



Financial statements 2003

Norwegian accounting principles

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Statoil group – NGAAP

CONSOLIDATED STATEMENTS OF INCOME – NGAAP

(in NOK million)	Note	Year ended December 31,		
		2003	2002	2001
REVENUES				
Sales	3	248,516	242,507	223,132
Equity in net income (loss) of affiliates	8	738	366	439
Other income	4	865	1,270	4,810
Total revenues		250,119	244,143	228,381
EXPENSES				
Cost of goods sold		(149,746)	(147,867)	(130,300)
Operating expenses		(26,649)	(28,603)	(27,334)
Selling, general and administrative expenses		(5,537)	(5,299)	(4,292)
Depreciation, depletion and amortization	5, 10	(16,327)	(16,860)	(16,292)
Exploration expenses	10	(2,370)	(2,410)	(2,584)
Total expenses before financial items		(200,629)	(201,039)	(180,802)
Income before financial items, other items, income taxes and minority interest		49,490	43,104	47,579
Net financial items	12	1,237	8,672	(105)
Other items	2	(6,025)	0	0
Income before income taxes and minority interest		44,702	51,776	47,474
Income taxes	13	(27,349)	(35,246)	(32,159)
Minority interest		(289)	(153)	(488)
Net income		17,064	16,377	14,827
Net income per common share		7.88	7.56	7.14
Diluted net income per common share		7.88	7.56	7.14
Weighted average number of ordinary shares outstanding		2,166,143,693	2,165,422,239	2,076,180,942

CONSOLIDATED BALANCE SHEETS – NGAAP

(in NOK million)	Note	At December 31,	
		2003	2002
ASSETS			
Net property, plant and equipment	10	128,325	123,261
Long-term receivables	17, 22	14,263	7,138
Long-term investments	9	8,080	6,216
Investments in affiliates	8	11,022	9,507
Total non-current assets		161,690	146,122
Inventories	7	5,727	6,257
Accounts receivable	11	28,048	32,057
Accounts receivable - related parties	22	2,144	1,893
Prepaid expenses and other current assets		4,289	2,630
Total inventories and accounts receivables		40,208	42,837
Short-term investments	9	9,314	5,267
Cash and cash equivalents		7,316	6,702
Cash, cash equivalents and short-term investments		16,630	11,969
Total current assets		56,838	54,806
TOTAL ASSETS		218,528	200,928

CONSOLIDATED BALANCE SHEETS – NGAAP

(in NOK million)	Note	At December 31,	
		2003	2002
EQUITY AND LIABILITIES			
Common stock (NOK 2.50 nominal value), 2,189,585,600 shares authorized and issued		5,474	5,474
Treasury shares, 23,441,885 shares		(59)	(59)
Additional paid-in capital		12,418	12,418
Paid-in capital		17,833	17,833
Retained earnings		46,758	33,200
Minority interest in subsidiaries		1,483	1,550
Total equity	23	66,074	52,583
Deferred income taxes	13	37,948	43,126
Other liabilities	17, 18	20,630	11,282
Long-term debt	15	28,775	30,523
Total long-term liabilities		87,353	84,931
Short-term debt	14	6,045	4,323
Accounts payable		17,977	19,603
Accounts payable - related parties	22	6,114	5,649
Withheld, excise and other taxes		4,721	3,591
Income taxes payable	13	17,676	18,358
Accrued liabilities		6,178	5,608
Dividend payable		6,390	6,282
Total current liabilities		65,101	63,414
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		218,528	200,928

CONSOLIDATED STATEMENTS OF CASH FLOW – NGAAP

(in NOK million)	Year ended December 31,	
	2003	2002
OPERATING ACTIVITIES		
Consolidated net income	17,064	16,377
<u>Adjustments to reconcile net income to net cash flows provided by operating activities:</u>		
Minority interest in income	289	153
Depreciation, depletion and amortization	16,327	16,860
Exploration cost written off	256	554
(Gains) losses on foreign currency transactions	781	(8,771)
Deferred taxes	(6,275)	1,538
(Gains) losses on sales of assets and other items	4,964	(1,589)
<u>Changes in working capital (other than Cash and cash equivalents):</u>		
• (Increase) decrease in inventories	450	(178)
• (Increase) decrease in accounts receivable	2,054	(6,211)
• (Increase) decrease in other receivables	(2,876)	4,684
• (Increase) decrease in short-term investments	(4,047)	(3,204)
• Increase (decrease) in accounts payable	(1,057)	4,118
• Increase (decrease) in other payables	4,695	(2,695)
• Increase (decrease) in taxes payable	(682)	1,740
Increase (decrease) in other non-current obligations	(1,146)	647
Cash flows provided by operating activities	30,797	24,023
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(22,075)	(17,907)
Exploration expenditures capitalized	(331)	(652)
Change in long-term loans granted and other long-term items	(7,682)	(1,495)
Proceeds from sale of assets	6,890	3,298
Cash flows used in investing activities	(23,198)	(16,756)

CONSOLIDATED STATEMENTS OF CASH FLOW – NGAAP

(in NOK million)	Year ended December 31,	
	2003	2002
FINANCING ACTIVITIES		
New long-term borrowings	3,206	5,396
Repayment of long-term borrowings	(2,774)	(4,831)
Amounts paid to minority shareholders	(356)	(173)
Ordinary dividend paid	(6,282)	(6,169)
Net short-term borrowings, bank overdrafts and other	(1,656)	1,146
Cash flows used in financing activities	(7,862)	(4,631)
Net increase (decrease) in cash and cash equivalents	(263)	2,636
Effect of exchange rate changes on cash and cash equivalents	877	(329)
Cash and cash equivalents at January 1	6,702	4,395
Cash and cash equivalents at December 31	7,316	6,702
Interest paid	1,336	1,782
Taxes paid	34,230	31,634

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – NGAAP

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 pipeline 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 transfers of properties from the SDFI have been accounted for as transactions among entities under common control and, accordingly, these properties have been combined with those of Statoil at their historical book value with effect from June 1, 2001. However, certain adjustments have been made to the carrying value of the properties transferred. These adjustments primarily relate to imputing of capitalized interest in the same manner as if the properties transferred to Statoil had been Statoil's from inception. The cash payment and net book value of properties transferred to the Norwegian State in excess of the net book value of the properties transferred to Statoil, was recognized directly against equity. The final cash payment is contingent upon review by the Norwegian State, which is expected to be completed in 2004. The adjustment to the cash payment, if any, will be recorded against equity.

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 Norwegian generally accepted accounting principles (NGAAP). For a reconciliation to United States generally accepted accounting principles (USGAAP) see note 25.

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 the functional currency, with the exception of some upstream subsidiaries, where the US dollar is the functional currency.

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 sales and transportation of crude oil, natural gas, petroleum and chemical products and other merchandise 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. Revenues from the production by oil and gas properties are recorded on the basis of sales to customers.

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. Income from short-term investments is recorded when earned.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – NGAAP

Inventories

Inventories are valued at the lower of cost or market, using the first-in, first-out (FIFO) method.

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 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 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 period. Straight-line depreciation of other assets is based on the following estimated useful lives:

Machinery and equipment	5 — 10 years
Production plants onshore	15 — 20 years
Buildings	20 — 25 years
Vessels	20 — 25 years
Goodwill	5 — 20 years

Oil and gas accounting

Statoil uses the "Successful efforts"-method of accounting for oil and gas producing activities. Costs to acquire mineral interests in oil and gas properties, to drill and equip exploratory wells that find proved reserves, and to drill and equip development wells are capitalized. Costs to drill exploratory wells that do not find proved reserves, and geological and geophysical and other exploration costs are expensed. Pre-production costs are expensed as incurred.

Unproved oil and gas properties are periodically assessed on a property-by-property basis, and a loss is recognized to the extent, if any, that the cost of the property has been impaired. Capitalized expenditures of producing oil and gas properties are depreciated and depleted by the unit of production method.

Impairment of long-lived assets

Long-lived assets, identifiable intangible assets and goodwill, are written down when events or a change in circumstances during the year indicate that their carrying amount may not be recoverable.

Impairment is determined for each autonomous group of assets (oil and gas fields or licenses, or independent operating units) by comparing their carrying value with recoverable amounts. Recoverable amount is the highest of estimated selling price and value in use based upon management's expectations of future economic and operating conditions. Value in use is nominal cash flows discounted with a risk adjusted interest rate before tax.

Should the above comparison indicate that an asset is impaired, the asset is written down to recoverable amount.

Asset retirement obligation

Beginning January 1, 2003, Statoil changed the accounting principle for asset retirement obligation from recognizing according to unit of production method to recognize the total fair value of the obligation at the time the obligations are incurred. The new principle is in accordance with the preferred solution in the Norwegian accounting standard (NRS) 13 accounting for provisions, contingent liabilities and contingent assets. Legal obligations associated with the retirement of long-lived assets are 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 credit-adjusted risk-free rate with the same expected maturity as the removal obligation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – NGAAP

Prior to changing the principle the estimated costs of decommissioning and removal of major producing facilities were accrued using the unit-of-production method. The calculation of estimated costs of decommissioning and removal were done by using future undiscounted costs based on existing principles and technology.

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 and the liability is reduced for lease payments less the effective interest expense.

Employee retirement plans

Pension liabilities are calculated in accordance with NRS 6 Pensions. Prior service costs, due to plan amendments, are amortized on a straight-line basis over the average remaining service period of active participants. 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.

Research and development

Research and development expenditures are expensed when incurred.

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). From June 2001, Statoil no longer acts as an agent to sell SDFI oil production to third parties. As such all purchases and sales of SDFI oil production are recorded as Cost of goods sold and Sales, respectively, whereas before, the net result of any trading activity was included in 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.

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. Deferred income tax expense is the change during the year in the deferred tax assets and liabilities relating to the operations during the year. Effects of changes in tax laws and tax rates are recognized at the date the tax law changes.

Financial instruments and commodities derivatives

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

- **Currency swap agreements**
For long-term debt exchanged from the original foreign currency to another (open) currency at an agreed rate of exchange, the open currency position is applied when translating the debt to NOK.
- **Forward currency contracts**
Unrealized gains or losses on hedging contracts are offset against losses or gains on the items hedged. The interest element is accrued and amortized over the contract period. Unrealized gains or losses on trading contracts are recorded in the income statement as incurred.
- **Interest swap agreements**
The net effect of income and expenses related to interest swap agreements is allocated over the contract period.
- **Commodity based derivatives**
Commodity based derivatives traded on organized exchanges are valued at market value and the resulting gains and losses are charged to income. Other commodity based derivatives are valued according to the lower of cost or market principle.

Reclassifications

Statoil has adjusted the formula for calculating the inter-segment price for deliveries of natural gas from Exploration and Production Norway to Natural Gas, see note 3.

Certain reclassifications have been made to prior years' figures to be consistent with current year's presentation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – NGAAP

New accounting principle and changes in regulations

Application of new accounting principle at January 1, 2003 for assets retirement obligation resulted in an increase in net property, plant and equipment of NOK 2.8 billion, an increase in accrued asset retirement obligation of NOK 7.1 billion, a reduction in deferred tax assets of NOK 1.5 billion, and a long-term receivable of NOK 5.8 billion. The receivable represented the expected refund by the Norwegian State of an amount equivalent to the actual removal costs multiplied by the effective tax rate over the productive life of the assets. Removal costs on the Norwegian continental shelf were, unlike decommissioning costs, not deductible for tax purposes. The implementation effect of NOK 33 million after tax is expensed as Operating expenses in the segment Other and eliminations. If the accounting principle had been applied as of the beginning of 2001 the effect on net income and shareholders' equity for the years ended 2001 and 2002 would have been immaterial.

