

Financial statements 2005  
Norwegian accounting principles



# Statoil group – NGAAP

## CONSOLIDATED STATEMENTS OF INCOME – NGAAP

(in NOK million)	Note	For the year ended December 31,		
		2005	2004	2003
<b>REVENUES</b>				
Sales	3	<b>390,963</b>	303,242	248,516
Equity in net income of affiliates	8	<b>1,087</b>	1,207	738
Other income	4	<b>1,668</b>	1,273	865
<b>Total revenues</b>		<b>393,718</b>	305,722	250,119
<b>EXPENSES</b>				
Cost of goods sold		<b>(234,192)</b>	(187,623)	(149,746)
Operating expenses		<b>(30,355)</b>	(27,375)	(26,649)
Selling, general and administrative expenses		<b>(7,823)</b>	(6,318)	(5,537)
Depreciation, depletion and amortization	5, 10	<b>(21,156)</b>	(17,459)	(16,327)
Exploration expenses	10	<b>(3,253)</b>	(1,828)	(2,370)
<b>Total expenses before financial items</b>		<b>(296,779)</b>	(240,603)	(200,629)
Income before financial items, other items, income taxes and minority interest		<b>96,939</b>	65,119	49,490
Net financial items	12	<b>(3,712)</b>	5,439	1,237
Other items	2	<b>0</b>	0	(6,025)
Income before income taxes and minority interest		<b>93,227</b>	70,558	44,702
Income taxes	13	<b>(60,453)</b>	(45,307)	(27,349)
Minority interest		<b>(765)</b>	(505)	(289)
<b>Net income</b>		<b>32,009</b>	24,746	17,064
Ordinary and diluted earnings per share		14.78	11.42	7.88
Weighted average number of ordinary shares outstanding		2,165,740,054	2,166,142,636	2,166,143,693

CONSOLIDATED BALANCE SHEETS - NGAAP

(in NOK million)	Note	At December 31,	
		2005	2004
<b>ASSETS</b>			
Net property, plant and equipment	10	<b>183,541</b>	154,985
Long-term receivables	17, 22	<b>9,757</b>	8,179
Long-term investments	9	<b>13,745</b>	9,164
Investments in affiliates	8	<b>4,447</b>	10,337
Total non-current assets		<b>211,490</b>	182,665
Inventories	7	<b>11,455</b>	8,261
Accounts receivable	11	<b>43,361</b>	31,736
Prepaid expenses and other current assets		<b>4,656</b>	6,512
Total inventories and accounts receivables		<b>59,472</b>	46,509
Short-term investments	9	<b>6,841</b>	11,621
Cash and cash equivalents		<b>7,025</b>	5,028
Cash, cash equivalents and short-term investments		<b>13,866</b>	16,649
Total current assets		<b>73,338</b>	63,158
<b>TOTAL ASSETS</b>		<b>284,828</b>	245,823

## CONSOLIDATED BALANCE SHEETS - NGAAP

(in NOK million)	Note	At December 31,	
		2005	2004
EQUITY AND LIABILITIES			
Common stock (NOK 2.50 nominal value), 2,189,585,600 shares authorized and issued		5,474	5,474
Treasury shares, 24,208,212 and 23,452,876 shares		(156)	(60)
Additional paid-in capital		12,452	12,421
Paid-in capital		17,770	17,835
Retained earnings		73,170	56,459
Minority interest in subsidiaries		1,492	1,616
Total equity	23	92,432	75,910
Net deferred income taxes	13	40,422	44,633
Other liabilities	17, 18	26,264	23,779
Long-term debt	15	29,469	26,482
Total long-term liabilities		96,155	94,894
Short-term debt	14	3,312	7,731
Accounts payable		23,262	19,282
Accounts payable - related parties	22	9,766	5,621
Withheld, excise and other taxes		4,948	4,663
Income taxes payable	13	29,750	19,117
Accrued liabilities		7,447	7,124
Dividend payable		17,756	11,481
Total current liabilities		96,241	75,019
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		284,828	245,823

