and part time positions. Because of differences in legal and tax regulations between participating jurisdictions, and with the need for specific technical solutions for the Share Saving Plan, the program will be launched at different times in the different countries/companies within the Statoil Group.

Statoil's Share Saving Plan gives the employees the opportunity to purchase Statoil shares through monthly salary deduction. The employees may save up to five per cent of their annual gross salary. Statoil will, for employees in some of the companies in the group, give a contribution to the employees of 20 per cent of the saved amount, at a maximum of NOK 1,500 per employee per year. Terms may vary between participating entities in the group.

If the shares are kept for two full calendar years of continued employment the employees will be allocated one bonus share for each two they have bought. The same kind of allocation is planned to be carried out for future yearly programs.

Due to uncertainty with respect to future share prices, the number of shares to be purchased by employees under the programs is unknown. Consequently, the number of bonus shares to be purchased by Statoil must be estimated to measure the annual expense of the program. The fair value of the bonus shares is estimated at the date of grant using a one-factor capital asset pricing model with adjustments for dividend payments assumed according to the corporate dividend policy in the vesting period.

Significant assumptions for 2005 used in connection with estimating the fair value are shown in the table below.

Risk free interest rate	3.0%
Risk premium	5.5%
Beta	1.0
Expected return/discount rate	8.5%

The model requires the input of highly subjective assumptions. Because changes in the subjective input assumptions can affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of fair value of Statoil's Share Saving plan.

The basis for purchases of bonus shares is the combined amount of salary deductions and Statoil contributions. For the 2004, 2005 and 2006 programs (granted in 2005), this amounts to NOK 54, NOK 121 and NOK 162 million, respectively.

Estimated compensation expense including contribution and social security related to the 2004, 2005 and 2006 programs for Statoil amounts to NOK 35, NOK 72 and NOK 96 million respectively. At December 31, 2005 the amount of compensation expense yet to be expensed throughout the vesting period is NOK 150 million.

25. SUBSEQUENT EVENTS

On January 31, 2006, Statoil ASA announced its decision to evaluate strategic options for its Irish downstream Retail and Commercial & Industrial business (Statoil Ireland), including a possible sale. This decision has resulted from a review of the Retail Business Portfolio and the intention to accelerate strategic commitment to Scandinavian and Eastern European markets. The nature and timing of any resulting transactions are uncertain, but are expected to occur during 2006. Current and long-term assets in Statoil Ireland amount to EUR 132 and EUR 127 million respectively as at December 31, 2005. Current liabilities amount to EUR 96 million as at December 31, 2005.

On March 8, 2006 Statoil entered into an agreement to acquire a 25 per cent share in the license 218 in Blocks 6706/10 and 6706/12 in the Norwegian Sea. The agreement results in that Statoil after the transaction will have a 75 per cent interest in the license. Several discoveries have been made in this area, including the Luva discovery. The investment will be recorded in the segment Exploration and Production Norway.

SUPPLEMENTARY INFORMATION ON OIL AND GAS PRODUCING ACTIVITIES (UNAUDITED)

In accordance with Statement of Financial Accounting Standards No. 69, Disclosures about Oil and Gas Producing Activities and regulations of the US Securities and Exchange Commission (SEC), Statoil is making certain supplemental disclosures about oil and gas exploration and production operations. While this information was developed with reasonable care and disclosed in good faith, it is emphasized that some of the data is necessarily imprecise and represents only approximate amounts because of the subjective judgment involved in developing such information. Accordingly, this information may not necessarily represent the present financial condition of Statoil or its expected future results.

All the tables presented include the impact from the SDFI transaction. See note 1.

Oil and gas reserve quantities

Statoil's oil and gas reserves have been estimated by its experts in accordance with industry standards under the requirements of the SEC. Reserves are net of royalty oil paid in kind, and quantities consumed during production. Statements of reserves are forward-looking statements.

The determination of these reserves is part of an ongoing process subject to continual revision as additional information becomes available.

Proved oil and gas reserves are the estimated quantities of crude oil, natural gas, and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as of the date the estimate is made. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions.

(i) Reservoirs are considered proved if economic producibility is supported by either actual production or conclusive formation test. The area of a reservoir considered proved includes (A) that portion delineated by drilling and defined by gas-oil and/or oil-water contacts, if any; and (B) the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geological and engineering data. In the absence of information on fluid contacts, the lowest known structural occurrence of hydrocarbons controls the lower proved limit of the reservoir.

(ii) Reserves which can be produced economically through application of improved recovery techniques (such as fluid injection) are included in the "proved" classification when successful testing by a pilot project, or the operation of an installed program in the reservoir, provides support for the engineering analysis on which the project or program was based.

(iii) Estimates of proved reserves do not include the following: (A) oil that may become available from known reservoirs but is classified separately as "indicated additional reserves"; (B) crude oil, natural gas, and natural gas liquids, the recovery of which is subject to reasonable doubt because of uncertainty as to geology, reservoir characteristics, or economic factors; (C) crude oil, natural gas, and natural gas liquids, that may occur in undrilled prospects; and (D) crude oil, natural gas, and natural gas liquids, that may be recovered from oil shales, coal, gilsonite and other such sources.

Proved developed oil and gas reserves are proved reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Additional oil and gas expected to be obtained through the application of fluid injection or other improved recovery techniques for supplementing the natural forces and mechanisms of primary recovery are included as "proved developed reserves" only after testing by a pilot project or after the operation of an installed program has confirmed through production response that increased recovery will be achieved.

On the Norwegian Continental Shelf, Statoil sells its oil and gas together with the oil and gas of the Norwegian state (SDFI). Under this arrangement, Statoil and SDFI will deliver gas from Norway and elsewhere to its customers in accordance with certain supply type sales contracts. The commitments will be met using a schedule that provides the highest possible total value for our oil and gas and the Norwegian State's oil and gas. Likewise, we hold commitments to deliver gas from Azerbaijan and Algeria where our entitlement to gas deliveries under the production sharing agreements in effect is less than our commitment to deliver. Our proved gas reserves (entitlements) will be drawn on to supply this gas to the extent that we hold entitlement to the gas delivered against these commitments.

The total expected commitments to be met by the Statoil/SDFI arrangement and Statoil's separate commitments were on December 31, 2005 to deliver an aggregate of 35 tcf.

This does not include commitments where we do not hold title to any of the gas that we deliver.

Statoil's and SDFI's delivery commitments for the contract years 2005, 2006, 2007 and 2008 are 2.0, 2.0, 2.2 and 2.2 tcf. These commitments may be met by production of proved reserves from fields were Statoil and/or the Norwegian State participates and by drawing on existing gas markets to manage temporary shortfalls or surpluses in production. We are currently expecting a shortfall in supply of LNG from our own production in contract year 2006 due to an expected delay in the start-up of an LNG liquefaction plant in Norway. Efforts to mitigate the effects of this are being made. This may concern approximately four per cent of our commitments to deliver gas in that year.

The principles for booking of proved gas reserves are limited to contracted gas sales and gas with access to a market.

In 2002, Statoil entered into a buy-back contract in Iran. Statoil also participates in a number of production sharing agreements (PSA). Reserves from such agreements are based on the volumes to which Statoil has access (cost oil and profit oil), limited to available market access. Proved reserves at end of year associated with PSA and buy-back agreements are disclosed separately.

SUPPLEMENTARY INFORMATION ON OIL AND GAS PRODUCING ACTIVITIES (UNAUDITED)

Statoil is booking as proved reserves volumes equivalent to our tax liabilities payable in-kind under negotiated fiscal arrangements (production sharing agreements or income sharing agreements).