The Norwegian Parliament decided in June 2003 to replace governmental refunds for removal costs on the Norwegian continental shelf with ordinary tax deduction for such costs. Previously, removal costs were refunded by the Norwegian State based on the company's percentage for 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.

3. Segment and Geographic Information

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 income are consistent with that used by management in making strategic decisions.

A new method for calculating the inter-segment price for deliveries of natural gas from Exploration and Production Norway to Natural Gas was adopted from first quarter 2003. The new price amounts to NOK 0.32 per standard cubic meter, adjusted quarterly by the average USD oil price over the last six months in proportion to USD 15. The new price applies to all volumes, while previously the price was calculated on a field-by-field basis, and the formula used differentiated between gas fields and fields delivering associated gas. The new method is partly a result of the Norwegian Gas Negotiating Committee being abolished, and replaced by company-based sales. Prior periods have been adjusted to reflect the new pricing formula.

Segment data for the years ended December 31, 2003, 2002 and 2001 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, 2003						
Revenues third party	2,275	2,564	24,482	218,662	1,398	249,381
Revenues inter-segment	60,170	4,458	445	120	(65,193)	0
Income (loss) from equity investments	74	0	222	475	(33)	738
Total revenues	62,519	7,022	25,149	219,257	(63,828)	250,119
Depreciation, depletion and amortization	12,142	1,784	486	1,409	506	16,327
Income before financial items, other items, income taxes and minority interest	37,574	1,744	6,406	4,079	(313)	49,490
Segment income taxes	(27,857)	(670)	(4,460)	(902)	(6)	(33,895)
Segment net income	9,717	1,074	1,946	3,177	(319)	15,595

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – NGAAP

(in NOK million)	Exploration and Production Norway	International Exploration and Production	Natural Gas	Manufacturing and Marketing	Other and eliminations	Total
Year ended December 31, 2002						
Revenues third party	1,818	5,749	24,351	210,757	1,102	243,777
Revenues inter-segment	57,075	1,020	168	194	(58,457)	0
Income (loss) from equity investments	(1)	0	132	305	(70)	366
Total revenues	58,892	6,769	24,651	211,256	(57,425)	244,143
Depreciation, depletion and amortization	11,901	2,355	592	1,646	366	16,860
Income before financial items, other items, income taxes and minority interest	34,025	1,086	6,543	1,787	(337)	43,104
Segment income taxes	(25,295)	(381)	(4,599)	(359)	(110)	(30,744)
Segment net income	8,730	705	1,944	1,428	(447)	12,360
Year ended December 31, 2001						
Revenues third party	3,516	5,881	20,081	197,047	792	227,317
Revenues inter-segment	53,314	1,767	32	936	(56,049)	0
Income (loss) from equity investments	120	0	135	187	(3)	439
Total revenues	56,950	7,648	20,248	198,170	(55,260)	227,756
Depreciation, depletion and amortization	10,111	3,371	630	1,818	362	16,292
Income before financial items, other items, income taxes and minority interest	35,444	1,246	6,935	3,917	37	47,579
Segment income taxes	(25,666)	(372)	(4,819)	(1,136)	(13)	(32,006)
Segment net income	9,778	874	2,116	2,781	24	15,573

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – NGAAP

Borrowings are managed at a corporate level and interest expense is 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, segment income tax and net income can be reconciled to income taxes and net income per the Consolidated Statements of Income as follows:

(in NOK million)	2003	2002	2001
Segment net income	15,595	12,360	15,573
Net financial items	1,237	8,672	(105)
Other items (see note 2)	(6,025)	0	0
Change in deferred tax due to new legislation (see note 2)	6,712	0	0
Tax on financial items and other tax adjustments	(166)	(4,502)	(153)
Minority interest	(289)	(153)	(488)
Net income	17,064	16,377	14,827
Segment income taxes	33,895	30,744	32,006
Change in deferred tax due to new legislation (see note 2)	(6,712)	0	0
Tax on financial items and other tax adjustments	166	4,502	153
Income taxes	27,349	35,246	32,159

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.

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. Segment income taxes are calculated on the basis of income before financial items and minority interest.

Non-current assets by segments

(in NOK million)	2003	At December 31, 2002	2001
Exploration and Production Norway	80,681	77,041	77,630
Exploration and Production International	32,879	20,368	20,229
Natural Gas	10,797	10,312	10,500
Manufacturing and Marketing	23,194	27,194	29,633
Other	14,139	11,207	11,842
Total non-current assets	161,690	146,122	149,834

Revenues by geographic areas

(in NOK million)	2003	Year ended December 31, 2002	2001
Norway	223,761	215,560	196,211
Europe (excluding Norway)	30,152	31,449	36,002
United States	26,524	27,655	27,164
Other areas	8,014	9,253	6,206
Eliminations	(39,070)	(40,140)	(37,641)
Total revenues (excluding equity in net income (loss) of affiliates)	249,381	243,777	227,942

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – NGAAP

Non-current assets by geographic areas

(in NOK million)	2003	At December 31, 2002	2001
Norway	112,557	113,004	113,745
Europe (excluding Norway)	39,845	28,550	32,010
United States	638	25	70
Other areas	21,563	11,586	13,755
Eliminations	(12,913)	(7,043)	(9,746)
Total non-current assets	161,690	146,122	149,834

4. Significant Acquisitions and Dispositions

In 2001, Statoil sold specific interests in Norwegian oil and gas licenses, its 4.76 per cent interest in the Kashagan oil field in Kazakhstan and its activity in Vietnam which resulted in total gains of NOK 4.3 billion before tax and NOK 3.5 billion after tax.

In 2002, Statoil sold its interests in the Siri and Lulita oil fields on the Danish continental shelf. The sale resulted in a gain included in the International Exploration and Production segment of NOK 1.0 billion before tax and NOK 0.7 billion after tax.

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 are 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 second quarter of 2003, and the profit and loss effect from the sale was a gain of NOK 0.7 billion before tax.

Statoil and BP signed an agreement in June 2003 whereby Statoil will acquire 49 per cent of BP's interests in the In Salah gas project and 50 per cent of BP's interest in the In Amenas gas condensate project, both in Algeria. Statoil has paid BP USD 740 million, and has in addition covered the expenditures incurred after January 1, 2003 related to the acquired interests. As part of the agreement, the two companies will work together with Sonatrach, the Algerian State Oil and Gas Company, in a joint operation of the two projects under development in Algeria. Following this transaction, Statoil will have a 31.85 per cent interest in the In Salah revenue sharing contract and a 50 per cent interest in the In Amenas production sharing contract. In September 2003 Sonatrach confirmed that they will not exercise their pre-emption rights. The terms of the agreement were submitted to the European Commission for clearance of change of control of the In Salah gas project under the EU Merger Control Regulation, and were approved by EU in December 2003. In addition, amendments to the two projects' co-operation agreements implementing Statoil as participant in the projects will be submitted to the Algerian Ministry of Energy and Mining, the Algerian petroleum industry regulator, for necessary approval by the Council of Ministers and final authorization of the transaction through gazettal publication. The payments made by Statoil have been accounted for as long-term prepayments at year-end 2003, pending such final approval.

In January 2004, Statoil sold its 5.26 per cent shareholding in the German company Verbundnetz Gas, generating a gain of approximately NOK 0.6 billion before tax (approximately NOK 0.4 billion after tax).

5. Asset Impairments

In 2001, a charge of NOK 2 billion before tax (NOK 1.4 billion after tax) was recorded in Depreciation, depletion and amortization in the International Exploration and Production segment to write down the Company's 27 per cent interest in the LL652 oil-field in Venezuela to fair value. In 2002 an additional impairment charge of NOK 0.8 billion before tax (NOK 0.6 billion after tax) was recorded related to the Company's interest in LL652. The write-downs are mainly due to reductions in the projected volumes of oil recoverable during the remaining contract period of operation. Fair value is calculated based on discounted estimated future cash flows.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – NGAAP

6. Provison for Rig Rental Contracts

Statoil provides for estimated losses on long-term fixed price rental agreements for mobile drilling rigs. The losses are calculated as the difference between estimated market rates and the fixed price rental agreements.

(in NOK million)	2003	2002	2001
Provision at January 1	960	734	960
Increase (decrease) during the year	454	231	(150)
Cost incurred during the year	(54)	(5)	(76)
Provision at December 31	1,360	960	734

7. Inventories

The lower of cost or market test is measured, and the results are recognized and any resulting writedowns to market, if required, are recorded as adjustments to the cost of inventories.

(in NOK million)	At December 31,	
	2003	2002
Crude oil	2,192	2,766
Petroleum products	2,470	2,647
Other	1,065	844
Total inventories	5,727	6,257

8. Summary Financial Information of Unconsolidated Equity Affiliates

Statoil's investment in affiliates includes a 50 per cent interest in Borealis A/S, a petrochemical production company, and a 50 per cent interest in Statoil Detaljhandel Skandinavia AS (SDS), a group of retail petroleum service stations.

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. Accounts receivable - related parties in the Consolidated Balance Sheets relate to amounts due from equity affiliates. In addition Statoil has given a long-term sub-ordinated loan of EUR 30 million to Borealis A/S .

Equity method affiliates - gross amounts

(in NOK million)	Borealis A/S			SDS		
	2003	2002	2001	2003	2002	2001
At December 31,						
Current assets	7,286	5,909	7,694	2,799	2,798	3,189
Non-current assets	19,085	17,432	19,710	6,787	6,029	6,105
Current liabilities	7,058	6,063	6,108	3,717	3,288	2,894
Long-term debt	6,140	5,787	8,787	1,951	2,488	3,382
Other liabilities	2,375	2,187	2,201	444	0	0
Net assets	10,798	9,304	10,310	3,474	3,051	3,018
Year ended December 31,						
Gross revenues	30,936	25,617	29,819	24,615	23,112	24,563
Income before taxes	126	215	(193)	210	423	411
Net income	135	43	(330)	148	302	290
Capital expenditures	1,002	978	1,182	779	721	552

No dividends have been received from Borealis A/S for 2003 and 2002. For 2001 the dividend amounted to NOK 16 million. Statoil received NOK 65 million in dividend from SDS in 2003. No dividends have been received from SDS for the years 2002 and 2001.

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Equity method affiliates - detailed information

(amounts in million)	Currency	Par value	Share capital	Ownership	Book value	Profit share
Borealis A/S	EUR	268	536	50%	5,405	228
Statoil Detaljhandel Skandinavia AS	NOK	1,300	2,600	50%	1,173	152
P/R West Navigator DA	NOK	-	-	50%	1,100	(78)
Other companies	-	-	-	-	3,344	436
Total					11,022	738

Ownership corresponds to voting rights.

The difference between the book value and equity interest of the investment in SDS represents the difference between the book value and the fair value on the sale of Statoil's 50 per cent interest in SDS in 1999 which is being amortized. P/R West Navigator DA owns the drillship *West Navigator*, and its only activity pertains to this drillship.