## CONSOLIDATED STATEMENTS OF CASH FLOWS - NGAAP

(in NOK million)	For the year ended December 31,	
	2005	2004
<b>OPERATING ACTIVITIES</b>		
Consolidated net income	32,009	24,746
<u>Adjustments to reconcile net income to net cash flows provided by operating activities:</u>		
Minority interest in income	765	505
Depreciation, depletion and amortization	21,156	17,459
Exploration expenditures written off	158	110
(Gains) losses on foreign currency transactions	1,330	(1,919)
Deferred taxes	(4,664)	4,888
(Gains) losses on sales of assets and other items	(1,602)	(1,556)
<u>Changes in working capital (other than cash and cash equivalents):</u>		
• (Increase) decrease in inventories	(3,194)	(2,201)
• (Increase) decrease in accounts receivable	(11,625)	(1,149)
• (Increase) decrease in prepaid expenses and other current assets	(2,091)	(3,844)
• (Increase) decrease in short-term investments	4,780	(2,307)
• Increase (decrease) in accounts payable	7,923	(147)
• Increase (decrease) in other payables	306	1,558
• Increase (decrease) in taxes payable	10,522	1,387
(Increase) decrease in non-current items related to operating activities	477	1,277
Cash flows provided by operating activities	56,250	38,807
<b>INVESTING ACTIVITIES</b>		
Acquisitions, net of cash acquired	(13,154)	0
Additions to property, plant and equipment	(31,389)	(31,800)
Exploration expenditures capitalized	(1,242)	(748)
Change in long-term loans granted and other long-term items	(734)	(2,650)
Proceeds from sale of business	7,802	0
Proceeds from sale of assets	1,053	3,239
Cash flows used in investing activities	(37,664)	(31,959)

## CONSOLIDATED STATEMENTS OF CASH FLOWS - NGAAP

(in NOK million)	For the year ended December 31,	
	2005	2004
<b>FINANCING ACTIVITIES</b>		
New long-term borrowings	422	4,599
Repayment of long-term borrowings	(3,187)	(6,574)
Amounts paid to minority shareholders	(910)	(559)
Dividends paid	(11,481)	(6,390)
Net short-term borrowings, bank overdrafts and other	(1,358)	(131)
Cash flows used in financing activities	(16,514)	(9,055)
Net increase (decrease) in cash and cash equivalents	2,072	(2,207)
Effect of exchange rate changes on cash and cash equivalents	(75)	(81)
Cash and cash equivalents at the beginning of the year	5,028	7,316
Cash and cash equivalents at the end of the year	7,025	5,028
Interest paid	2,004	1,179
Taxes paid	54,625	38,844

Changes in balance sheet items resulting from the acquisition of the Statoil Detaljhandel Skandinavia in 2004 are excluded from Cash flows provided by operating activities and Cash flows used in financing activities, and classified as Additions to property, plant and equipment.

## 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 pipelines and other assets with a net book value of NOK 1.5 billion were transferred to the Norwegian State. The transaction was completed June 1, 2001 with a valuation date of January 1, 2001 with the exception of the sale of an interest in the Mongstad terminal which had a valuation date of June 1, 2001.

The total amount paid to the Norwegian State was financed through a public offering of shares of NOK 12.9 billion, issuance of new debt of NOK 9 billion and the remainder from existing cash and short-term borrowings.

The transfer of properties from SDFI has been accounted for as transactions among entities under common control and the results of operations and financial position have been, with effect from June 1, 2001, accounted for at historical cost. The final cash settlement is under review by the Norwegian State, and Statoil recorded in 2004 its estimated outcome against shareholders' equity. No further material impact is expected.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of Statoil ASA and its subsidiaries (the Company or the group) are prepared in accordance with Norwegian generally accepted accounting principles (NGAAP). For a reconciliation to United States generally accepted principles (USGAAP) see note 26.

#### Consolidation

The consolidated financial statements include the accounts of Statoil ASA and subsidiary companies owned directly or indirectly more than 50 per cent. Inter-company transactions and balances have been eliminated. Investments in companies in which Statoil does not have control, but has the ability to exercise significant influence over operating and financial policies (generally 20 to 50 per cent ownership), are accounted for by the equity method. Undivided interests in unincorporated joint ventures in the oil and gas business, including pipeline transportation, are consolidated on a pro rata basis.

#### Foreign currency translation

Each foreign entity's financial statements are prepared in the currency in which that entity primarily conducts its business (the functional currency). For Statoil's foreign subsidiaries the local currency is normally identical with the functional currency, with the exception of some upstream and trading subsidiaries, which have US dollar as functional currency, mainly because most of the revenues and costs are in US dollar.

When translating foreign functional currency financial statements to Norwegian kroner, year-end exchange rates are applied to asset and liability accounts, and average rates are applied to income statement accounts. Adjustments resulting from this process are included in the Accumulated other comprehensive income account in shareholders' equity, and do not affect net income.