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

	Net proved oil and NGL reserves in million barrels			Net proved gas reserves in billion standard cubic feet			Net proved oil, NGL and gas reserves in million barrels oil equivalents		
	Norway	Outside Norway	Total	Norway	Outside Norway	Total	Norway	Outside Norway	Total
At December 31, 2002	1,286	580	1,867	13,215	255	13,470	3,641	626	4,267
Of which:									
Proved developed reserves	919	137	1,056	9,321	30	9,351	2,580	143	2,722
Proved reserves under PSA and buy-back agreements	0	349	349	0	0	0	0	349	349
Production from PSA and buy-back agreements	0	12	12	0	0	0	0	12	12
Revisions and improved recovery	110	41	151	311	1	312	165	41	206
Extensions and discoveries	27	15	43	503	303	806	117	69	186
Purchase of reserves-in-place	0	0	0	0	0	0	0	0	0
Sales of reserves-in-place	0	0	0	0	0	0	0	0	0
Production	(239)	(31)	(271)	(695)	(6)	(700)	(363)	(33)	(395)
At December 31, 2003	1,184	605	1,789	13,334	552	13,886	3,560	703	4,264
Of which:									
Proved developed reserves	876	163	1,039	9,582	25	9,606	2,584	167	2,751
Proved reserves under PSA and buy-back agreements	0	364	364	0	303	303	0	418	418
Production from PSA and buy-back agreements	0	13	13	0	0	0	0	13	13
Revisions and improved recovery	111	(4)	107	(9)	334	324	109	56	165
Extensions and discoveries	23	20	44	14	0	14	26	20	46
Purchase of reserves-in-place	10	47	57	478	582	1,060	95	150	246
Sales of reserves-in-place	(13)	0	(13)	(87)	0	(87)	(29)	0	(29)
Production	(226)	(37)	(263)	(751)	(31)	(782)	(360)	(42)	(402)
At December 31, 2004	1,089	632	1,720	12,978	1,437	14,416	3,401	888	4,289
Of which:									
Proved developed reserves	782	170	952	9,316	234	9,550	2,442	212	2,654
Proved reserves under PSA and buy-back agreements	0	398	398	0	1,192	1,192	0	610	610
Production from PSA and buy-back agreements	0	20	20	0	26	26	0	25	25
Revisions and improved recovery	127	(45)	82	501	(172)	329	217	(76)	141
Extensions and discoveries	119	84	204	474	24	498	204	88	292
Purchase of reserves-in-place	17	0	17	18	0	18	20	0	20
Sales of reserves-in-place	(5)	0	(5)	(79)	0	(79)	(19)	0	(19)
Production	(205)	(52)	(257)	(869)	(87)	(957)	(360)	(67)	(427)
At December 31, 2005	1,142	619	1,761	13,024	1,202	14,225	3,462	833	4,295
Of which:									
Proved developed reserves	787	202	990	9,348	150	9,498	2,453	229	2,682
Proved reserves under PSA and buy-back agreements	0	351	351	0	973	973	0	524	524
Production from PSA and buy-back agreements	0	34	34	0	83	83	0	49	49

The conversion rates used are 1 standard cubic meter = 35.3 standard cubic feet, 1 standard cubic meter oil equivalent = 6.29 barrels of oil equivalent and 1,000 standard cubic meter gas = 1 standard cubic meter oil equivalent.

SUPPLEMENTARY INFORMATION ON OIL AND GAS PRODUCING ACTIVITIES (UNAUDITED)

Statoil is required through its articles of association to market and sell the Norwegian State's oil and gas together with Statoil's own oil and gas in accordance with the owner's instruction established in shareholder resolutions in effect at any given time. For natural gas acquired by Statoil for its own use, its payment to the Norwegian State will be based on market value. For all other sales of natural gas to Statoil or to third parties the payment to the Norwegian State will be based on either achieved prices, a net back formula or market value. All of the Norwegian State's oil and NGL will be acquired by Statoil. Pricing of the crude oil will be based on market reflective prices; NGL prices will be either based on achieved prices, market value or market reflective prices.

The Norwegian State may at any time cancel the owner's instruction. Due to this uncertainty and the Norwegian State's estimate of proved reserves not being available to Statoil, it is not possible to determine the total quantities to be purchased by Statoil under the owner's instruction from properties in which it participates in the operations.

Capitalized costs related to Oil and Gas producing activities

(in NOK million)	At December 31, 2005	2004
Unproved Properties	14,101	2,886
Proved Properties, wells, plants and other equipment, including removal obligation assets	309,441	273,289
Total Capitalized Expenditures	323,542	276,175
Accumulated depreciation, depletion, amortization and valuation allowances	(179,197)	(160,315)
Net Capitalized Expenditures	144,345	115,860

Costs incurred in Oil and Gas Property Acquisition, Exploration and Development Activities

These costs include both amounts capitalized and expensed.

(in NOK million)	Norway	Outside Norway	Total
Year ended December 31, 2005			
Exploration costs	2,188	2,213	4,401
Development costs 1), 2)	15,697	10,664	26,361
Acquired unproved properties	103	13,157	13,260
Total	17,988	26,034	44,022
Year ended December 31, 2004			
Exploration costs	1,102	1,390	2,492
Development costs 1), 2)	15,400	9,819	25,219
Acquired proved properties	2,999	8,441	11,440
Total	19,501	19,650	39,151
Year ended December 31, 2003			
Exploration costs	1,220	1,538	2,758
Development costs 1)	13,284	6,071	19,355
Acquired unproved properties	0	54	54
Total	14,504	7,663	22,167

1) Development costs include investments in Norway in facilities for liquefaction of natural gas and storage of LNG amounting to NOK 665 million in 2005, NOK 1,262 million in 2004, and NOK 614 million in 2003.
2) Includes minor development costs in unproved properties.

SUPPLEMENTARY INFORMATION ON OIL AND GAS PRODUCING ACTIVITIES (UNAUDITED)

Results of Operation for Oil and Gas Producing Activities

As required by Statement of Financial Accounting Standards No. 69 (FAS 69), the revenues and expenses included in the following table reflect only those relating to the oil and gas producing operations of Statoil.

Effective January 2005, production costs incurred in Norway no longer include cost of transporting certain volumes of NGL that in 2004 and 2003 incurred costs totaling approximately NOK 0.7 and NOK 0.5 billion, respectively.

Activities included in Statoil's segment disclosures in note 3 to the financial statements but excluded from the table below relate to transportation and business development as well as effects of disposals of oil and gas interests. Certain minor reclassifications have been made to prior periods' figures to be consistent with the current period's classifications.

Income tax expense is calculated on the basis of statutory tax rates in addition to uplift and tax credits only. No deductions are made for interest or overhead.

Transfers are recorded approximating market prices.

(in NOK million)	Norway	Outside Norway	Total
Year ended December 31, 2005			
Sales	13	5,682	5,696
Transfers	95,403	13,163	108,566
Total revenues	95,416	18,845	114,262
Exploration expenses	(1,818)	(1,435)	(3,253)
Production costs	(7,754)	(1,675)	(9,429)
Accretion expense	(750)	(66)	(816)
Special items 1)	0	(2,211)	(2,211)
DD&A	(11,450)	(4,062)	(15,512)
Total costs	(21,772)	(9,449)	(31,221)
Results of operations before taxes	73,644	9,397	83,041
Tax expense	(56,868)	(3,476)	(60,344)
Results of producing operations	16,776	5,921	22,697
Year ended December 31, 2004			
Sales	21	3,026	3,047
Transfers	72,400	6,499	78,899
Total revenues	72,421	9,525	81,946
Exploration expenses	(777)	(1,051)	(1,828)
Production costs	(8,038)	(1,298)	(9,336)
Accretion expense	(701)	(56)	(757)
Special items 1)	(259)	0	(259)
DD&A	(12,123)	(2,215)	(14,338)
Total costs	(21,898)	(4,620)	(26,518)
Results of operations before taxes	50,523	4,905	55,427
Tax expense	(38,287)	(1,830)	(40,118)
Results of producing operations	12,235	3,075	15,310

SUPPLEMENTARY INFORMATION ON OIL AND GAS PRODUCING ACTIVITIES (UNAUDITED)

(in NOK million)	Norway	Outside Norway	Total
Year ended December 31, 2003			
Sales	352	1,930	2,282
Transfers	60,143	4,455	64,598
Total revenues	60,495	6,385	66,880
Exploration expenses	(1,365)	(1,005)	(2,370)
Production costs	(7,865)	(839)	(8,704)
Accretion expense	(479)	(48)	(527)
Special items 1)	0	(151)	(151)
DD&A	(11,971)	(1,625)	(13,596)
Total costs	(21,680)	(3,668)	(25,348)
Results of operations before taxes	38,815	2,718	41,532
Tax expense	(29,290)	(1,035)	(30,325)
Results of producing operations	9,525	1,682	11,207

1) Impairment of the South Pars 6-7-8 field in 2005, the Murchison and Thune field in 2004, and the Dunlin field in 2003.