9. Investments

(in NOK million)	At December 31,	
	2003	2002
Short-term deposits	1,358	51
Certificates	7,848	5,073
Bonds	35	50
Other	73	93
Total short-term investments	9,314	5,267

The cost price of short-term investments for the years ended December 31, 2003 and 2002 was NOK 9,284 and 5,261 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.

(in NOK million)	At December 31,	
	2003	2002
Shares in other companies	1,850	1,166
Certificates	2,005	1,031
Bonds	2,291	2,749
Marketable equity securities	1,934	1,270
Total long-term investments	8,080	6,216

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Investments in bonds

The market value of the groups investments in bonds by debtor category and foreign currency is shown in the following tables:

(in NOK million)	At December 31, 2003
By debtor type	
Government outside Norway	1,162
Central and local government administration	1,022
Banks and credit institutions, Norway	140
Other	1
Total market value	2,325
By currency	
Canadian dollar (CAD)	24
Great British pounds (GBP)	42
US dollar (USD)	327
Euro (EUR)	714
Norwegian kroner (NOK)	1,164
Other	54
Total market value	2,325

The cost price of the investments in bonds amounts to NOK 2,244 million.

10. Property, Plant and Equipment

(in NOK million)	Machinery, equipment and transportation equipment	Production plants oil and gas, including pipelines	Production plants onshore	Buildings and land	Vessels	Construction in progress	Capitalized exploration cost	Total
Cost at January 1, 2003 *	9,301	222,586	31,356	6,626	7,077	12,223	3,490	292,659
Acc depr, depletion and amortization at January 1, 2003 *	(6,310)	(139,413)	(18,213)	(2,260)	(1,790)	(6)	0	(167,992)
Additions and transfers	824	9,928	1,804	540	15	9,605	651	23,367
Disposal at cost	(36)	(29)	(304)	(92)	(4,674)	(6)	(40)	(5,181)
Expensed expl costs capitalized earlier year	0	0	0	0	0	0	(256)	(256)
Depr, depletion and amortization for the year	(718)	(14,108)	(1,174)	(220)	(32)	0	0	(16,252)
Foreign currency translation	286	(181)	(73)	306	0	(102)	(53)	183
Book value fixed assets at December 31, 2003	3,347	78,783	13,396	4,900	596	21,714	3,792	126,528
Intangible assets								1,797
Net property, plant, equipment and intangible assets at December 31, 2003								128,325
Estimated useful life (years)	5-10	**	15-20	20-25	20-25			

* The impact of new accounting principle regarding decommissioning and removal costs is included in acquisition cost, and accumulated depreciation, depletion and amortization at January 1, 2003.

** Depreciation according to Unit of production, see note 2.

In 2003, 2002 and 2001, NOK 442 million, NOK 382 million and NOK 650 million, respectively, of interests were capitalized. In addition to depreciation, depletion and amortization specified above intangible assets have been amortized by NOK 75 million in 2003.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – NGAAP

Exploration expenditures

(in NOK million)	2003	2002	2001
Incurring during the year	2,445	2,507	2,705
Capitalized share of current year's exploration activity	(331)	(651)	(765)
Expensed, previously capitalized exploration expenditures	256	554	937
Expensed during the year	2,370	2,410	2,877

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,	Expense	Recovery	Write-off	Other 1)	Balance at December 31,
Year 2003						
Provisions against other long-term assets	0	0	0	0	0	0
Provisions against accounts receivable	153	59	(5)	(5)	73	275
Year 2002						
Provisions against other long-term assets	16	0	(16)	0	0	0
Provisions against accounts receivable	212	47	(59)	(33)	(14)	153
Year 2001						
Provisions against other long-term assets	90	0	0	0	(74)	16
Provisions against accounts receivable	224	44	0	(12)	(44)	212

1) Other in 2003 is primarily related to provisions against accounts receivable in acquired companies.

12. Financial Items

(in NOK million)	2003	Year ended December 31, 2002	2001
Dividends received	179	457	15
Gain (loss) on sale of securities	205	(228)	(97)
Interest and other financial income	1,057	1,311	2,116
Currency exchange adjustments, short-term items	76	1,318	958
Currency exchange adjustments, long-term items	22	7,691	(45)
Interest and other financial expenses	(1,481)	(1,895)	(3,540)
Unrealized gain (loss) on securities	737	(364)	(162)
Capitalized interest	442	382	650
Net financial items	1,237	8,672	(105)

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13. Income Taxes

Income tax expense consists of

(in NOK million)	2003	Year ended December 31, 2002	2001
Current taxes payable	33,624	33,708	31,685
Change in deferred tax	437	1,538	474
Change in deferred tax due to new legislation (see note 2)	(6,712)	0	0
Income tax expense	27,349	35,246	32,159
Uplift benefit for the year	3,738	3,564	2,811
Foreign portion of the tax expense	789	2,723	979

Reconciliation of Norwegian nominal statutory tax rate of 28 per cent to effective tax rate

(in NOK million)	2003	Year ended December 31, 2002	2001
Income before tax	44,702	51,776	47,474
Calculated income taxes at statutory rate	12,517	14,497	13,293
Petroleum surtax	22,579	20,538	20,304
Uplift benefits	(1,869)	(1,782)	(1,406)
Other, net	834	1,993	(32)
Change in deferred tax due to new legislation (see note 2)	(6,712)	0	0
Income tax expense	27,349	35,246	32,159

Revenue from oil and gas activities on the Norwegian Continental Shelf is taxed according to the Petroleum tax law. This stipulates a surtax of 50 per cent after deducting uplift, a special investment tax credit, in addition to normal corporate taxation. Uplift credits is deducted as the credits arises, 5 per cent each year for six years, as from initial year of investment. Uplift credits not utilized of NOK 9.0 billion can be carried forward indefinitely.

At the end of 2003, Statoil had tax losses carry forwards of NOK 5.3 billion, primarily in the US and Ireland. Only a minor part of the carry-forward amounts expires before 2006.

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Significant components of deferred tax assets and liabilities were as follows

(in NOK million)	At December 31,	
	2003	2002
Net operating loss carry-forwards	1,612	1,157
Impairment	1,071	1,058
Decommissioning	12,203	4,733
Other	4,398	2,877
Valuation allowance	(1,775)	(2,140)
Total deferred tax assets	17,509	7,685
Property, plant and equipment	40,592	35,518
Capitalized exploration expenditures and interest	8,236	8,914
Other	6,629	6,379
Total deferred tax liabilities	55,457	50,811
Net deferred income tax	37,948	43,126

A valuation allowance has been provided as Statoil believes that available evidence creates sufficient 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.

Income taxes payable in the balance sheet consists of the following

(in NOK million)	2003
Current taxes payable	33,624
Taxed paid in instalments	(15,888)
Other	(60)
Income taxes payable December 31	17,676

The movement in deferred income tax liability can be specified as follows

(in NOK million)	2003
Deferred income tax at January 1	43,126
Charged to the income statement	437
Other and translation adjustment 1)	1,097
Change in deferred tax due to new legislation (see note 2)	(6,712)
Deferred income tax at December 31	37,948

1) Other is mainly changes in deferred tax due to application of new principle for recognition of decommissioning and removal cost and deferred tax on purchased and sold business.

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14. Short-Term Debt

(in NOK million)	At December 31,	
	2003	2002
Bank loans and overdraft facilities	1,071	2,258
Current portion of long-term debt	3,168	2,018
Other	48	47
Total	4,287	4,323
Weighted average interest rate (per cent)	4.06	5.28

15. Long-Term Debt

(in NOK million)	At December 31,	
	2003	2002
Unsecured debentures bonds		
US dollar (USD)	24,835	25,987
Euro (EUR)	768	621
Other currencies	19	42
Total	25,622	26,650
Unsecured bank loans		
US dollar (USD)	3,018	2,193
Secured bank loans		
US dollar (USD)	2,638	2,902
Other currencies	26	0
Other debt	639	796
Grand total debt outstanding	31,943	32,541
Less current portion	(3,168)	(2,018)
Total long-term debt	28,775	30,523
Weighted average interest rate (per cent)	3.87	4.42

Statoil has an unsecured debenture bond agreement for USD 500 million with a fixed interest rate of 6.5 per cent, maturing in 2028, callable at par upon change in tax law. At December 31, 2003 and 2002, NOK 3,293 million and NOK 3,435 million were outstanding, respectively. The interest rate of the bond has been swapped to a LIBOR-based floating interest rate.

Statoil has also 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, 2003 and 2002, NOK 4,166 million and NOK 3,601 million were outstanding, respectively. This bond has been swapped to USD with a LIBOR-based floating interest rate.

Statoil has also 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, 2003 and 2002, NOK 2,486 million and NOK 2,591 million were outstanding, respectively. Net after buyback this amounts to 2,156 and 2,244 at year-end exchanges rates.

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Statoil utilizes currency swaps to manage foreign exchange risk on its long-term debt. The swaps are reflected in the table above. The stated interest rate on the majority of the long-term loans are 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 bankloan in USD has been secured by a guarantee commitment of USD 41.45 million, together with mortgage in shares in a subsidiary and a bank deposit with a book value of NOK 1,769 million and NOK 1,499 million, respectively.

Statoil has 24 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, at the December 31, 2003 closing rate valued at NOK 25,527 million.

Reimbursements of long-term debt fall due as follows:

(in NOK million)	
2004	3,168
2005	2,953
2006	1,835
2007	1,857
2008	1,902
Thereafter	20,228
Total	31,943

Statoil has two agreements with international bank syndicates for committed long-term revolving credit facility totaling USD 1.6 billion, all undrawn. Commitment fee is 0.108 per cent per annum.

As of December 31, 2003 and 2002 respectively, Statoil had no committed short-term credit facilities available or drawn.

16. Financial Instruments and Derivatives

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.

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Fair Value of Financial Instruments

The following table contains estimated fair values of financial derivative instruments and estimated fair value of long-term debts. Commodity contracts capable of being settled by delivery of commodities (oil & oil products, natural gas, electricity) are excluded from the summary.

(in NOK million)	Net fair market value at December 31,	
	2003	2002
Debt-related instruments	4,200	2,003
Non-debt-related instruments	351	138
Long-term fixed interest debt	(26,281)	(28,475)
Crude oil and Refined products	36	(276)
Gas and Electricity	50	53

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 likewise managed by maintaining, reviewing and updating lists of authorized counterparties by assessing their financial position and requiring collateral when appropriate.

The credit risk concentration with respect to receivables is limited due to the large number of counter-parties spread worldwide in numerous industries.

The credit risk from Statoil's OTC derivative contracts derives from the counter-party to the transaction, typically a major bank or financial institution, a major oil company or a trading company. Statoil does not anticipate non-performance by any of these counter-parties, and no material loss would be expected from any such unexpected non-performance. Futures contracts and exchange-traded options have a negligible credit risk as they are principally traded on the New York Mercantile Exchange or the International Petroleum Exchange of London.

Consequently, Statoil does not consider itself exposed to a significant concentration of credit risk.

Quantitative and Qualitative Disclosure about Market Risk

Statoil has established an Enterprise-Wide Risk Management Program that establishes guidelines for entering into contractual arrangements (derivatives) to manage its commodity price, foreign currency rate, and interest rate risk. Our Corporate Risk Committee meets on a regular basis to review the existing policies and implementation of the guidelines. These procedures establish control over the use of derivatives, routine monitoring and reporting requirements, as well as counter-party credit approval processes.