Transactions denominated in currencies other than the entity's functional currency are re-measured into the functional currency using current exchange rates. Gains or losses from this re-measurement are included in income.

#### Revenue recognition

Revenues associated with sale and transportation of crude oil, natural gas, petroleum and chemical products and other merchandises are recorded when title passes to the customer at the point of delivery of the goods based on the contractual terms of the agreements. Revenue is recorded net of customs, excise taxes and royalties paid in kind on petroleum products.

Sales and purchases of physical commodities which are not settled net are presented on a gross basis as Sales and Cost of goods sold in the Income statement. Activities related to the trading of commodity based derivative instruments are reported on a net basis, with the margin included in Sales. Arrangements involving a series of buys and sells entered into in order to obtain a given quantity and quality of a commodity at a given location are recognized net and included in Sales.

Revenues from the production of oil and gas properties in which we have an interest with other companies are recorded on the basis of volumes lifted and sold to customers during the period in accordance with the sales method.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – NGAAP

### Transactions with the Norwegian State

Statoil markets and sells the Norwegian State's share of oil and gas production from the Norwegian continental shelf (NCS). All purchases and sales of SDFI oil production are recorded as Cost of goods sold and Sales. All oil received by the Norwegian State as royalty in kind from fields on the NCS is purchased by Statoil. Statoil includes the costs of purchase and proceeds from the sale of this royalty oil in its Cost of goods sold and Sales respectively.

Statoil is selling, in its own name, but for the Norwegian State's account and risk, the state's production of natural gas. This sale and related expenses refunded by the State, are recorded net in Statoil's financial statements. Refunds include expenses related to activities incurred to secure market access, and investments made to maximize profitability from the sale of natural gas.

Inter-company balances and transactions in connection with activities in licenses are not included in related parties' transactions.

### Cash and cash equivalents

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

### Short-term investments

Short-term investments include bank deposits and all other monetary instruments and marketable equity and debt securities with a maturity of between three and twelve months at the date of purchase. The portfolios of securities are considered trading securities and are valued at fair value (market). The resulting unrealized holding gains and losses are included in Net financial items.

### Inventories

Inventories are valued at the lower of cost or market using the first-in, first-out (FIFO) method. Cost includes raw material, freight, and direct production costs together with a share of indirect costs.

### Use of estimates

Preparation of the financial statements requires the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as disclosures of contingencies. Actual results may ultimately differ from the estimates and assumptions used.

The nature of Statoil's operations, and the many countries in which Statoil operates, are subject to changing economic, regulatory and political conditions. Statoil does not believe it is vulnerable to the risk of a near-term severe impact as a result of any concentration of its activities.

### Property, plant and equipment

Property, plant and equipment are carried at historical cost less accumulated depreciation, depletion and amortization. Expenditures for significant renewals and improvements are capitalized. Ordinary maintenance and repairs are charged to income when performed. Provisions are made for costs related to significant periodic maintenance programs.

Depreciation of production installations and field-dedicated transport systems for oil and gas is calculated using the unit of production method based on proved reserves expected to be recovered during the concession or contract period. Ordinary depreciation of other assets and of transport systems used by several fields is calculated on the basis of their economic life expectancy, using the straight-line method. The economic life of nonfield-dedicated transport systems is normally the production period of the related fields, limited by the concession or contract period. Straight-line depreciation of other assets is based on the following estimated useful lives:

Machinery and equipment	3 — 10 years
Production plants onshore	15 — 20 years
Buildings	20 — 33 years
Vessels	20 — 25 years
Intangibles	10 — 20 years

### Oil and gas accounting

Statoil uses the "Successful efforts"- method of accounting for oil and gas producing activities. Expenditures to acquire mineral interests in oil and gas properties and to drill and equip exploratory wells are capitalized until it is clarified if there are proved reserves. Expenditures to drill exploratory wells that do not find proved reserves, and geological and geophysical and other exploration expenditures are expensed.

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

Expenditures to drill and equip exploratory wells that find proved reserves are capitalized. Capitalized expenditures of producing oil and gas properties are depreciated and depleted by the unit of production method. Pre-production expenditures are expensed as incurred.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – NGAAP

### Impairment of long-lived assets

Tangible assets, identifiable intangible assets and goodwill, are written down when events or a change in circumstances during the year lead to that their carrying amount not being 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.

We consider that refining and processing plants that are not limited by an expected license period have indefinite lives and that there is no measurable asset retirement obligation.