Standardized measure of discounted future net cash flows relating to proved oil and gas reserves

The table below shows the standardized measure of future net cash flows relating to proved reserves presented. The analysis is computed in accordance with FAS 69, by applying year-end market prices, costs, and statutory tax rates, and a discount factor of 10 per cent to year end quantities of net proved reserves. The standardized measure is a forward-looking statement.

Future price changes are limited to those provided by contractual arrangements in existence at the end of each reporting year. Future development and production costs are those estimated future expenditures necessary to develop and produce year-end estimated proved reserves based on year-end cost indices, assuming continuation of year-end economic conditions. Future net cash flow pre-tax is net of decommissioning and removal costs. Estimated future income taxes are calculated by applying appropriate year-end statutory tax rates. These rates reflect allowable deductions and tax credits and are applied to estimated future pretax net cash flows, less the tax basis of related assets. Discounted future net cash flows are calculated using 10 per cent mid-period discount factors. Discounting requires a year-by-year estimate of when future expenditures will be incurred and when reserves will be produced. The information provided does not represent management's estimate of Statoil's expected future cash flows or value of proved oil and gas reserves. Estimates of proved reserve quantities are imprecise and change over time as new information becomes available. Moreover, identified reserves and contingent resources, that may become proved in the future, are excluded from the calculations. The standardized measure of valuation prescribed under FAS 69 requires assumptions as to the timing and amount of future development and production costs and income from the production of proved reserves. This does not reflect management's judgment and should not be relied upon as an indication of Statoil's future cash flow or value of its proved reserves.

SUPPLEMENTARY INFORMATION ON OIL AND GAS PRODUCING ACTIVITIES (UNAUDITED)

(in NOK million)	Norway	Outside Norway	Total
At December 31, 2005			
Future net cash inflows	1,067,475	276,682	1,344,157
Future development costs	(51,098)	(30,328)	(81,426)
Future production costs	(198,399)	(45,980)	(244,379)
Future income tax expenses	(629,910)	(53,232)	(683,142)
Future net cash flows	188,068	147,142	335,210
10 per cent annual discount for estimated timing of cash flows	(77,281)	(67,218)	(144,499)
Standardized measure of discounted future net cash flows	110,787	79,924	190,711
At December 31, 2004			
Future net cash inflows	739,788	179,336	919,124
Future development costs	(42,906)	(22,169)	(65,075)
Future production costs	(172,892)	(35,516)	(208,408)
Future income tax expenses	(395,155)	(29,108)	(424,263)
Future net cash flows	128,835	92,543	221,378
10 per cent annual discount for estimated timing of cash flows	(56,336)	(44,862)	(101,198)
Standardized measure of discounted future net cash flows	72,499	47,681	120,180
At December 31, 2003			
Future net cash inflows	644,003	132,884	776,887
Future development costs	(39,207)	(17,029)	(56,236)
Future production costs	(179,686)	(26,509)	(206,195)
Future income tax expenses	(320,763)	(19,998)	(340,761)
Future net cash flows	104,347	69,348	173,695
10 per cent annual discount for estimated timing of cash flows	(47,303)	(37,810)	(85,113)
Standardized measure of discounted future net cash flows	57,044	31,538	88,582

Of a total of NOK 81,426 million of estimated future development costs as of December 31, 2005, an amount of NOK 54,570 million is expected to be spent within the next three years, as allocated in the table below.

Future development costs

(in NOK million)	2006	2007	2008	Total
Norway	14,300	10,402	7,350	32,052
Outside Norway	12,732	6,674	3,112	22,518
Total	27,032	17,076	10,462	54,570
Future development cost expected to be spent on proved undeveloped reserves	24,652	14,863	8,629	48,144

In 2005, Statoil incurred NOK 26,354 million in development costs, of which NOK 22,876 million related to proved undeveloped reserves. The comparable amounts for 2004 were NOK 33,135 and NOK 28,353 million, and for 2003 NOK 19,355 and NOK 14,355 million, respectively.

SUPPLEMENTARY INFORMATION ON OIL AND GAS PRODUCING ACTIVITIES (UNAUDITED)

Changes in the standardized measure of discounted future net cash flows from proved reserves

(in NOK million)	2005	2004
Standardized measure at January 1	120,180	88,582
Net change in sales and transfer prices and in production (lifting) costs related to future production	380,489	146,938
Changes in estimated future development costs	(27,189)	(34,976)
Sales and transfers of oil and gas produced during the period, net of production costs	(110,018)	(77,023)
Net change due to extensions, discoveries, and improved recovery	38,080	10,668
Net change due to purchases and sales of minerals in place	896	26,129
Net change due to revisions in quantity estimates	11,970	10,733
Previously estimated development costs incurred during the period	26,354	33,135
Accretion of discount	(121,003)	(41,506)
Net change in income taxes	(129,048)	(42,500)
Total change in the standardized measure during the year	70,531	31,598
Standardized measure at December 31	190,711	120,180

Operational statistics

Productive oil and gas wells and developed and undeveloped acreage

The following tables show the number of gross and net productive oil and gas wells and total gross and net developed and undeveloped oil and gas acreage in which Statoil had interests at December 31, 2005.

A "gross" value reflects to wells or acreage in which Statoil has interests (calculated as 100 per cent). The net value corresponds to the sum of whole or fractional working interest in gross wells or acreage.

At December 31, 2005		Norway	Outside Norway	Total
Number of productive oil and gas wells				
Oil wells	— gross	741	632	1,373
	— net	190	113	304
Gas wells	— gross	147	80	227
	— net	45	29	74

At December 31, 2005 (in thousands of acres)*		Norway	Outside Norway	Total
Developed and undeveloped oil and gas acreage				
Acreage developed	— gross	681	922	1,603
	— net	162	306	468
Acreage undeveloped	— gross	14,131	22,416	36,547
	— net	5,656	13,155	18,811

*1,000 acres = 4.05 square km

Remaining terms of leases and concessions are between one and 35 years.

Exploratory and development drilling activities

The following table shows the number of exploratory and development oil and gas wells in the process of being drilled by Statoil at December 31, 2005.

(number of wells)	Norway	Outside Norway	Total
Number of wells in progress			
— gross	36	35	71
— net	9.9	6.1	16.0

Net productive and dry oil and gas wells

The following tables show the net productive and dry exploratory and development oil and gas wells completed or abandoned by Statoil in the past three years. Productive wells include wells in which hydrocarbons were found, and the drilling or completion of which, in the case of exploratory wells, has been suspended pending further drilling or evaluation. A dry well is one found to be incapable of producing in sufficient quantities to justify completion.

	Norway	Outside Norway	Total
Year 2005			
Net productive and dry exploratory wells drilled	3.3	2.2	5.5
- Net dry exploratory wells drilled	1.1	0.9	2.0
- Net productive exploratory wells drilled	2.2	1.3	3.5
Net productive and dry development wells drilled	16.9	6.7	23.6
- Net dry development wells drilled	0.0	0.0	0.0
- Net productive development wells drilled	16.9	6.7	23.6
Year 2004			
Net productive and dry exploratory wells drilled	2.5	1.1	3.5
- Net dry exploratory wells drilled	0.5	0.1	0.6
- Net productive exploratory wells drilled	2.0	0.9	3.0
Net productive and dry development wells drilled	16.9	6.7	23.6
- Net dry development wells drilled	0.0	0.0	0.0
- Net productive development wells drilled	16.9	6.7	23.6
Year 2003			
Net productive and dry exploratory wells drilled	4.3	2.5	6.8
- Net dry exploratory wells drilled	1.7	1.0	2.7
- Net productive exploratory wells drilled	2.6	1.5	4.1
Net productive and dry development wells drilled	25.3	18.1	43.4
- Net dry development wells drilled	2.4	0.0	2.4
- Net productive development wells drilled	22.9	18.1	41.0

SUPPLEMENTARY INFORMATION ON OIL AND GAS PRODUCING ACTIVITIES (UNAUDITED)

Average sales price and production cost per unit

	Norway	Outside Norway
Year ended December 31, 2005		
Average sales price liquids in USD per bbl	54.1	51.0
Average sales price natural gas in NOK per Sm3	1.45	1.12
Average production costs, in NOK per boe	21.6	25.2
Year ended December 31, 2004		
Average sales price liquids in USD per bbl	38.4	35.7
Average sales price natural gas in NOK per Sm3	1.10	0.89
Average production costs, in NOK per boe	22.5	30.9
Year ended December 31, 2003		
Average sales price crude in USD per bbl	29.1	27.6
Average sales price natural gas in NOK per Sm3	1.02	0.83
Average production costs, in NOK per boe	21.9	26.1

To the Board of Directors and Shareholders of Statoils ASA

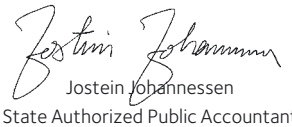
Report of Independent Registered Public Accounting Firm – USGAAP accounts

We have audited the accompanying consolidated balance sheets of Statoil ASA and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Statoil ASA and subsidiaries at December 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles.