Commodity Risk

The following table contains the fair market value and related price risk sensitivity of our commodity based derivatives:

(in NOK million)	Net fair market value	10% Sensitivity
At December 31, 2003		
Crude oil and Refined products	43	21
Gas and Electricity	83	38
At December 31, 2002		
Crude oil and Refined products	(227)	427
Gas and Electricity	173	16

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Price risk sensitivities for 2003 and 2002 were calculated by assuming a hypothetical across-the-board 10 per cent adverse change in all commodity prices regardless of the term or historical relationships between the contractual price of the instrument and the underlying commodity prices. In the event of an actual 10 per cent change in all underlying prices, the change in the fair value of the derivative portfolio at the two respective year-ends would typically be different from that shown above due to expected correlations between risk categories. In addition, there would be expected offsetting effects from changes in the fair value of our corresponding physical positions, contracts and anticipated transactions, which are not required to be recorded at market, and which are not reflected in the above table.

The fair market values of the futures and exchange traded option contracts are based on quoted market prices obtained from the New York Mercantile Exchange or the International Petroleum Exchange of London. The fair values of swaps and other over-the-counter arrangements are estimated based on quoted market prices, estimates obtained from brokers 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 certain assumptions used.

Interest and Currency Risk

The estimated loss associated with a 10 per cent adverse change in Norwegian kroner currency rates would result in a loss of fair value of approximately NOK 3.9 billion and NOK 4 billion as of December 31, 2003 and 2002 respectively. A hypothetical one percentage point adverse change in interest rates would result in a loss of NOK 0.4 billion and NOK 0.9 billion related to interest bearing liabilities, investments in debt securities and related financial instruments as of December 31, 2003 and 2002 respectively. These estimated currency and interest rate sensitivities are based on an uncorrelated loss scenario and actual results could vary due to assumptions used and offsetting account correlations not reflected within this analysis.

Statoil's cash flows are largely in US dollars and euro but also significant amounts in Norwegian kroner, Swedish kroner, Danish kroner and UK pounds sterling. The currencies in the debt portfolio are managed in connection with our expected future net cash flows per currency. Statoil's debt, after considering currency swaps, is mainly in US dollars.

Equity Securities

Equity securities, mainly of the portfolio for Statoil Forsikring AS, are recorded at fair value and have exposure to price risk. The fair value of equity securities is based on quoted market prices. Risk is estimated as the potential loss in fair value resulting from a hypothetical 10 per cent adverse change in quoted market prices. Actual results may vary due to assumptions utilized and other risk correlations.

Fair values

(in NOK million)	At December 31,	
	2003	2002
Equity securities	1,934	1,270
10 per cent change in share prices	193	127

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 or multiemployer plans.

Net periodic pension cost

(in NOK million)	Year ended December 31,		
	2003	2002	2001
Benefit earned during the year, net of participants' contributions	849	738	690
Interest cost on prior years benefit obligation	791	719	626
Expected return on plan assets	(843)	(856)	(793)
Amortization of loss	54	34	10
Amortization of prior service cost	34	37	37
Defined benefit plans	885	672	570
Defined contribution plans	27	19	21
Multiemployer plans	0	4	4
Total net pension cost for the year	912	695	595

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Change in projected benefit obligation (PBO)

(in NOK million)	2003	2002
Projected benefit obligation at January 1	13,025	12,000
Benefits earned during the year	849	738
Interest cost on prior period benefit obligation	791	719
Actuarial loss (gain)	3,310	(13)
Benefits paid	(332)	(401)
Acquisitions	(95)	0
Foreign currency translation	94	(18)
Projected benefit obligation at December 31	17,642	13,025

Change in pension plan assets

(in NOK million)	2003	2002
Fair value of plan assets at January 1	12,480	13,068
Actual return on plan assets	1,684	(770)
Company contributions	1,129	412
Benefits paid	(169)	(183)
Acquisitions	(61)	0
Foreign currency translation	80	(47)
Fair value of plan assets at December 31	15,143	12,480

Status of pension plans reconciled to Consolidated Balance Sheets

(in NOK million)	2003	2002
Defined benefit plans		
Funded status of the plans at December 31	(2,499)	(545)
Unrecognized net loss	4,241	1,846
Unrecognized prior service cost	336	370
Total net prepaid pension recognized	2,078	1,671
Amounts recognized in the Consolidated Balance Sheets:		
Prepaid pension	4,881	3,861
Accrued pension liabilities	(2,803)	(2,190)
Net amount recognized	2,078	1,671

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Weighted-average assumptions at the end of year

(in NOK million)	2003	2002
Discount rate	5.50%	6.00%
Expected return on plan assets	6.00%	6.50%
Rate of compensation increase	3.50%	3.00%

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

(in NOK million)	At December 31,	
	2003	2002
Projected benefit obligation	4,580	3,102
Accumulated benefit obligation	3,189	2,235
Fair value on plan assets	251	425

The accumulated benefit obligation was NOK 13,800 million at December 31, 2003.

Pension assets allocated on respective investments classes

(in NOK million)	At December 31,	
	2003	2002
Equity securities	17%	9%
Debt securities	25%	38%
Sertificates	39%	36%
Real estate	10%	11%
Other assets	9%	6%
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 riskier assets 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 financial assets and real estate. The expected rate of return on real estate is expected to be something 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 2004.

Finance portfolio Statoils pension funds	Portfolio weight 1)		Expected rate of return 2)
Equity securities	25%	(+/- 5%)	X + 4%
Debt securities	37.5%	(+/- 5%)	X
Sertificates	37.5%	(+19%/-5%)	X - 0.4%
Total finance portfolio	100%		-

1) The brackets express the scope of tactical deviation by Statoil Kapitalforvaltning ASA (the asset manager).

2) The asset manager expect the long-term return on equities to be 4% higher than riskfree rate (debt securities), as well as the rate of return on certificates to be 0.4% lower than the return on debt securities.

X = Long-term rate of return on debt securities

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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.

Pension benefits paid 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. The decision whether to pay in cash or deduct from pension premium fund is made on an annual basis. If the benefit payable for 2004 is decided to be paid, the payments the next five years will be approximately NOK 1 billion yearly. The benefit payment in 2003 was NOK 0.8 billion. The main reason for the increase is changes in constraints related to benefit payments from Norwegian authorities. This change will only affect the benefits paid.

18. Decommissioning and Removal Liabilities

The asset retirement obligation (ARO) is related to future well closure-, decommissioning- and removal-costs. The accretion expense is classified as Operating expenses.

(in NOK million)	2003
Asset retirement obligation at January 1	15,049
Liabilities incurred	655
Accretion expense	539
Revision in estimates	307
Incurred removal cost	(56)
Asset retirement at December 31	16,494
<hr/>	
(in NOK million)	2003
Long-lived asset related to ARO at January 1	2,451
Assets incurred / revision in estimates	962
Depreciations	(656)
Long-lived asset related to ARO at December 31	2,757

19. Research Expenditures

Research expenditures were NOK 1,004 million, NOK 736 million and NOK 633 million in 2003, 2002 and 2001, respectively.

20. Leases

Statoil leases certain assets, notably shipping vessels and drilling rigs.

In 2003, rental expense was NOK 4,893 million. In 2002 and 2001 rental expenses were NOK 5,595 million and NOK 7,687 million, respectively.

The information in the table below shows future minimum lease payments under non-cancellable leases at December 31, 2003. In addition, subleases of certain assets amounting to a rental income of NOK 544 million have been entered into for 2004.

Statoil has entered into a number of general or field specific long-term frame agreements mainly related to loading and transport of crude oil. Main contracts expire in 2007 or later, up until the end of 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 2003.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – NGAAP

(in NOK million)	Operating leases	Capital leases
2004	2,999	19
2005	2,072	18
2006	1,301	18
2007	434	18
2008	411	1
Thereafter	1,953	1
Total future lease payments	9,170	75
Interest component		(14)
Net present value		61

Property, plant and equipment include the following amounts for leases that have been capitalized at December 31, 2003 and 2002:

(in NOK million)	At December 31,	
	2003	2002
Vessel and equipment	119	107
Accumulated depreciation	(86)	(80)
Net	33	27

21. Other Commitments and Contingencies

Contractual commitments

(in NOK million)	In 2004	Thereafter	Total
Contractual commitments made	13,061	7,828	20,889

These contractual commitments comprise acquisition and construction of fixed assets.

Guarantees

The Group has provided guarantees of NOK 1.1 billion for commercial transactions and contractual commitments at year-end 2003.

Contingent liabilities and insurance

Like any other licensee, Statoil has unlimited liability for possible compensation claims arising from its offshore operations, including transport systems. The Company has taken out insurance to cover this liability up to about NOK 5.6 billion for each incident, including liability for claims arising from pollution damage. Most of the Group's production installations are covered through Statoil Forsikring AS, which reinsures a major part of the risk in the international insurance market. About 33 per cent is retained.

Other commitments

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 2003, Statoil was committed to participate in 6 wells off Norway and 9 wells abroad, with an average ownership interest of approximately 35 per cent. Statoil's share of expected costs to drill these wells amounts to approximately NOK 1.9 billion.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – NGAAP

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 cover Statoil's proportional share of the transportation costs based on booked volume capacity. In addition the Group has entered into certain obligations for entry capacity fees and terminal capacity commitments. The following table outlines nominal minimum obligations for future years. Corresponding expense for 2003 was NOK 2,712 million. 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 similar obligations at December 31, 2003:

(in NOK million)	
2004	3,002
2005	3,406
2006	3,453
2007	3,021
2008	3,085
Thereafter	31,188
Total	47,155

During the normal course of its business Statoil is involved in legal proceedings and a number of unresolved claims are currently outstanding. The ultimate liability in respect of litigation and claims cannot be determined at this time. Statoil has provided in its accounts for these items based on the Company's best judgement. Statoil does not expect that either the financial position, results of operations nor cash flows will be materially adversely affected by the resolution of these legal proceedings.

On October 10, 2003 the Norwegian Supreme Court ruled in the case raised by Statoil and several other companies against the Norwegian State, represented by the Ministry of Finance, regarding the tax assessment of income from the joint venture Statpipe for the years 1993 and 1994. The Supreme Court instructed the Oil Taxation Board to reassess the basis for taxation. The ruling will also affect subsequent years. The effect of the reassessment can not be estimated with a reasonable degree of certainty. For accounting purposes, the disputed taxes have been expensed.

The Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim) has issued a preliminary charge against the Company alleging violations of the Norwegian General Civil Penal Code provision concerning illegal influencing of foreign government officials and is conducting an investigation concerning a consulting agreement which Statoil entered into in 2002 with Horton Investments Ltd. The company has also been notified by the U.S. Securities and Exchange Commission (SEC) that the Commission is conducting an inquiry into the consultancy arrangement to determine if there have been any violations of U.S. federal securities laws.

22. Related Parties

Total purchases of oil and natural gas liquid from the Norwegian State amounted to NOK 68,479 million (336 million barrels oil equivalents), NOK 72,298 million (374 million barrels oil equivalents), and NOK 56,942 million (281 million barrels oil equivalents), in 2003, 2002 and 2001, 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 oil purchased from the Norwegian State are estimated market prices. In addition Statoil sells the Norwegian State's natural gas, in its own name, but for the account and risk of the Norwegian State.