### Leased assets

Capital leases, which provide Statoil with substantially all the rights and obligations of ownership, are classified as assets under Property, plant and equipment and as liabilities under Long-term debt valued at the present value of minimum lease payments. The assets are subsequently depreciated over their expected economic life, and the liability is reduced for lease payments less the effective interest expense.

### Employee retirement plans

Defined benefit plans where the employees have the right of a defined amount of pension, are allocated to net income over the service period. Accumulated gains and losses in excess of 10 per cent of the greater of the benefit obligation or the fair value of assets are amortized over the remaining service period of active plan participants. Prior service costs, due to plan amendments on defined benefit plans, are amortized on a straight-line basis over the average remaining service period of active participants.

Contribution plans, plans where the company's obligation is to contribute a defined amount to the employee, are allocated to net income in the period the contribution covers. Multi-employer plans are recognized similar to contribution plans.

### Stock based compensation

Statoil recognizes stock based compensation as expense and uses a fair value based method to measure the compensation expense. Compensation expense is measured at the grant date based on the estimated value of the awarded shares and recognized over the service period. The awarded shares are accounted for as compensation expense in the income statement and recorded as an equity transaction (included in Additional paid-in capital).

### Research and development

Research and development expenditures are expensed as incurred.

### Income taxes

Deferred income tax expense is calculated using the liability method. Under this method, deferred tax assets and liabilities are determined by applying the enacted statutory tax rates applicable to future years to the temporary differences between the carrying values of assets and liabilities for financial reporting and their tax basis. Effects of changes in tax laws and tax rates are recognized at the date the tax law changes.

Deferred tax benefit is reduced by a valuation allowance if it is unlikely that the benefit can be used. Uplift benefit is reflected in the accounts when the deduction impacts taxes payable.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – NGAAP

**Derivative financial instruments and hedging activities**

The following accounting policies are applied for the principal financial instruments and commodity-based 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**

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

**New Accounting principles and changes in regulations**

The Norwegian Parliament decided in June 2003 to replace governmental refunds for removal costs on the Norwegian continental shelf with ordinary tax deductions for such costs. Previously, removal costs were refunded by the Norwegian State based on the company's percentage of income taxes payable over the productive life of the removed installation. As a consequence of the changes in legislation, Statoil has charged the receivable of NOK 6.0 billion against the Norwegian State related to refund of removal costs to income under Other items in the second quarter of 2003. Furthermore, the resulting deferred tax benefit of NOK 6.7 billion has been taken to income under Income taxes.

**Implementation of International Financial Reporting Standards (IFRS)**

EU regulations require that companies adopt IFRS by 2005 for the Consolidated Financial Statements. There is an option for the member states authorities to allow adoption from 2007 in certain circumstances. Norway has used this option. The main criterion is that the company uses internationally accepted accounting standards, for the purpose of a non-EU stock exchange listing, as their primary financial statements. Statoil uses USGAAP as the primary financial statements and has elected to use this option to adopt IFRS in 2007. First quarter 2007 will be the first time Statoil will report according to IFRS. Statoil will use the option to only include one year of comparative figures.

We are now in the process of evaluating the accounting differences between USGAAP, NGAAP and IFRS. The implementation of IFRS will be based on the rules as they are in 2007. In addition there are still certain areas and details that have yet to be finally clarified according to IFRS. The accounting differences will also be affected by the final choices to be made by Statoil of the options available according to IFRS 1 (First-time Adoption of International Financial reporting Standards).

Based on our preliminary assessment, the most significant differences between NGAAP and IFRS relate to classification of dividends between liabilities and equity and accounting for derivatives. Furthermore, the most significant preliminary identified differences between USGAAP and IFRS are impairment of long lived assets and LIFO accounting for inventories. First time application of IFRS will lead to some accounting differences which will be charged directly to equity. The preliminary assessments are based on current IFRS standards and interpretations and the preliminary choices Statoil has made under IFRS 1.

**3. SEGMENTS**

Statoil operates in four segments; Exploration and Production Norway, International Exploration and Production, Natural Gas and Manufacturing and Marketing.

Operating segments are determined based on differences in the nature of their operations, geographic location and internal management reporting. The composition of segments and measure of segment profit are consistent with that used by management in making strategic decisions.

As of January 1, 2004 Natural Gas has taken over certain activities from International Exploration and Production. The activities consist of gas sales activities in some foreign countries, construction of a pipeline for transportation of natural gas from Azerbaijan to Turkey and sale of Statoil's natural gas processed at the Cove Point terminal in the USA. Figures for 2003 have been adjusted to reflect the new structure.