Stavanger, March 9, 2006
Ernst & Young AS



Jostein Johannessen
State Authorized Public Accountant
(Norway)

Proved reserves report

DEGOLYER AND MACNAUGHTON
5001 Spring Valley Road, Suite 800 East, Dallas, Texas 75244

February 27, 2006

Statoil ASA
Forusbeen 50
N-4035 Stavanger
Norway

Gentlemen:
Pursuant to your request, we have prepared estimates of the proved oil, condensate, liquefied petroleum gas (LPG), and sales gas reserves, as of December 31, 2005, of certain properties in Algeria, Angola, Azerbaijan, China, Iran, Ireland, Nigeria, Norway, the United Kingdom, the United States and Venezuela owned by Statoil ASA (STATOIL). The estimates are discussed in our "Report as of December 31, 2005 on Proved Reserves of Certain Properties owned by Statoil ASA" (the Report). We also have reviewed STATOIL's estimates of reserves, as of December 31, 2005, of the same properties included in the Report.

In our opinion, the information relating to proved reserves estimated by us and referred to herein has been prepared in accordance with Paragraphs 10–13, 15, and 30(a)–(b) of Statement of Financial Accounting Standards No. 69 (November 1982) of the Financial Accounting Standards Board and Rules 4–10(a) (1)–(13) of Regulation S–X of the United States Securities and Exchange Commission (SEC).

STATOIL represents that its estimates of the proved reserves, as of December 31, 2005, attributable to STATOIL's interests in the properties included in the Report are as follows, expressed in millions of barrels (MMbbl) or billions of cubic feet (Bcf):

Oil, Condensate, and LPG (MMbbl)	Sales Gas (Bcf)	Net Equivalent (MMbbl)
1,761	14,225	4,295

Note: Net equivalent million barrels is based on 5,612 cubic feet of gas being equivalent to 1 barrel of oil, condensate, or LPG.

STATOIL has advised us that its estimates of proved oil, condensate, LPG, and natural gas reserves are in accordance with the rules and regulations of the SEC. It is our opinion that the guidelines and procedures that STATOIL has adopted to prepare its estimates are in accordance with generally accepted petroleum reserves evaluation practices and are in accordance with the requirements of the SEC.

Our estimates of the proved reserves, as of December 31, 2005, attributable to STATOIL's interests in the properties included in the Report are as follows, expressed in millions of barrels (MMbbl) or billions of cubic feet (Bcf):

Oil, Condensate, and LPG (MMbbl)	Sales Gas (Bcf)	Net Equivalent (MMbbl)
1,777	14,242	4,315

Note: Net equivalent million barrels is based on 5,612 cubic feet of gas being equivalent to 1 barrel of oil, condensate, or LPG.

In comparing the detailed reserves estimates prepared by us and those prepared by STATOIL for the properties involved, we have found differences, both positive and negative, in reserves estimates for individual properties. These differences appear to be compensating to a great extent when considering the reserves of STATOIL in the properties included in the Report, resulting in overall differences not being substantial. It is our opinion that the reserves estimates prepared by STATOIL on the properties reviewed by us and referred to above, when compared on the basis of net equivalent million barrels of oil, in aggregate, do not differ materially from those prepared by us.

Submitted,
DeGOLYER and MacNAUGHTON

HSE accounting for 2005

Statoil's objective is to operate with zero harm to people or the environment, in accordance with the principles for sustainable development. The group supports the Kyoto protocol and applies the precautionary principle in the conduct of its business.

Statoil's management system for health, safety, security and the environment (HSE) forms an integrated part of the group's total management system, and is described in its governing documents. Statoil's quality system relating to overall management and control is certified to the international ISO 9001 standard. All of the main operational units have now been certified in accordance with this standard, and the environmental standard ISO 14001. A complete overview of certified units can be found at www.statoil.com/certification.

A key element in the HSE management system is registration, reporting and assessment of relevant data. HSE performance indicators have been established to assist this work. The intention is to document quantitative developments over time and strengthen the decision-making basis for systematic and purposeful improvement efforts.

HSE data are compiled by the business units and reported to the corporate executive committee, which evaluates trends and decides whether improvement measures are required. The chief executive submits the HSE results and associated assessments to the board together with the group's quarterly financial results. These results are posted to the group's intranet and its internet site. Reference may be made to www.statoil.com/hse where quarterly HSE statistics are compiled and made easily accessible.

Statoil's three group-wide performance indicators for safety are the total recordable injury frequency, the lost-time injury frequency and the serious incident frequency. These are reported quarterly at corporate level for Statoil employees and contractors, both collectively and separately. Sickness absence is reported annually for Statoil employees.

The group-wide indicators for the environment are reported annually at corporate level, with the exception of oil spills which are reported quarterly. The indicators for the natural environment – oil spills, emissions of carbon dioxide and nitrogen oxides, energy consumption and the waste recovery factor – are reported for Statoil-operated activities. This includes the Gassled facilities at Kårstø and Kollsnes, for which Gassco is operator, while Statoil is responsible for the technical operation.

All of the group's main activities are included in the HSE accounting section. Oil spills are the only data on the natural environment included for the service stations.

Historical data include figures relating to acquired operations from the acquisition date. Correspondingly, figures relating to divested operations are included up to the divestment date.

Results

Statoil suffered two fatal accidents in 2005. One person died on 31 January after being crushed in a hydraulic door during completion work for the Kristin platform at the Aker Stord yard. On 2 October a fatality occurred following an accident in connection with loading provisions onto a tanker while it was berthed at Statoil's Mongstad oil terminal. Both of the deceased were contractor employees.

These accidents have been investigated, their causes recorded and measures initiated.

The HSE accounting shows the development of the performance indicators over the past five years. Use of resources, emissions and waste volumes for the largest Statoil-operated land-based plants, and for Statoil-operated activities on the NCS are shown in separate environmental overviews. See also the information on health, safety and the environment in the review of Statoil's operations (page 33-34 and 37-39) and the directors' report.

More than 105 million hours worked in 2005 (including contractors) form the basis for the HSE accounting. This is unchanged from 2004. Contractors handle a large proportion of the assignments for which Statoil is responsible as operator or principal enterprise.

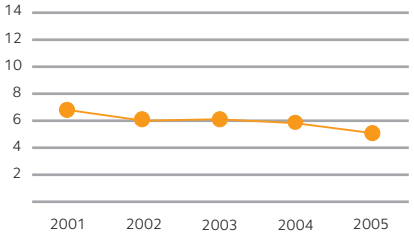
Overall, Statoil's safety results have shown a very positive trend. The total recordable injury frequency (covering Statoil employees and contractors) has declined from 5.9 in 2004 to 5.1 in 2005, while the lost-time injury frequency (injuries leading to absence from work) fell from 2.3 in 2004 to 1.5 in 2005. The serious incident frequency has declined from 3.2 in 2004 to 2.3 in 2005.

In addition to this corporate accounting, the business units prepare more specific statistics and analyses which are used in their improvement efforts.

Two fines were imposed on Statoil for HSE-related matters in 2005. The group was fined NOK 1.5 million following the fire at the Mongstad refinery in July 2004, and NOK 80 million following the gas blow-out on the Snorre A platform in the North Sea in November 2004.