The Norwegian State compensates Statoil for its relative share of the expenditures related to certain Statoil natural gas storage and terminal investments and related activities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – NGAAP

23. Equity and Shareholders

Change in equity

(in NOK million)	2003	2002
Equity at January 1	52,583	47,685
Net income	17,064	16,377
Translation adjustment	2,884	(5,318)
Change in minority interest	(67)	121
Ordinary dividend	(6,390)	(6,282)
Equity at December 31	66,074	52,583

For more information regarding equity and shareholders see note 23 in the parent company Statoil ASA.

24. Auditors' Remuneration

(in NOK million)	Year ended December 31,	
	2003	2002
Audit fees	27.0	26.2
Audit-related fees	2.8	1.8
Tax fees	14.5	8.5
All other fees	0.9	0.0
Total	45.2	36.5

25. Reconciliation between USGAAP and NGAAP

The consolidated financial statements of Statoil are prepared in accordance with Norwegian generally accepted accounting principles (NGAAP). The following tables reconcile the NGAAP accounts to United States generally accepted accounting principles (USGAAP):

(in NOK million)	2003	2002	2001
Net income for the year per USGAAP	16,554	16,846	17,245
a) Restatement to reflect net income from transferred SDFI-assets, before tax	0	0	(7,981)
b) Inventory adjustment, from LIFO to FIFO, before tax	(101)	32	(540)
c) Other adjustments, before tax	513	643	(223)
d) Tax impact of the above adjustments, and other tax adjustments	98	(1,144)	6,326
Net income for the year per NGAAP	17,064	16,377	14,827
Shareholders' equity per USGAAP at December 31	70,174	57,017	51,774
Minority interests per USGAAP	1,483	1,550	1,496
b) Inventory adjustment, from LIFO to FIFO, before tax	734	835	803
c) Other adjustments, before tax	452	51	(659)
d) Tax impact of the above adjustments, and other tax adjustments	(496)	(706)	438
e) Change in minimum pension obligations and derivatives (after tax) deferred as other comprehensive income	117	118	2
f) Accrued dividends payable	(6,390)	(6,282)	(6,169)
Shareholders' equity per NGAAP at December 31	66,074	52,583	47,685

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – NGAAP

- a) On April 26, 2001, the Norwegian Parliament decided, as part of a restructuring of the State's ownership on the Norwegian Continental Shelf, to transfer certain properties from the State's direct financial interest (SDFI) to Statoil. As the transaction took place between entities under common control the carrying value of the properties are calculated as if they have been owned by Statoil since inception (see note 1).

In the USGAAP accounts the transferred properties from SDFI are included as follows for the periods up to June 1, 2001:

(in NOK million)	2001
Sale	8,509
Cost of goods sold	3,607
Operating expenses	(2,434)
Depreciation, depletion and amortization	(1,768)
Net financial items	67
Income taxes	(5,952)
Net income	2,029

- b) Per NGAAP the inventories are valued using the FIFO principle. In the USGAAP accounts crude oil and products are partly valued at LIFO.
- c) Other adjustments include different treatment of sale and leaseback, sale of individual parts of an offshore property and unrealized gains on commodity trading. Other adjustments in 2001 also include the excess value over book value pertaining to the acquisition of the minority interests in Navion. Under USGAAP this excess value is reflected as additions to fixed assets and under NGAAP is recorded to equity. The sale of Navion reflects a corresponding larger gain of NOK 634 million in the 2003 NGAAP accounts.
- d) Changes in deferred tax expense and deferred tax liability primarily consist of taxes on the above adjustments. In addition deferred tax related to income from operations taxable under the Norwegian tax regime for shipping activities is historically recorded at fair value under NGAAP, while for USGAAP the tax is calculated using nominal amounts. As Statoil has decided to resign from the special tax regime for shipping activities effectively 2003 such temporary differences has per December 31, 2002, been recorded at nominal value also in the NGAAP accounts.
- e) Other adjustments include certain unrealized gains and losses on hedge positions subject to special accounting under USGAAP. A net unrealized loss on such positions of NOK 42 million before tax and NOK 24 million after tax is included as other comprehensive income as at December 31, 2003, compared to NOK 200 million and NOK 118 million, respectively, at year-end 2002.

According to USGAAP recognized pension liability should at least equal to the unfunded accumulated benefit obligation (ABO). Of the accrual of NOK 569 million, NOK 331 million is recognized as intangible assets and NOK 238 million (NOK 93 million after tax) is recognized as other comprehensive income.

- f) Per NGAAP dividends relating to current year's net income is reflected as a liability as of year-end. Under USGAAP dividends are not accrued until approved by the shareholders.

26. Subsequent Events

In January 2004, Statoil acquired in all 11.24 per cent of the Snøhvit Field, 10 per cent from Norsk Hydro and 1.24 per cent from Svenska Petroleum, respectively. Following these transactions, Statoil will have an ownership share of 33.53 per cent of the Snøhvit Field. The transactions will be made with economic effect from January 1, 2004, and are subject to approval by the Norwegian authorities.

After year-end 2003, Statoil as an owner in BTC Co Ltd has entered into guarantee commitments for financing the development of the BTC pipeline amounting to USD 140 million (NOK 0.9 billion).

ICA AB and Statoil have signed a letter of intent covering the acquisition by Statoil of ICA's holding in Statoil Detaljhandel Skandinavia AS (SDS). ICA and Statoil currently own 50 per cent each of SDS. Subject to approval by the boards of Statoil and ICA, the finalized deal is expected to be implemented during the spring of 2004.

Statoil has signed a letter of intent with the US-based energy company Dominion. This will secure Statoil access to additional capacity at the Cove Point liquefied natural gas (LNG) terminal in Maryland, USA, for a 20-year period. The transaction is subject to the successful negotiation of a final agreement and approval by the supervisory bodies of both companies.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – NGAAP

27. Oil and Gas Reserves (unaudited)

(Oil and NGL in million barrels) (Gas in billion cubic meters)	Oil and NGL			Gas			Reserves in million barrels oil equivalents
	Norway	Outside Norway	Total	Norway	Outside Norway	Total	
Year 2001							
Proved reserves at January 1	1,029	488	1,518	226,3	6,6	232,9	2,983
Revisions and improved recovery	68	30	98	7,1	(0,2)	6,9	142
Extensions and discoveries	124	69	193	5,3	6,4	11,7	267
Purchase of reserves-in-place	441	0	441	133,7	0,0	133,7	1,282
Sales of reserves-in-place	(54)	(1)	(55)	0,0	(4,8)	(4,8)	(85)
Production	(211)	(22)	(233)	(12,2)	(0,4)	(12,6)	(312)
Proved reserves at December 31	1,398	565	1,963	360,3	7,6	367,9	4,277
Proved developed reserves	948	166	1,113	256,9	1,2	258,1	2,737
Year 2002							
Proved reserves at January 1	1,398	565	1,963	360,3	7,6	367,9	4,277
Revisions and improved recovery	108	(25)	83	6,7	0,0	6,7	125
Extensions and discoveries	31	73	104	26,7	0,0	26,7	272
Purchase of reserves-in-place	4	0	4	1,0	0,0	1,0	10
Sales of reserves-in-place	(13)	(2)	(16)	(2,1)	0,0	(2,1)	(29)
Production	(242)	(29)	(271)	(18,3)	(0,3)	(18,6)	(388)
Proved reserves at December 31	1,286	580	1,867	374,4	7,2	381,6	4,267
Proved developed reserves	919	137	1,056	264,1	0,8	264,9	2,722
Year 2003							
Proved reserves at January 1	1,286	580	1,867	374,4	7,2	381,6	4,267
Revisions and improved recovery	110	41	151	8,8	0,0	8,8	206
Extensions and discoveries	27	15	43	14,2	8,6	22,8	186
Purchase of reserves-in-place	0	0	0	0,0	0,0	0,0	0
Sales of reserves-in-place	0	0	0	0,0	0,0	0,0	0
Production	(239)	(31)	(271)	(19,7)	(0,2)	(19,8)	(395)
Proved reserves at December 31	1,184	605	1,789	377,7	15,6	393,3	4,264
Proved developed reserves	876	163	1,039	271,4	0,7	272,1	2,751

The totals in the table may not equal the sum of the amounts due to rounding differences.

Purchase of reserves-in-place in 2001 represents reserves acquired in the SDFI-transaction.

Statoil's oil and gas reserves have been estimated by the Company's experts in accordance with industry standards under the requirements of the United States Securities and Exchange Commission (SEC). Reserves are net of royalty oil paid in kind (Norway), and quantities consumed during production. Proved oil and gas reserves are the estimated volumes 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 prevailing economic and operating conditions.

Proved developed oil and gas reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods.

The principles for booking of proved gas reserves are limited to include contracted gas sales and gas with access to a market. New sales on the Norwegian continental shelf are booked as Extensions and discoveries.

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.

Statoil ASA – NGAAP

STATEMENTS OF INCOME STATOIL ASA – NGAAP

(in NOK million)	Note	Year ended December 31,	
		2003	2002
REVENUES			
Sales		218,970	209,305
Equity in net income (loss) of subsidiaries	8	4,737	1,198
Equity in net income (loss) of affiliates	8	300	201
Other income	4	658	248
Total revenues		224,665	210,952
EXPENSES			
Cost of goods sold		(134,909)	(130,294)
Operating expenses	3	(23,191)	(22,935)
Selling, general and administrative expenses	3	(2,972)	(2,533)
Depreciation, depletion and amortization	10	(13,037)	(12,850)
Exploration expenses	10	(1,656)	(1,872)
Total expenses before financial items		(175,765)	(170,484)
Income before financial items, other items and income taxes		48,900	40,468
Net financial items	12	48	8,342
Other items	2	(6,025)	0
Income before income taxes		42,923	48,810
Income taxes	13	(25,859)	(32,433)
Net income		17,064	16,377
Allocations			
Group Contribution		915	4,807
Tax on Group Contribution		(256)	(1,346)
Dividend		6,390	6,282
Change in Reserve for valuation variances		3,637	(955)

BALANCE SHEETS STATOIL ASA - NGAAP

(in NOK million)	Note	At December 31,	
		2003	2002
ASSETS			
Net property, plant and equipment	10	90,161	87,388
Other long-term receivables	17, 22	4,951	4,498
Long-term receivables from subsidiaries		458	1,215
Long-term investments	8	310	342
Investments in subsidiaries	8	69,980	56,556
Investments in affiliates	8	2,566	2,372
Total non-current assets		168,426	152,371
Inventories	7	2,439	3,243
Accounts receivable	11	20,823	23,486
Accounts receivable - related parties	22	150	0
Short-term receivables from subsidiaries		4,252	14,490
Prepaid expenses and other current assets		2,665	1,254
Total inventories and accounts receivables		30,329	42,473
Short-term investments	9	9,196	1,656
Cash and cash equivalents	1	3,020	224
Cash, cash equivalents and short-term investments		12,216	1,880
Total current assets		42,545	44,353
TOTAL ASSETS		210,971	196,724