At January 1, 2004 the Kollsnes activity was transferred from Exploration and Production Norway to Natural Gas. At February 1, 2004 the Kollsnes gas processing plant was transferred to Gassled. The transfer did not lead to significant changes in Statoil's existing rights, obligations or book values of the Kollsnes assets. The operatorship was taken over by Gassco. Assets related to Kollsnes were transferred from Exploration and Production Norway to Natural Gas at net book value of NOK 4.2 billion. Prior periods' figures have been adjusted to reflect the new structure.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – NGAAP

The segment Other includes insurance costs of NOK 0.8 billion in 2005, due to extra insurance premiums and liabilities in the two mutual insurance companies, in which Statoil Forsikring participates. The corresponding increase for 2004 is NOK 0.4 billion.

Segment data for the years ended December 31, 2005, 2004 and 2003 is presented below:

(in NOK million)	Exploration and Production Norway	International Exploration and Production	Natural Gas	Manufacturing and Marketing	Other and eliminations	Total
<b>Year ended December 31, 2005</b>						
Revenues third party	2,114	6,366	44,996	338,718	437	392,631
Revenues inter-segment	95,417	13,197	586	236	(109,436)	0
Income (loss) from equity investments	92	0	264	826	(95)	1,087
<b>Total revenues</b>	<b>97,623</b>	<b>19,563</b>	<b>45,846</b>	<b>339,780</b>	<b>(109,094)</b>	<b>393,718</b>
Depreciation, depletion and amortization	11,450	6,273	775	2,262	396	21,156
Income before financial items, other items, income taxes and minority interest	74,132	8,364	5,899	9,522	(978)	96,939
Imputed segment income taxes	(56,030)	(3,027)	(4,012)	(1,813)	9	(64,873)
<b>Segment net income</b>	<b>18,102</b>	<b>5,337</b>	<b>1,887</b>	<b>7,709</b>	<b>(969)</b>	<b>32,066</b>
<b>Year ended December 31, 2004</b>						
Revenues third party	1,570	3,261	32,629	265,696	1,359	304,515
Revenues inter-segment	72,403	6,504	447	58	(79,412)	0
Income (loss) from equity investments	77	0	222	937	(29)	1,207
<b>Total revenues</b>	<b>74,050</b>	<b>9,765</b>	<b>33,298</b>	<b>266,691</b>	<b>(78,082)</b>	<b>305,722</b>
Depreciation, depletion and amortization	12,381	2,215	652	1,719	492	17,459
Income before financial items, other items, income taxes and minority interest	51,029	4,188	6,731	3,991	(820)	65,119
Imputed segment income taxes	(37,904)	(1,429)	(4,344)	(871)	1	(44,547)
<b>Segment net income</b>	<b>13,125</b>	<b>2,759</b>	<b>2,387</b>	<b>3,120</b>	<b>(819)</b>	<b>20,572</b>
<b>Year ended December 31, 2003</b>						
Revenues third party	2,275	2,156	24,890	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
<b>Total revenues</b>	<b>62,519</b>	<b>6,614</b>	<b>25,557</b>	<b>219,257</b>	<b>(63,828)</b>	<b>250,119</b>
Depreciation, depletion and amortization	12,009	1,784	619	1,409	506	16,327
Income before financial items, other items, income taxes and minority interest	37,840	1,780	6,104	4,079	(313)	49,490
Imputed segment income taxes	(28,054)	(693)	(4,240)	(902)	(6)	(33,895)
<b>Segment net income</b>	<b>9,786</b>	<b>1,087</b>	<b>1,864</b>	<b>3,177</b>	<b>(319)</b>	<b>15,595</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – NGAAP

Borrowings are managed at a corporate level and interest expenses are not allocated to segments. Income tax is calculated on income before financial items and minority interest. Additionally, income tax benefit on segments with net losses is not recorded. As such, Imputed segment income tax and Segment net income can be reconciled to Income taxes and Net income per the Consolidated Statements of Income as follows:

(in NOK million)	2005	2004	2003
Segment net income	32,066	20,572	15,595
Net financial items	(3,712)	5,439	1,237
Other items (see note 2)	0	0	(6,025)
Change in deferred tax due to new legislation (see note 2)	0	0	6,712
Tax on financial items and other tax adjustments	4,420	(2,160)	(166)
Change in deferred tax on undistributed earnings in foreign companies*	0	1,400	0
Minority interest	(765)	(505)	(289)
<b>Net income</b>	<b>32,009</b>	<b>24,746</b>	<b>17,064</b>
Imputed segment income taxes	64,873	44,547	33,895
Change in deferred tax due to new legislation (see note 2)	0	0	(6,712)
Tax on financial items and other tax adjustments	(4,420)	2,160	166
Change in deferred tax on undistributed earnings in foreign companies*	0	(1,400)	0
<b>Income taxes</b>	<b>60,453</b>	<b>45,307</b>	<b>27,349</b>

\* Due to changes in Norwegian tax legislation in 2004 dividends received from corporations are, with a few exceptions, exempted from Norwegian income tax. Consequently, deferred tax liabilities of NOK 1.4 billion related to undistributed retained earnings in subsidiaries and affiliates have been reversed.