Statoil's performance indicators for HSE

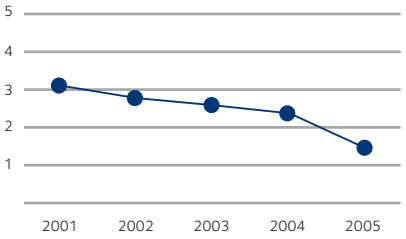
Total recordable injury frequency



Definition: The number of fatalities, lost-time injuries, cases of alternative work necessitated by an injury and other recordable injuries, excluding first-aid injuries per million working hours.

Developments: The total recordable injury frequency (including both Statoil employees and contractors) showed improvement at 5.1 in 2005, as against 5.9 in 2004. The frequency for Statoil employees was 3.0 in 2005, compared with 2.8 in 2004, while the frequency for contractors was 6.7 in 2005 compared with 7.9 in 2004.

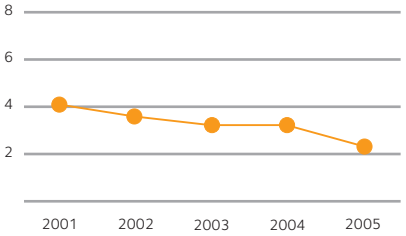
Lost-time injury frequency



Definition: The number of lost-time injuries and fatal accidents per million working hours.

Developments: The lost-time injury frequency (including both Statoil employees and contractors) improved from 2.3 in 2004 to 1.5 in 2005. This frequency has been measured since 1987 but it has never been as low as the 2005 level. There has been an improvement for Statoil employees, from 1.5 in 2004 to 1.1 in 2005, and for our contractors, from 2.8 in 2004 to 1.9 in 2005.

Serious incident frequency

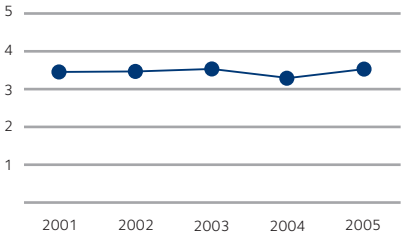


Definition: The number of incidents of a very serious nature per million working hours (1).

Developments: The serious incident frequency (including both Statoil employees and contractors) improved from 3.2 in 2004 to 2.3 in 2005.

(1) An incident is an event or chain of events which has caused or could have caused injury, illness and/or damage to/loss of property, the environment or a third party. Risk matrices have been established where all undesirable incidents are categorised according to the degree of seriousness, and this forms the basis for follow-up in the form of notification, investigation, reporting, analysis, experience transfer and improvement.

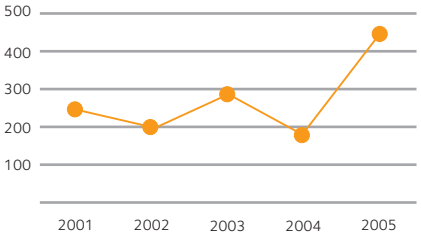
Sickness absence



Definition: The total number of days of sickness absence as a percentage of possible working days (Statoil employees).

Developments: Sickness absence was 3.5 per cent in 2005, as against 3.2 per cent in 2004. Sickness absence has been stable over the entire five-year period. This result is well below the Norwegian average (6.7 per cent per third quarter of 2005 as reported by Statistics Norway).

Oil spills

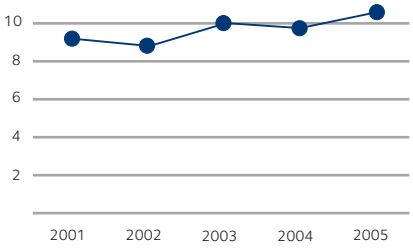


Definition: Unintentional oil spills to the natural environment from Statoil operations (in cubic metres) (2).

Developments: The number of unintentional oil spills was 534 in 2005, as against 487 in 2004. The volume of unintentional spills has increased from 186 cubic metres in 2004 to 442 cubic metres in 2005. The volume increase is mainly due to a spill (340 cubic metres) in the Norwegian Sea on 23 November. The figure shows the volume of oil spills in cubic metres.

(2) All unintentional oil spills are included in the figures with the exception of those collected inside a facility (platform/plant) and which accordingly cause no harm to the surrounding environment. However, such spills are included for downstream market operations.

Carbon dioxide emissions

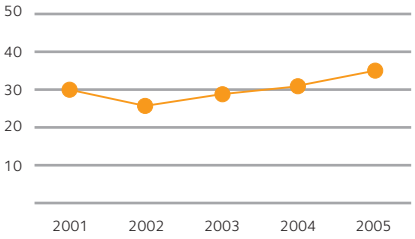


Definition: Total emissions of carbon dioxide in million tonnes from Statoil operations (3).

Developments: Carbon dioxide emissions have increased from 9.8 million tonnes in 2004 to 10.3 million in 2005. For activities on the NCS, carbon dioxide emissions for 2005 are 6.5 million tonnes compared with 6.2 million tonnes in 2004. Emissions from the Manufacturing & Marketing business area are 2.6 million tonnes in 2005, compared with 2.3 million tonnes in 2004. There are only minor changes in the other business areas.

(3) Carbon dioxide emissions embrace all sources such as turbines, boilers, furnaces, engines, flares, drilling of exploration and production wells, well testing/workovers and residual emissions from the carbon dioxide separation plant for natural gas on Sleipner T. The distribution of products (by Statoil's road tankers or boats or railway) to customers (private, companies, petrol stations, airports) is included. Support services such as helicopter traffic, supply and standby ships and shuttle tankers are excluded.

Nitrogen oxide emissions

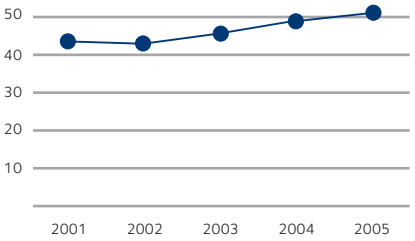


Definition: Total emissions of nitrogen oxides in thousand tonnes from Statoil operations (4).

Developments: Emissions of nitrogen oxides have increased from 31.1 thousand tonnes in 2004 to 34.7 thousand tonnes in 2005. This is mainly due to activities in the Exploration & Production Norway business area (emissions increased from 27.4 thousand tonnes in 2004 to 29.3 thousand tonnes in 2005) and in International Exploration & Production (an increase from 0.2 thousand tonnes in 2004 to 1.9 thousand tonnes in 2005). There are only minor changes in the other business areas.

(4) Nitrogen oxide emissions embrace all sources such as turbines, boilers, furnaces, engines, flares, drilling of exploration and production wells and well testing/workovers. Support services such as helicopter traffic, supply and standby ships, shuttle tankers and distribution of products are excluded.

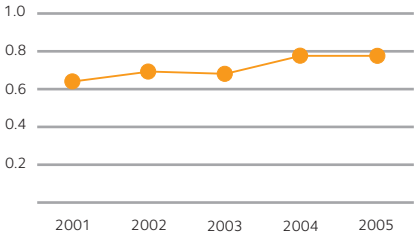
Energy consumption



Definition: Total energy consumption in terawatt-hours (TWh) for Statoil operations. This includes net purchases of electricity and thermal energy (steam), energy from gas-fired and diesel-fired power generation, energy from direct combustion and energy losses through flaring. Energy consumption based on the use of fossil fuels is calculated as fuel energy content.

Developments: Energy consumption has increased from 48.1 TWh in 2004 to 50.4 TWh in 2005. This is mainly due to activities in Manufacturing & Marketing (an increase from 11.3 TWh in 2004 to 12.6 TWh in 2005). There are only minor changes in the other business areas.

Waste recovery factor



Definition: The waste recovery factor comprises industrial waste from Statoil operations and represents the amount of waste for recovery in relation to the total quantity of waste (5). Hazardous waste is not included.

Developments: The recovery factor for 2005 is 0.76, and this is unchanged compared with 2004. All the business areas, with the exception of Natural Gas and International Exploration & Production, have increased their recovery factor in 2005 compared with 2004.

(5)The quantity of waste for recovery is the total quantity of waste from the plant's operations which has been delivered for reuse, recycling or incineration with energy utilisation. Hazardous waste is defined by national legislation in each individual country.