BALANCE SHEETS STATOIL ASA - NGAAP

(in NOK million)	Note	At December 31,	
		2003	2002
EQUITY AND LIABILITIES			
Common stock (NOK 2.50 nominal value), 2,189,585,600 shares authorized and issued		5,474	5,474
Treasury shares, 23,441,885 shares		(59)	(59)
Additional paid-in capital		12,418	12,418
Paid-in capital		17,833	17,833
Reserve for valuation variances		3,637	0
Retained earnings		43,121	33,200
Total equity	23	64,591	51,033
Deferred income taxes	13	31,037	36,648
Other liabilities	17, 18	18,015	9,621
Long-term debt to subsidiaries		4,628	4,670
Long-term debt	15	24,103	25,439
Total long-term liabilities		77,783	76,378
Short-term debt	14	4,797	4,182
Accounts payable		13,921	16,040
Accounts payable - related parties	22	6,049	5,594
Short-term payable to subsidiaries		14,130	14,452
Withheld, excise and other taxes		1,914	1,461
Income taxes payable	13	17,166	17,917
Accrued liabilities		4,230	3,385
Dividend payable		6,390	6,282
Total current liabilities		68,597	69,313
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		210,971	196,724

STATEMENTS OF CASH FLOW STATOIL ASA - NGAAP

(in NOK million)	Year ended December 31,	
	2003	2002
OPERATING ACTIVITIES		
Net income	17,064	16,377
<u>Adjustments to reconcile net income to net cash flows provided by operating activities:</u>		
Depreciation, depletion and amortization	13,037	12,850
Exploration cost written off	256	551
(Gains) losses on foreign currency transactions	(606)	(7,979)
Deferred taxes	(7,026)	(1,139)
(Gains) losses on sales of assets and other items	803	(2,456)
<u>Changes in working capital (other than cash):</u>		
• (Increase) decrease in inventories	804	7
• (Increase) decrease in short-term investments	12,751	(14,445)
• (Increase) decrease in accounts receivable	(1,411)	4,832
• (Increase) decrease in other receivables	(7,540)	314
• Increase (decrease) in accounts payable	(5,817)	3,486
• Increase (decrease) in other payables	6,852	2,775
• Increase (decrease) in taxes payables	(751)	1,746
Increase (decrease) in other non-current obligations	1,147	994
Cash flows provided by operating activities	29,563	17,913
INVESTING ACTIVITIES		
Net cash flows used in investing activities	(18,764)	(18,064)
FINANCING ACTIVITIES		
New long-term borrowings	3,201	6,619
Repayment of long-term borrowings	(2,695)	(2,197)
Ordinary dividend paid	(6,282)	(6,169)
Net short-term borrowings, bank overdrafts and other	(2,227)	2,118
Cash flows provided by (used in) financing activities	(8,003)	371
Net increase (decrease) in cash and cash equivalents	2,796	220
Cash and cash equivalents at January 1	224	4
Cash and cash equivalents at December 31	3,020	224
Interest paid	1,134	1,550
Taxes paid	33,379	30,234

NOTES TO FINANCIAL STATEMENTS STATOIL ASA – NGAAP

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 pipeline 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 transfers of properties from the SDFI have been accounted for as transactions among entities under common control and, accordingly, these properties have been combined with those of Statoil at their historical book value with effect from June 1, 2001. However, certain adjustments have been made to the carrying value of the properties transferred. These adjustments primarily relate to imputing of capitalized interest in the same manner as if the properties transferred to Statoil had been Statoil's from inception. The cash payment and net book value of properties transferred to the Norwegian State in excess of the net book value of the properties transferred to Statoil, was recognized directly against equity. The final cash payment is contingent upon review by the Norwegian State, which is expected to be completed in 2004. The adjustment to the cash payment, if any, will be recorded against equity.

2. Summary of Significant Accounting Policies

The consolidated financial statement of Statoil ASA are prepared in accordance with Norwegian generally accepted accounting principles (NGAAP) and uses the same accounting principle as the Group. Shareholdings and interests in subsidiaries and affiliates are recorded using the equity method. For a description of other accounting policies, reference is made to note 2 of the NGAAP group accounts.

Certain reclassifications have been made to prior periods' figures to be consistent with current year's presentation.

An overview of oil and gas reserves is shown in note 27 of the NGAAP group accounts.

3. Wages

Wages are included in Operating expenses and Selling, general and administrative expenses as follows:

(in NOK million, except number of employees)	Year ended December 31,	
	2003	2002
Wages	7,388	6,459
Payroll taxes	1,264	1,044
Other social benefits (included pension cost)	1,245	1,034
Total payroll costs	9,897	8,537
Average number of employees	11,077	10,175

Payroll costs are partly charged to Statoil-operated activities.

At December 31, 2003 loans to employees amounted to NOK 551 million. In addition Statoil ASA has guaranteed for bank loans for employees totaling maximum NOK 5 million.

Total remuneration of NOK 365,000 was paid to the members of the corporate assembly and NOK 1,873,000 to the board of directors. The former Chief executive officer Olav Fjell received NOK 3,227,000 in salary and other remuneration (included pension premium paid) until resignation September 22, 2003. According to contract, Olav Fjell had claim on servance compensation equaling two annual salaries, exclusive term of notice of six months, when the resignation is a request from the board. In addition, Olav Fjell is entitled, under specific terms, to a pension amounting to 66 per cent of pensionable salary after reaching the age of 60. Acting Chief executive officer Inge K Hansen has received NOK 1,015,000 in salary and other remuneration (included pension premium paid) since September 22, 2003.

NOTES TO FINANCIAL STATEMENTS STATOIL ASA – NGAAP

A performance pay system has been established for the other members of the executive committee, senior vice presidents and vice presidents. This entails a variable remuneration based on pre-determined goals. The scheme allows for a bonus of 10 per cent of basic salary on achieving set goals, with a ceiling of 20 per cent for results that clearly exceeds these goals.

If resigning at the request of the board of directors, Inge K Hansen is entitled to severance compensation equaling two annual salaries, exclusive term of notice of three months. This also applies to executive vice president Erling Øverland, if resigning at the request of the Company. Executive vice president Peter Mellbye is entitled to severance compensation equaling two annual salaries, if resigning at the request of the Company. The acting Chief executive officer and the two mentioned executive vice presidents are entitled, under specific terms, to a pension after reaching the age of 60. The pension will amount to 66 per cent of their pensionable salaries.

Executive vice presidents, Henrik Carlsen, Elisabeth Berge, Terje Overvik, Ottar Inge Rekdal and Eldar Sætre have interest-free loans of NOK 243,000, 21,000, 347,000, 394,000 and 238,700, respectively. These loans have been approved with a repayment period of 10 years.

For information regarding shares owned by corporate executive committee, the board of directors and the corporate assembly refer to note 23.

4. Significant Acquisitions and Dispositions

Effective January 1, 2003, and in relation to the Statoil Group's sale of Navion ASA, Statoil ASA sold its 80 per cent shareholding in Navion ASA to Norsk Teekay AS, a wholly-owned subsidiary of Teekay Shipping Corporation. The operations of Navion are shuttle tanking and conventional shipping. The profit and loss effect from the sale in Statoil ASAs books was a gain of NOK 0.5 billion before tax.

In January 2004, Statoil sold its 5.26 per cent shareholding in the German company Verbundnetz Gas, generating a gain of approximately NOK 0.6 billion before tax (approximately NOK 0.4 billion after tax).

5. Asset Impairment

There have been no material write-downs of properties owned by Statoil ASA in 2003 or 2002.

6. Provison for Rig Rental Contracts

Statoil provides for estimated losses on long-term fixed price rental agreements for mobile drilling rigs. The losses are calculated as the difference between estimated market rates and the fixed price rental agreements.

(in NOK million)	2003	2002
Provision at January 1	960	734
Increase (decrease) during the year	454	231
Cost incurred during the year	(54)	(5)
Provision at December 31	1,360	960

7. Inventories

The lower of cost or market test is measured, and the results are recognized and any resulting writedowns to market, if required, are recorded as adjustments to the cost of inventories.

(in NOK million)	At December 31,	
	2003	2002
Crude oil	1,347	1,967
Petroleum products	595	864
Other	497	412
Total inventories	2,439	3,243

NOTES TO FINANCIAL STATEMENTS STATOIL ASA – NGAAP

8. Shares and Long-Term Investments

Subsidiaries and affiliates by equity method

(in NOK million)	Subsidiaries	Affiliates
Investment at January 1, 2003	56,556	2,372
Net income subsidiaries and affiliates	4,737	300
Translation adjustment	2,884	0
Change in paid in equity	7,305	12
Group Contribution (after tax)	659	0
Ordinary dividend	(2,161)	(118)
Investment at December 31, 2003	69,980	2,566

Ownership in certain subsidiaries

AS Eesti Statoil	100%	Statoil Innovation AS	100%
Latvija Statoil SIA	100%	Statoil Iran AS	100%
Offshore Technology AS	100%	Statoil Ireland Ltd	100%
Offtech Invest AS	100%	Statoil Kazakstan AS	100%
P/F Statoil Føroyar	100%	Statoil Latin America AS	100%
Statholding AS	100%	Statoil Marine Holding AS	100%
Statoil AB	100%	Statoil Nigeria AS	100%
Statoil Angola Block 15 AS	100%	Statoil Norge AS	100%
Statoil Angola Block 17 AS	100%	Statoil North Africa Gas AS	100%
Statoil Angola AS	100%	Statoil North Africa Oil AS	100%
Statoil Apsheon AS	100%	Statoil North America Inc.	100%
Statoil Asia Pacific Pte. Ltd.	100%	Statoil Orient Inc	100%
Statoil Azerbaijan Alov AS	100%	Statoil Pernis Invest AS	100%
Statoil Azerbaijan AS	100%	Statoil Plataforma Deltana AS	100%
Statoil BTC Finance AS	100%	Statoil Russia AS	100%
Statoil Coordination Center N.V. *	88%	Statoil Sincor AS	100%
Statoil Danmark A/S	100%	Statoil UK Ltd	100%
Statoil Deutschland GmbH	100%	Statoil Venezuela AS	100%
Statoil do Brasil Ltda	100%	UAB Lietuva Statoil	100%
Statoil Dublin Bay AS	100%	Statoil Metanol ANS	82%
Statoil Exploration Ireland Ltd	100%	Mongstad Refining DA	79%
Statoil Forsikring AS	100%	Statoil Mongstad Terminal DA	65%

* The remaining shares in Statoil Coordination Center N.V. are owned by Statoil AB. Voting rights correspond to ownership interests.

Ownership in certain equity method affiliates

Statoil Detaljhandel Skandinavia AS	50%
Nova Naturgas AB	30%
Vestprosess DA	17%
Etanor DA	16%
Tjeldbergodden Luftgassfabrikk DA	51%

Shares in other companies

Included in Long-term investments of NOK 310 million are shares in Verbundnetz Gas AG of NOK 242 million.

NOTES TO FINANCIAL STATEMENTS STATOIL ASA – NGAAP

9. Investments

(in NOK million)	At December 31,	
	2003	2002
Short-term deposits	1,310	115
Certificates	7,846	1,491
Bonds	0	50
Other	40	0
Total short-term investments	9,196	1,656

The cost price of short-term investments is NOK 9,166 million and NOK 1,656 million as at year-end 2003 and 2002, respectively.

All short-term investments are considered held for trading and are recorded at fair value with unrealized gains and losses included in income. The Company's bonds are in their entirety issued by Norwegian banks and credit institutions and denominated in NOK.