Environmental data for 2005

NORWEGIAN CONTINENTAL SHELF[1)]

ENERGY

Diesel[2)]	1,470 GWh
Electricity	31 GWh
Fuel gas	24,200 GWh
Flare gas	3,310 GWh

RAW MATERIALS[3)]

Oil/condensate	72.6 mill scm
Gas[4)]	93.4 bn scm
Water	107 mill scm

UTILITIES

Chemicals process/prodn	46,200 tonnes
Chemicals drilling/well	116,000 tonnes

OTHER

Injection water as pressure support	148 mill scm

PRODUCTS

Oil/condensate	72.6 mill scm
Gas for sale	69.8 bn scm

EMISSIONS TO AIR

CO_2	6.38 mill tonnes
nmVOC[5)]	67,600 tonnes
Methane[5)]	18,200 tonnes
NO_x	29,200 tonnes
SO_2	295 tonnes
Hydrocarbon gas, unintentional[6)]	9 tonnes

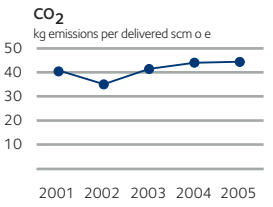
DISCHARGES TO WATER

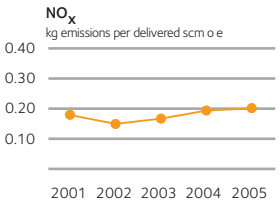
Produced water[7)]	98.5 mill scm
Oil in oily water[8)]	1,590 tonnes
Unintentional oil spills[9)]	369 m^3
Chemicals:[10)]	
Process/production	19,900 tonnes
Drilling/well	23,900 tonnes
Unintentional chemical spills	310 m^3

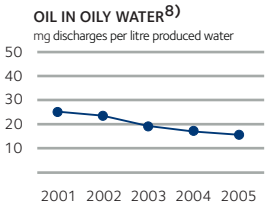
WASTE[11)]

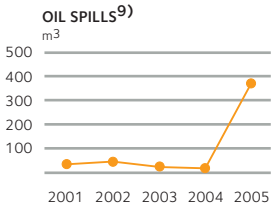
Waste for landfill	2,350 tonnes
Waste for recovery	7,920 tonnes
Recovery factor	0.77
Hazardous waste:	
Oily cuttings/mud/slop	44,700 tonnes
Other	12,300 tonnes

1) Includes UK sector of Statfjord. Excludes the Kollsnes processing plant and Snøhvit land plant
2) Represents 124,000 tonnes
3) Includes 1.6 mill scm o e produced by third party (Sigyn)
4) Includes fuel gas (2.08 bn scm), flare gas (0.29 bn scm) and injected gas for pressure support, etc (26.6 bn scm)
5) Includes offshore loading
6) Unintentional emissions of hydrocarbon gas is dominated by three emissions totalling 7.73 tonnes
7) In addition, 8.3 mill scm of produced water is injected in the ground
8) The amount of produced water has increased from 2004, but the oil content in the produced water is decreasing due to improved treatment
9) The volume is dominated by an oil spill on Norne of 340 scm in November 2005
10) Includes 36,700 tonnes of water and green chemicals
11) Includes waste from base operations (768 tonnes of industrial waste and 107 tonnes of hazardous waste)









KOLLSNES PROCESSING PLANT*

ENERGY

Electricity	1,170 GWh
Fuel gas	197 GWh
Flare gas	193 GWh
Diesel	0.5 GWh

RAW MATERIALS

Rich gas Troll A	23.5 bn scm
Rich gas Troll B	2.2 bn scm
Rich gas Troll C	2.7 bn scm

UTILITIES

Monoethylene glycol	1,130 m^3
Caustics	56 m^3
Other chemicals	59 m^3

WATER CONSUMPTION

Fresh water	29,200 m^3

PRODUCTS

Gas	33.0 bn scm
NGL	1.9 mill scm

EMISSIONS TO AIR[1) 2)]

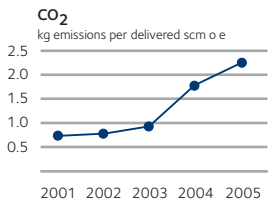
CO_2	78,900 tonnes
nmVOC	550 tonnes
Methane	993 tonnes
NO_x	27 tonnes
CO	36 tonnes

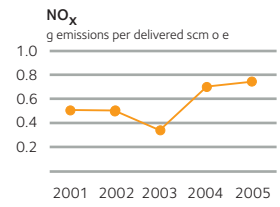
DISCHARGES TO WATER[1) 3)]

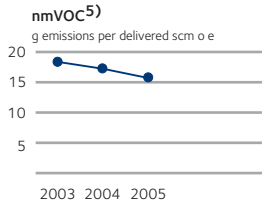
Treated water/effluent	186,000 m^3
Total organic carbon (TOC)	2.7 tonnes
Monoethylene glycol	4.01 tonnes
Methanol	0.98 tonnes
Hydrocarbons	0.09 tonnes
Ammonium	0.02 tonnes
Phenol	0.02 tonnes

WASTE

Waste for landfill	151 tonnes
Waste for recovery	280 tonnes
Recovery factor	0.65
Hazardous waste:[4)]	
Sludge from treatment plant	48.1 tonnes
Other	10,300 tonnes







* Gassco is operator for the plant, and Statoil is technical service provider
1) Regulatory requirements have been met for all parameters, including noise, for 2005
2) Accidental emissions are included in the figures for nmVOC and methane
3) There was one unintentional discharge of oil (five litres) to ground, and one unintentional discharge of caustics (100 litres) to sea
4) Effluent water represents about 9,400 tonnes of hazardous waste due to treatment facilities being periodically out of operation in the spring of 2005
5) New method of measuring from 2003

MONGSTAD[1)]

ENERGY

Electricity	440 GWh
Fuel gas and steam	6,960 GWh
Flare gas	297 GWh

RAW MATERIALS

Crude oil	8,586,000 tonnes
Other process raw materials	3,031,000 tonnes
Blending components	223,000 tonnes

UTILITIES

Acids	493 tonnes
Caustics	1,250 tonnes
Additives	1,750 tonnes
Process chemicals	4,610 tonnes

WATER CONSUMPTION

Fresh water	4,044,000 m³

PRODUCTS[2)] 11,280,000 tonnes

Propane, Butane, Naphtha, Gas oil, Petrol, Petcoke/sulphur, Jet fuel

EMISSIONS TO AIR[3)]

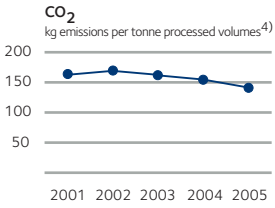
CO_2	1,632,000 tonnes
nmVOC refinery	8,060 tonnes
nmVOC terminal	4,970 tonnes
Methane	2,980 tonnes
NO_x	1,870 tonnes
SO_2	847 tonnes
Hydrocarbon gas, unintentional	1 tonne

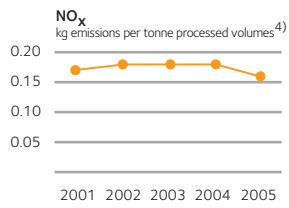
DISCHARGES TO WATER[3)]

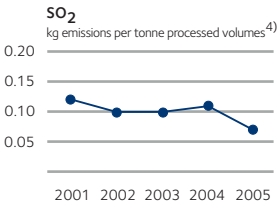
Oil in oily water	5.8 tonnes
Unintentional oil spills	0.2 m³
Phenol	1.7 tonnes
Ammonium	35.7 tonnes

WASTE

Waste for landfill	764 tonnes
Waste for recovery	843 tonnes
Recovery factor	0.53
Hazardous waste	6,470 tonnes







1) Includes data for the refinery, crude oil terminal and Vestprosess facilities
2) Products delivered from the jetties
3) Regulatory requirements have been met for all parameters
4) Processed volumes means crude oil and other process raw materials

KALUNDBORG

ENERGY

Electricity	177 GWh
Steam	98 GWh
Fuel gas and oil	2,470 GWh
Flare gas	122 GWh

RAW MATERIALS

Crude oil	4,717,000 tonnes
Other process raw materials	10,500 tonnes
Blending components	206,000 tonnes

UTILITIES

Acids	702 tonnes
Caustics	1,390 tonnes
Additives	3 tonnes
Process chemicals	558 tonnes
Ammonia (liquid)	2,160 tonnes

WATER CONSUMPTION

Fresh water	1,610,000 m³

PRODUCTS 4,738,000 tonnes

Propane, Butane, Naphtha, Gas oil, Petrol, Fuel oil, Jet fuel, ATS (fertiliser)

EMISSIONS TO AIR[2) 4)]

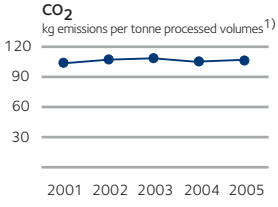
CO_2	514,000 tonnes
nmVOC	2,400 tonnes
Methane	600 tonnes
NO_x	413 tonnes
SO_2	299 tonnes

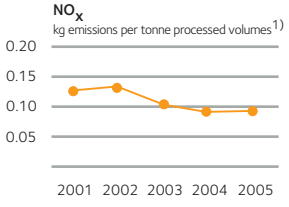
DISCHARGES TO WATER[2)]

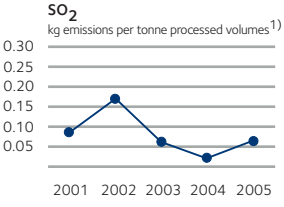
Oil in oily water	2.2 tonnes
Unintentional oil spills	0.2 m³
Phenol	0.05 tonnes
Suspended matter	27.1 tonnes
Sulphide	0.1 tonnes
Nitrogen	15.7 tonnes

WASTE

Waste for landfill	394 tonnes
Waste for recovery	1,290 tonnes
Recovery factor	0.77
Hazardous waste	875 tonnes







1) Processed volumes means crude oil and other process raw materials
2) Regulatory requirements have been met for all parameters except nitrogen
3) Consumption of fresh water for process water and steam production, etc
4) Accidental emissions are not included in the figures for methane and nmVOC

TJELDBERGODDEN >

ENERGY

Diesel	0.2 GWh
Electricity	57.3 GWh
Fuel gas	1,710 GWh
Flare gas	61 GWh

RAW MATERIALS

Rich gas	492,100 tonnes
Condensate	0 tonnes

UTILITIES

Caustics	255 tonnes
Acids	63 tonnes
Other chemicals	20 tonnes

WATER CONSUMPTION

Fresh water	472,000 m^3

PRODUCTS

Methanol	905,000 tonnes
Oxygen	9,080 tonnes
Nitrogen	37,000 tonnes
Argon	16,500 tonnes
LNG	10,800 tonnes

EMISSIONS TO AIR[1) 2)]

CO_2	347,000 tonnes
nmVOC	120 tonnes
Methane	90 tonnes
NO_x	308 tonnes
SO_2	0.4 tonnes

DISCHARGES TO WATER[1)]

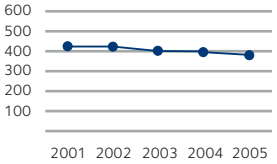
Cooling water	201 mill m^3
Total organic carbon (TOC)	0.4 tonnes
Suspended matter	0.8 tonnes
Nitrogen	1.4 tonnes

WASTE

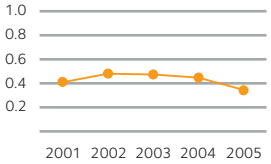
Waste for landfill	0 tonnes
Waste for recovery	118 tonnes
Recovery factor	1.00
Hazardous waste:	
Sludge from treatment plant	112 tonnes
Other	41 tonnes

1) Regulatory requirements have been met for all parameters except pH (daily concessions) and VOC
2) Accidental emissions are not included in the figures for methane and nmVOC

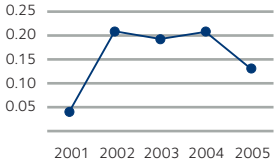
CO_2
kg emissions per tonne product (methanol+LNG)



NOx
kg emissions per tonne product (methanol+LNG)



nmVOC
kg emissions per tonne product (methanol+LNG)



KÅRSTØ GAS PROCESSING PLANT AND TRANSPORT SYSTEMS* >

ENERGY[1)]

Fuel gas	6,110 GWh
Electricity bought	361 GWh
Diesel	1 GWh
Flare gas	243 GWh

RAW MATERIALS[2)]

Rich gas	19.1 mill tonnes
Condensate	4.33 mill tonnes

UTILITIES/WATER CONSUMPTION

Hydrochloric acid	250 tonnes
Sodium hydroxide	220 tonnes
Ammonia	23 tonnes
Methanol	110 tonnes
Other chemicals	6.68 tonnes
Fresh water	0.7 mill m^3

PRODUCTS

Lean gas	16.0 mill tonnes
Propane	2.85 mill tonnes
I-butane	0.55 mill tonnes
N-butane	1.06 mill tonnes
Naphtha	0.67 mill tonnes
Condensate	2.67 mill tonnes
Ethane	0.57 mill tonnes
Electricity sold	24 GWh

EMISSIONS TO AIR[3) 5) 6)]

CO_2	1,180,000 tonnes
nmVOC	2,630 tonnes
Methane	1,220 tonnes
NO_x	952 tonnes
SO_2	2.55 tonnes

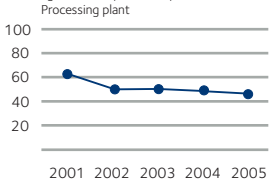
DISCHARGES TO WATER[5) 7)]

Cooling water	381 mill m^3
Treated water	0.70 mill m^3
Oil in oily water	312 kg
Total organic carbon (TOC)	5.01 tonnes

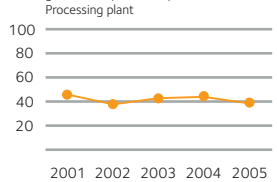
WASTE[4)]

Waste for landfill	244 tonnes
Waste for recovery	2,260 tonnes
Recovery factor	0.90
Hazardous waste[8)]	15,100 tonnes

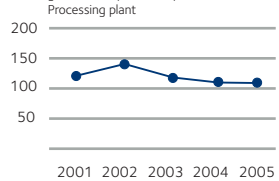
CO_2
kg emissions per tonne product Processing plant



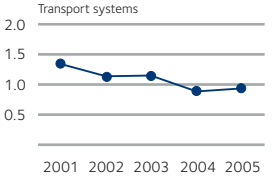
NO_x
g emissions per tonne product Processing plant



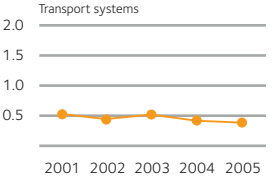
nmVOC
g emissions per tonne product Processing plant



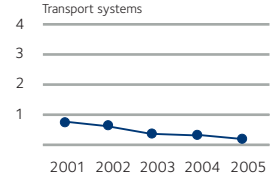
CO_2
kg emissions per tonne product Transport systems



NO_x
g emissions per tonne product Transport systems



nmVOC
g emissions per tonne product Transport systems



* Gassco is operator for the facilities, and Statoil is technical service provider
1) Includes energy consumption for transport systems: 386 GWh fuel gas
2) Excludes gas transport by transport systems: 70.4 mill tonnes
3) Includes emissions from transport systems: 68,100 tonnes CO_2, 30 tonnes NO_x, 13 tonnes nmVOC, 122 tonnes methane and 60 kg SO_2
4) Includes waste from transport systems: 14 tonnes for landfill, 121 tonnes for recovery and 67 tonnes hazardous waste
5) All regulatory emission requirements have been met for 2005
6) Accidental emissions are included in the figures for methane and nmVOC
7) No unintentional oil spills at the processing plant or in transport systems
8) Includes 14,900 tonnes of process water

Report from Ernst & Young AS

Assurance report

To the stakeholders of Statoil ASA

Scope of engagement
We have been engaged by the corporate executive committee of Statoil to prepare an independent assurance report on the health, safety and environment (HSE) accounting for Statoil ASA in 2005, as presented in the annual report and accounts for 2005 on pages 134-140.

Statoil's corporate executive committee is responsible for the HSE accounting.

Reporting criteria
As a basis for this assurance engagement, we have used Statoil's internal reporting criteria specifically developed for HSE, as described in the text on pages 134-140, together with relevant criteria in the sustainability reporting guidelines of the Global Reporting Initiative (GRI). We consider these reporting criteria to be relevant and appropriate to evaluate Statoil's HSE data.