10. Property, Plant and Equipment

(in NOK million)	Machinery, equipment and transportation equipment	Production plants oil and gas, including pipelines	Production plants onshore	Buildings and land	Vessels	Construction in progress	Capitalized exploration cost	Total
Cost at January 1, 2003 *	2,077	209,364	4,176	2,365	107	6,499	2,000	226,588
Additions and transfers	218	8,465	194	111	0	6,012	64	15,064
Disposal at cost	(208)	(882)	(125)	(16)	0	0	(40)	(1,271)
Expensed expl cost capitalized earlier year	0	0	0	0	0	0	(256)	(256)
Accumulated depreciation, depletion and amortization *	(1,587)	(144,653)	(2,771)	(890)	(86)	0	0	(149,987)
Net property, plant and equipment at December 31, 2003	500	72,294	1,474	1,570	21	12,511	1,768	90,138
Other intangible assets								23
Book value at December 31, 2003								90,161
Depreciation, depletion and amortization for the year	311	12,518	140	63	5	0	0	13,037
Estimated useful life (years)	5-10	**	15-20	20-25	20-25			

* The impact of new accounting principle regarding decommissioning and removal costs is included in acquisition cost, and accumulated depreciation, depletion and amortization at January 1, 2003.

** Depreciation according to Unit of production, see note 2.

The book value of vessels consist of financial leases. In 2003 and 2002 NOK 275 million and NOK 190 million respectively, of interests were capitalized.

NOTES TO FINANCIAL STATEMENTS STATOIL ASA – NGAAP

Exploration expenditures

(in NOK million)	2003	2002
Incurring during the year	1,506	1,802
Capitalized share of current year's exploration activity	(106)	(481)
Expensed, previously capitalized exploration expenditures	256	551
Expensed during the year	1,656	1,872

11. Provisions

Provisions against assets (other than property, plant and equipment and intangible assets) recorded during the past two years are as follows:

(in NOK million)	Balance at January 1,	Expense	Recovery	Write-off	Other	Balance at December 31,
Year 2003						
Provisions against other long-term assets	0	0	0	0	0	0
Provisions against accounts receivable	44	0	0	0	0	44
Year 2002						
Provisions against other long-term assets	16	0	(16)	0	0	0
Provisions against accounts receivable	41	3	0	0	0	44

12. Financial Items

(in NOK million)	Year ended December 31,	
	2003	2002
Dividends received	36	103
Gain (loss) on sale of securities	52	(26)
Interest and other financial income	726	954
Currency exchange adjustments, short-term items	521	1,604
Currency exchange adjustments, long-term items	71	7,283
Interest and other financial expenses	(1,633)	(1,766)
Capitalized interest	275	190
Net financial items	48	8,342

NOTES TO FINANCIAL STATEMENTS STATOIL ASA – NGAAP

13. Income Taxes

Income tax expense consists of

(in NOK million)	Year ended December 31,	
	2003	2002
Current taxes payable	32,885	33,572
Change in deferred tax	(314)	(1,139)
Change in deferred tax due to new legislation (see note 2 in the group accounts)	(6,712)	0
Income tax expense	25,859	32,433
Uplift benefits for the year	3,738	3,564

Revenue from oil and gas activities on the NCS is taxed according to the Petroleum tax law. This stipulates a surtax of 50 per cent after deducting uplift, a special investment tax credit, in addition to normal corporate taxation. Uplift credits are deducted as they arise, 5 per cent each year for six years, as from initial year of investment. Uplift credits not utilized of NOK 9.0 billion can be carried forward indefinitely.

Significant components of deferred income tax liability

(in NOK million)	Year ended December 31,	
	2003	2002
Impairment	375	363
Decommissioning	11,801	4,606
Other	2,671	929
Total deferred tax assets	14,847	5,898
Property, plant and equipment	37,551	34,364
Capitalized exploration expenditures and interest	7,338	7,845
Other	995	337
Total deferred tax liabilities	45,884	42,546
Net deferred tax liability	31,037	36,648

Income taxes payable in the balance sheet consists of the following

(in NOK million)	2003
Current tax in the income statement	32,885
Taxed paid in instalments	(15,300)
Current tax on group contribution	(256)
Other	(163)
Income taxes payable at December 31	17,166

NOTES TO FINANCIAL STATEMENTS STATOIL ASA – NGAAP

The movement in deferred income tax liability can be specified as follows

(in NOK million)	2003
Deferred income tax liability at January 1	36,648
Charged to the income statement	(314)
Other 1)	1,415
Change in deferred tax due to new legislation (see note 2 in the group accounts)	(6,712)
Deferred income tax liability at December 31	31,037

1) Other is mainly changes in deferred tax due to application of new principle for recognition of decommissioning and removal cost.

14. Short-Term Debt

(in NOK million)	At December 31,	
	2003	2002
Bank loans and overdraft facilities	10	2,238
Current portion of long-term debt	3,029	1,944
Total	3,039	4,182
Weighted average interest rate (per cent)	4.65	5.28

15. Long-Term Debt

(in NOK million)	At December 31,	
	2003	2002
Unsecured debentures bonds		
US dollar (USD)	24,835	25,975
Euro (EUR)	729	621
Other currencies	18	22
Total	25,582	26,618
Other debt	1,550	765
Grand total debt outstanding	27,132	27,383
Less current portion	(3,029)	(1,944)
Total long-term debt	24,103	25,439
Weighted average interest rate (per cent)	4.14	3.98

Statoil has an unsecured debenture bond agreement for USD 500 million with a fixed interest rate of 6.5 per cent, maturing in 2028, callable at par upon change in tax law. At December 31, 2003 and 2002, NOK 3,293 million and NOK 3,435 million were outstanding, respectively. The interest rate of the bond has been swapped to a LIBOR-based floating interest rate.

NOTES TO FINANCIAL STATEMENTS STATOIL ASA – NGAAP

Statoil has also 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, 2003 and 2002, NOK 4,166 million and NOK 3,601 million were outstanding, respectively. EUR 200 million of the bond has been swapped through an interest rate swap agreement to a LIBOR-based floating interest rate.

Statoil has also 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, 2003 and 2002, NOK 2,486 million and NOK 2,591 million were outstanding, respectively. Net after buyback this amounts to 2,156 and 2,244 at year-end exchanges rates.

Statoil utilizes currency swaps to manage foreign exchange risk on its long-term debt. The swaps are reflected in the table above. The stated interest rate on the majority of the long-term loans are 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 has 24 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 at the December 31, 2003 closing rate valued at NOK 25,527 million.

Reimbursements of long-term debt fall due as follows:

(in NOK million)

2004	3,029
2005	2,055
2006	1,658
2007	1,671
2008	1,703
Thereafter	17,016
Total	27,132

Statoil has an agreement with an international bank syndicate for committed long-term revolving credit facility totaling USD 1.6 billion, all undrawn. Commitment fee is 0.108 per cent per annum.

As of December 31, 2003 and 2002 respectively, Statoil had no committed short-term credit facilities available or drawn.

16. Financial Instruments and Derivatives

Statoil ASA's exposure to and management of commodity risk, interest and currency risk and market risk for financial investments in equity and debt securities is akin to the exposure to and management of risks in the Statoil group. The combined use of commodity based derivatives and financial instruments is an integral part of the risk management process and is common for group entities. Reference is made to note 16 in the consolidated accounts for a more detailed description of risks and the use of derivatives.

Interest rate and currency risks constitute the most important financial risks for Statoil. Total exposure is managed at portfolio level in accordance with the strategies and mandates adopted. Interest rate risk, currency risk and share risk are assessed against mandates and based on a scenario of 10 per cent currency devaluation, one percentage point change in interest rates and 10 per cent change in share prices. The table below illustrates an uncorrelated loss scenario.

NOTES TO FINANCIAL STATEMENTS STATOIL ASA – NGAAP

Risk exposure in the areas of currency, market risk on equity security investments and interest are estimated as follows:

(in NOK million)	At December 31,	
	2003	2002
Currency risk	3,602	3,752
Share risk	0	0
Interest rate risk	561	1,060

17. Employee Retirement Plans

Pension benefits

The company have defined benefit retirement plans. Plan benefits are generally based on years of service and final salary levels. The retirement plans are covered by Statoil's pension funds. These funds are organized as independent trusts. The major part of their assets are invested in Norwegian and foreign bonds and shares, as well as real estate in Norway.

Net periodic pension cost

(in NOK million)	Year ended December 31,	
	2003	2002
Benefit earned during the year	780	663
Interest cost on prior period benefit obligation	683	610
Expected return on plan assets	(734)	(746)
Amortization of loss/ prior service cost	67	58
Total net pension cost for the year	796	585

Change in projected benefit obligation (PBO)

(in NOK million)	2003	2002
Projected benefit obligation at January 1	10,995	10,159
Benefits earned during the year	780	663
Interest cost on prior period benefit obligation	683	610
Actuarial gain (loss)	3,119	(148)
Benefits paid	(230)	(288)
Projected benefit obligation at December 31	15,347	10,996

Change in pension plan assets

(in NOK million)	2003	2002
Fair value of plan assets at January 1	10,871	11,471
Actual return on plan assets	1,454	(609)
Company contributions	1,005	135
Benefits paid	(99)	(126)
Fair value of plan assets at December 31	13,231	10,871

NOTES TO FINANCIAL STATEMENTS STATOIL ASA – NGAAP

Status of pension plans reconciled to Balance Sheets

(in NOK million)	2003	2002
Funded status of the plans at December 31	(2,116)	(125)
Unrecognized net loss	3,773	1,409
Unrecognized prior service cost	299	332
Total net prepaid pension recognized at December 31	1,956	1,616

Amounts recognized in the Balance Sheets:

(in NOK million)	2003	2002
Prepaid pension	4,644	3,724
Accrued pension liabilities	(2,688)	(2,108)
Total at December 31	1,956	1,616

Weighted-average assumptions at December 31

Discount rate	5.50%	6.00%
Expected return on plan assets	6.00%	6.50%
Rate of compensation increase	3.50%	3.00%

18. Decommissioning and Removal Liabilities

The asset retirement obligation (ARO) is related to future well closure-, decommissioning- and removal costs. The accretion expense is classified as Operating expenses.

(in NOK million)	2003
Asset retirement obligation at January 1	13,954
Liabilities incurred	475
Accretion expense	491
Revision in estimates	307
Incurred removal cost	(56)
Asset retirement obligation at December 31	15,171

(in NOK million)	2003
Long-lived asset related to ARO at January 1	2,087
Assets incurred / revision in estimates	782
Depreciation	(517)
Long-lived asset related to ARO at December 31	2,352

19. Research Expenditures

Research expenditures were NOK 971 million and NOK 729 million in 2003 and 2002, respectively.

NOTES TO FINANCIAL STATEMENTS STATOIL ASA – NGAAP

20. Leases

Statoil leases certain assets, notably shipping vessels and drilling rigs.

Rental expense was NOK 4,088 million and NOK 3,488 million in 2003 and 2002, respectively.

The information in the table below shows future minimum lease payments under non-cancellable leases at December 31, 2003. In addition, subleases of certain assets amounting to a rental income of NOK 521 million have been entered into for 2004.

Statoil has entered into a number of general or field specific long-term frame agreements mainly related to loading and transport of crude oil. Main contracts expire in 2007 or later, up until the end of 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 2003.