Work performed
Our work is performed in accordance with the SA 3000 (ISAE 3000), "Assurance engagements other than audits or reviews of historical financial information". The standard requires that we plan and execute procedures in order to obtain reasonable assurance that the HSE accounting as a whole is free of material misstatement.

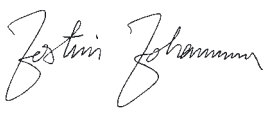
We have evaluated the HSE data's reliability, and whether the HSE performance is presented in an appropriate manner. Our objective has been to investigate:
- the acceptability and consistency of the reporting principles
- the reliability of the historical information presented on the relevant pages in the annual report and accounts.
- the completeness of the information and the sufficiency of the presentations.

Our work has included:
- discussions with the corporate management for HSE on the content of the HSE accounting
- site visits to 10 entities, selected by Ernst & Young (selection is based on a rotation principle, together with an evaluation of the entity's nature, significance and specific risks). During site visits we have interviewed managers and personnel who participate in collecting the figures for the HSE accounting
- testing on a sample basis to evaluate whether figures from the various entities have been correctly incorporated in the HSE accounts, and overall analyses of the figures compared with earlier reporting periods
- testing on a sample basis that the HSE accounting presented is based on defined and consistent methods for measuring, analysing and quantifying the data
- assessment of whether the overall information is presented in an appropriate manner in the HSE accounting.

We believe that our procedures provide us with an appropriate basis to conclude with a reasonable level of assurance on the HSE accounting.

Conclusions
Based on our procedures, related to the HSE accounting on pages 134-140, we believe:
- Statoil has established a management system for HSE, and continuous improvement is actively pursued
- the HSE accounting includes information on all matters relating to HSE which are relevant to the group as a whole
- the information presented is consistent with the stated criteria
- the data tested was in general based on defined and consistent methods for measuring, analysing and quantifying data
- the HSE performance indicators and environmental charts are in accordance with information submitted by the various entities, and illustrations of trends are in accordance with presented historical data.

Stavanger, 9 March 2006
ERNST & YOUNG AS



Jostein Johannessen
State authorised public accountant

General information

Annual general meeting
The annual general meeting in Statoil ASA will be held at Stavanger Forum, Gunnar Warebergs gate 13, Stavanger, Norway on Wednesday 10 May 2006 at 17:00.

Shareholders who would like to attend the annual general meeting are asked to give notification of this by 12:00 on Monday 8 May to:
DnB NOR Bank ASA
Verdipapirservice
Stranden 21
N-0021 Oslo, Norway.

Telephone: +47 22 48 35 90
Telefax: +47 22 48 11 71

Shareholders who wish to attend the general meeting by proxy must give notice of this in writing. Notice of the annual general meeting will be published in the Norwegian newspapers *Stavanger Aftenblad, Aftenposten, Dagens Næringsliv* and *Finansavisen*.

Dividend
The board's proposal for the distribution of dividend will be resolved at the annual general meeting, with 30 May 2006 as the planned date for payments. Dividend payments will be made to persons listed in the register of shareholders in the Norwegian Central Securities Depository (VPS) on 10 May 2006.

Reporting of results
The following dates have been set for the quarterly reports in 2006:

1st quarter	8 May
2nd quarter	31 July
3rd quarter	30 October

The results will be published at 08:30.
Statoil reserves the right to change the dates.

Information from Statoil
The annual report is available in printed and electronic versions, in Norwegian and English. Quarterly reports in both languages are available electronically. The group also prepares a report in English once a year, Form 20-F, and quarterly reports, Form 6-K, as required by the Securities and Exchange Commission in the USA. These reports, together with further information about the group's operations, can be obtained by contacting investor relations or public affairs in Statoil.

Shareholders who are registered in the VPS as owners in Statoil may now receive the group's annual report and accounts and notice of annual general meeting electronically.

If you wish to make use of this opportunity or want to find more information, please go to www.vps.no/erapport.html on the internet.

Addresses
Statoil's head office has the following address:
Statoil ASA, 4035 Stavanger, Norway.

Telephone:	+47 51 99 00 00
Telefax:	+47 51 99 00 50
E-mail:	statoil@statoil.com
Investor relations :	ir@statoil.com
Internet:	www.statoil.com

A complete list of addresses and telephone numbers for Statoil's offices is available at:

www.statoil.com/address

Articles of association for Statoil ASA

Article 1

The name of the Company is Statoil ASA. The Company is a Public Limited Company and the Company's shares are recorded in the Norwegian Central Securities Depository *(Verdipapirsentralen)*. The corporate object of Statoil ASA 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 5,473,964,000 divided into 2,189,585,600 shares of NOK 2.50 each.

Article 4

The Board of Directors of the Company shall be composed of at least five and a maximum of 11 directors. The Board of Directors, including the chair and the deputy chair, shall be elected by the Corporate Assembly. Five deputy directors may be elected in respect of the directors elected by and among the employees, and these deputies shall be summoned in the order in which they are elected. Two deputy directors may be elected in respect of the other directors, one as first deputy and one as second deputy. 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 chief executive officer and stipulate his/her salary.

Article 7

The Company shall have a Corporate Assembly consisting of 12 members. Members and deputies shall be elected for two years at a time. The Annual General Meeting shall elect eight members and three deputy members for these eight. Four members and deputies for these four shall be elected by and among the employees of the Company in accordance with regulations pursuant to the Public Limited Companies Act concerning the rights of employees to be represented on the Board of Directors and in the Corporate Assembly of limited companies.
The Corporate Assembly shall elect a chair and deputy chair from and among its members.
The Corporate Assembly shall hold at least two meetings annually.

Article 8

The Annual General Meeting shall be held each year before the end of June. Annual General Meetings shall be held in Stavanger or in Oslo.

Article 9

The Annual General Meeting shall deal with and decide the following matters:
Adoption of the profit and loss account and the balance sheet.
Application of the annual profit or coverage of loss as shown in the adopted balance sheet, and the declaration of dividends.
Adoption of the consolidated profit and loss account and the consolidated balance sheet.
Any other matters which are referred to the Annual General Meeting by statute law or the Articles of Association.

Article 10

The Company shall be responsible for the marketing and sale of the state's petroleum which is produced from the state's direct financial interest (SDFI) on the Norwegian continental shelf, as well as for the marketing and sale of petroleum paid as royalty in accordance with the Petroleum Act of 29 November 1996 No 72. The Annual General Meeting of the Company may by simple majority decide on further instructions concerning the marketing and sale.

Article 11

The Company shall have an Election Committee. The tasks of the Election Committee are to make recommendations to the Annual General Meeting regarding the election of shareholder-elected members and deputy members of the Corporate Assembly, and to make recommendations to the Corporate Assembly regarding the election of shareholder-elected members and deputy members of the Board of Directors. The chair of the Board of Directors and the chief executive officer of the group shall, without having the right to vote, be summoned to at least one meeting of the Election Committee before it delivers its final recommendations.

The Election Committee shall consist of four members who shall be shareholders or representatives of shareholders. The chair of the Corporate Assembly shall be a permanent member and chair of the Election Committee. Two members shall be elected by the Annual General Meeting, and one member shall be elected by and among the Corporate Assembly's shareholder-elected members. The members of the Election Committee are elected for a term of two years. The shareholder-elected members of the Corporate Assembly may, following recommendations from the shareholder-elected members of the Board of Directors, adopt instructions for the Election Committee.

Article 12

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

Adopted at the Annual General Meeting of 7 May 2002.

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The annual report and accounts contains the directors' report, the financial analysis, the annual accounts (USGAAP) and the HSE accounting. In addition come articles which give a good picture of our operations and governance systems as well as our plans and strategies.

This sustainability report provides information about our commitments, results and ambitions as a member of society. Key topics are values, ethics, human resources policies, financial performance and effects, the environment and social responsibility.

The 20-F report provides a detailed and extensive review of our operations. Its title refers to the document from the US Securities and Exchange Commission which specifies what the report must contain.

The financial statements 2005 Norwegian accounting principles contain the Statoil group accounts and the company accounts for Statoil ASA, in accordance with the Norwegian accounting principles (NGAAP).

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