(in NOK million)	Operating leases	Capital leases
2004	2,578	17
2005	1,711	17
2006	982	17
2007	157	17
2008	144	0
Thereafter	410	0
Total future lease payments	5,982	68
Interest component		(14)
Net present value		54

Property, plant and equipment include the following amounts for leases that have been capitalized at December 31, 2003 and 2002:

(in NOK million)	At December 31,	
	2003	2002
Vessel	107	107
Accumulated depreciation	(86)	(80)
Net	21	27

21. Other Commitments and Contingencies

Contractual commitments

(in NOK million)	In 2004	Thereafter	Total
Contractual commitments made	5,877	3,561	9,438

These contractual commitments comprise acquisition and construction of fixed assets.

Guarantees

The Company has provided parent company guarantees for subsidiaries in Angola, Brazil, Nigeria, Venezuela, Azerbaijan, Great Britain, Ireland, Iran and USA. In addition, the Company has provided guarantees of NOK 0.4 billion, NOK 0.3 billion of which relates to the wholly owned insurance subsidiary Statoil Forsikring AS's investment in the company sEnergy Insurance Ltd.

NOTES TO FINANCIAL STATEMENTS STATOIL ASA – NGAAP

Contingent liabilities and insurance

Like any other licensee, Statoil has unlimited liability for possible compensation claims arising from its offshore operations, including transport systems. The Company has taken out insurance to cover this liability up to about NOK 5.6 billion for each incident, including liability for claims arising from pollution damage. Most of Statoil's production installations are covered through Statoil Forsikring AS, which reinsures a major part of the risk in the international insurance market. About 33 per cent is retained.

Other commitments

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 2003, Statoil was committed to participating in 6 wells off Norway, with an average ownership interest of approximately 34 per cent. Statoil's share of expected costs to drill these wells amounts to approximately NOK 1 billion.

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 cover Statoil's proportional share of the transportation costs based on booked volume capacity. The following table outlines nominal minimum obligations for future years. Corresponding expense for 2003 was NOK 2,448 million. Where the Company has both ownership interests and transport capacity commitments in a pipeline, the amounts in the table include transport commitments that exceed Statoil's pipeline ownership share.

Transport capacity and similar obligations at December 31, 2003:

(in NOK million)	
2004	2,708
2005	2,922
2006	2,935
2007	2,411
2008	2,356
Thereafter	18,989
Total	32,321

During the normal course of its business Statoil is involved in legal proceedings and a number of unresolved claims are currently outstanding. The ultimate liability in respect of 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 either the financial position, results of operations nor cash flows will be materially adversely affected by the resolution of these legal proceedings.

On October 10, 2003 the Norwegian Supreme Court ruled in the case raised by Statoil and several other companies against the Norwegian State, represented by the Ministry of Finance, regarding the tax assessment of income from the joint venture Statpipe for the years 1993 and 1994. The Supreme Court instructed the Oil Taxation Board to reassess the basis for taxation. The ruling will also affect subsequent years. The effect of the reassessment cannot be estimated with a reasonable degree of certainty. For accounting purposes, the disputed taxes have been expensed.

The Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim) has issued a preliminary charge against the Company alleging violations of the Norwegian General Civil Penal Code provision concerning illegal influencing of foreign government officials and is conducting an investigation concerning a consulting agreement which Statoil entered into in 2002 with Horton Investments Ltd. The company has also been notified by the U.S. Securities and Exchange Commission (SEC) that the Commission is conducting an inquiry into the consultancy arrangement to determine if there have been any violations of U.S. federal securities laws.

22. Related Parties

Total purchases of oil and natural gas liquid from the Norwegian State amounted to NOK 68,479 million (336 million barrels oil equivalents) and NOK 72,298 million (374 million barrels oil equivalents) in 2003 and 2002, 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 oil purchased from the Norwegian State are estimated market prices. In addition Statoil sells the Norwegian State's natural gas, in its own name, but for the account and risk of the Norwegian State.

The Norwegian State compensates Statoil for its relative share of the expenditures related to certain Statoil natural gas storage and terminal investments and related activities.

NOTES TO FINANCIAL STATEMENTS STATOIL ASA – NGAAP

23. Equity and Shareholders

Change in equity

(in NOK million)	2003	2002
Equity at January 1	51,033	46,189
Net income	17,064	16,377
Translation adjustment	2,884	(5,318)
Ordinary dividend	(6,390)	(6,282)
Other	0	67
Equity at December 31	64,591	51,033

Common stock

	Number of shares	Par value	Common stock
Authorized and issued	2,189,585,600	2.50	5,473,964,000
Treasury shares	(23,441,885)	2.50	(58,604,712)
Total outstanding shares	2,166,143,715	2.50	5,415,359,288

There exists only one class of shares and all have voting rights.

188,700,000 new shares were provided in a public offering in 2001. Investors in the retail offer were entitled to receive one additional ordinary share for every 10 ordinary shares which they purchased and continued to hold in the same VPS account through June 17, 2002. The entitlement to bonus shares was limited to an aggregate purchase amount of NOK 25,000 (NOK 75,000 for Statoil employees).

The 25,000,000 treasury shares were issued through a transfer from retained earnings to common stock. The treasury shares will be used to grant additional bonus shares, and may not be used for any other purpose without the consent of the general meeting. During 2002 and 2003 a number of 1,558,115 bonus shares were issued.

NOTES TO FINANCIAL STATEMENTS STATOIL ASA – NGAAP

The 20 largest shareholders at December 31, 2003

1	81.72%	DEN NORSKE STAT
2	1.96%	STATE STREET BANK & TRUST CO.*
3	1.67%	JPMORGAN CHASE BANK*
4	0.96%	MELLON BANK AS AGENT*
5	0.64%	BANK OF NEW YORK*
6	0.56%	THE NORTHERN TRUST CO.*
7	0.47%	JPMORGAN CHASE BANK*
8	0.41%	DEUTSCHE BANK AG (GCS) LONDON
9	0.37%	CLEARSTREAM BANKING*
10	0.33%	FOLKETRYGDFONDET
11	0.30%	VITAL FORSIKRING ASA
12	0.29%	THE NORTHERN TRUST CO.*
13	0.27%	EUROCLEAR BANK S.A./N.A. ('BA')*
14	0.26%	MELLON BANK AS AGENT*
15	0.25%	SKANDINAVISKA ENSKILDA BANKEN*
16	0.22%	JPMORGAN CHASE BANK*
17	0.21%	MORGAN STANLEY & CO.*
18	0.17%	STATE STREET BANK & TRUST CO.*
19	0.17%	SKANDINAVISKA ENSKILDA BANKEN
20	0.17%	ROYAL TRUST CORPORATION OF CANADA*

* Client accounts and similar.

Members of the board of directors, corporate executive committee and corporate assembly holding shares as of December 31, 2003:

Board of Directors

Jannik Lindbæk (Chair)	0
Marit Bakke	165
Stein Bredal	165
Bjørn Erik Egeland	1,243
Kaci Kullmann Five	1,242
Finn A Hvistendahl	2,947
Grace Skaugen	0
Eli Sætersmoen	0
Knut Åm	14,594

Corporate Executive Committee

Inge K Hansen (acting Chief executive officer)	12,403
Elisabeth Berge	1,603
Henrik Carlsen	1,243
Peter Mellbye	2,843
Terje Overvik	825
Ottar Inge Rekdal	825
Eldar Sætre	825
Erling Øverland	2,464

Corporate Assembly (in total)

1,738

24. Auditors' Remuneration

(in NOK million)	Year ended December 31,	
	2003	2002
Audit fees	7.6	6.5
Audit-related fees	1.4	1.6
Tax fees	3.5	1.1
Total	12.5	9.2

25. Subsequent Events

In January 2004, Statoil acquired in all 11.24 per cent of the Snøhvit Field, 10 per cent from Norsk Hydro and 1.24 per cent from Svenska Petroleum, respectively. Following these transactions, Statoil will own 33.53 per cent of the Snøhvit Field. The transactions will be made with economic effect from January 1, 2004 and are subject to approval by the Norwegian authorities.

After year-end 2003, Statoil has entered into guarantee commitments for financing the development of the BTC pipeline amounting to USD 140 million (NOK 0.9 billion).

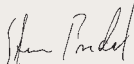
ICA AB and Statoil have signed a letter of intent covering the acquisition by Statoil of ICA's holding in Statoil Detaljhandel Skandinavia AS (SDS). ICA and Statoil currently own 50 per cent each of SDS. Subject to approval by the boards of Statoil and ICA, the finalized deal is expected to be implemented during the spring of 2004.

NOTES TO FINANCIAL STATEMENTS STATOIL ASA – NGAAP

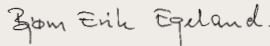
STAVANGER, MARCH 3, 2004


THE BOARD OF DIRECTORS OF STATOIL ASA


JANNIK LINDBÆK
CHAIR


STEIN BREDAL


MARIT BAKKE


BJØRN ERIK EGELAND


KACI KULLMANN FIFE


FINN A HVISTENDAHL


GRACE SKAUGEN


ELI SÆTERSMOEN


KNUT ÅM


INGE K. HANSEN
ACTING PRESIDENT AND CEO

To the Annual Shareholders' Meeting of Statoil ASA

Report of independent auditors - Norwegian GAAP accounts

We have audited the annual financial statements of Statoil ASA for the year ended December 31, 2003, showing a net income of NOK 17,064 million for the parent company and a net income of NOK 17,064 million for the Group. We have also audited the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit. The financial statements comprise the balance sheet, the statements of income and cash flows, the accompanying notes and the consolidated accounts. These financial statements are the responsibility of the Company's Board of Directors and the President and chief executive officer. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

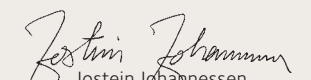
We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and auditing standards and practices generally accepted in Norway. Those standards and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free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

In our opinion,

- the financial statements have been prepared in accordance with law and regulations and present the financial position of the Company and of the Group as of December 31, 2003, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the Company's management has fulfilled its duty to properly register and document the accounting information as required by law and accounting standards, principles and practices generally accepted in Norway
- the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and comply with law and regulations.

Stavanger, March 3, 2004
ERNST & YOUNG AS


Gustav Eriksen
State Authorised Public Accountant
(Norway)

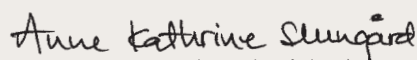

Jostein Johannessen
State Authorised Public Accountant
(Norway)

RECOMMENDATION OF THE CORPORATE ASSEMBLY

Resolution:

At its meeting of 16 March 2004, Statoil's corporate assembly discussed the 2003 annual accounts of Statoil ASA and the Statoil group, and the board of directors' proposal for the allocation of net income. The corporate assembly recommends that the general meeting adopts the annual accounts and the allocation of net income, in accordance with the proposals presented by the board of directors.

Stavanger, March 16, 2004


Anne Kathrine Slungård
Chair of the corporate assembly

Corporate assembly

Anne Kathrine Slungård, Wenche Meldahl, Kjell Bjørndalen, Kirsti Høegh Bjørneset, Erlend Grimstad, Gunnar Mathisen, Anita Roarsen, Asbjørn Rolstadås, Arvid Færaas, Hans M Saltveit, Einar Arne Iversen, Åse Karin Staupe

Design:
SDG, McCann and Statoil.

Layout:
Statoil

Reprography and printing:
Prinfo Kai Hansen and Ålgård Offset

Photo:
Øyvind Hagen

This report is printed on totally chlorine
free environmentally-friendly paper.

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