The Exploration and Production – Norway and International Exploration and Production Segments explore for, develop and produce crude oil and natural gas, and extract natural gas liquids, sulfur and carbon dioxide. The Natural Gas segment transports and markets natural gas and natural gas products. Manufacturing and Marketing is responsible for petroleum refining operations and the marketing of all refined petroleum products except gas.

Inter-segment revenues are sales to other business segments within Statoil and are at estimated market prices. These inter-company transactions are eliminated for consolidation purposes. Imputed segment income taxes are calculated on the basis of Income before financial items, other items and minority interest.

(in NOK million)	Addition to long-lived assets	Investments in affiliates	Other long-term assets
<b>Year ended December 31, 2005</b>			
Exploration and Production Norway	16,257	252	86,134
International Exploration and Production	25,295	0	62,163
Natural Gas	2,542	3,261	15,976
Manufacturing and Marketing	1,630	818	22,265
Other	470	116	20,505
<b>Total</b>	<b>46,194</b>	<b>4,447</b>	<b>207,043</b>
<b>Year ended December 31, 2004</b>			
Exploration and Production Norway	16,776	258	81,371
International Exploration and Production	18,987	0	37,956
Natural Gas	2,368	2,984	14,551
Manufacturing and Marketing	4,162	7,022	23,004
Other	551	73	15,446
<b>Total</b>	<b>42,844</b>	<b>10,337</b>	<b>172,328</b>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – NGAAP

(in NOK million)	Addition to long-lived assets	Investments in affiliates	Other long- term assets
<b>Year ended December 31, 2003</b>			
Exploration and Production Norway	13,136	1,324	75,144
International Exploration and Production	8,019	0	31,875
Natural Gas	860	2,006	14,008
Manufacturing and Marketing	1,546	7,655	15,539
Other	530	37	14,102
Total	24,091	11,022	150,668

Revenues by geographic areas

(in NOK million)	For the year ended December 31,		
	2005	2004	2003
Norway	291,075	223,969	187,445
Europe (excluding Norway)	48,171	44,465	27,436
United States	35,178	26,872	26,486
Other areas	18,207	9,209	8,014
Total revenues (excluding equity in net income of affiliates)	392,631	304,515	249,381

Non-current assets by geographic areas

(in NOK million)	For the year ended December 31,		
	2005	2004	2003
Norway	132,541	121,208	112,878
Europe (excluding Norway)	34,063	35,889	26,620
United States	15,490	678	638
Other areas	29,396	24,890	21,554
Total non-current assets	211,490	182,665	161,690

4. SIGNIFICANT ACQUISITIONS AND DISPOSITIONS

Effective January 1, 2003 Statoil sold 100 per cent of the shares in Navion ASA to Norsk Teekay AS, a wholly-owned subsidiary of Teekay Shipping Corporation. The operations of Navion were shuttle tanking and conventional shipping. The sales price for the fixed assets of Navion, excluding *Navion Odin* and Navion's 50 per cent share in the *West Navigator* drillship which were not included in the sale, was approximately USD 800 million. The sale was accounted for in the Manufacturing and Marketing segment and the profit and loss effect from the sale was a gain of NOK 0.7 billion after tax.

Statoil and BP signed an agreement in June 2003 whereby Statoil acquired 49 per cent of BP's interest in the In Salah gas project and 50 per cent of BP's interest in the In Amenas gas condensate project, both in Algeria. The purchase price was USD 740 million, and Statoil has in addition covered the expenditures incurred after January 1, 2003 related to the acquired interests. After the receipt of necessary governmental approvals in 2004, the two projects were transferred from Long-term receivables to Property, plant and equipment in the Consolidated Balance Sheets. The projects are included in the segment International Exploration and Production.

In January 2004 Statoil acquired 11.24 per cent of the Snøhvit field, of which 10 per cent from Norsk Hydro and 1.24 per cent from Svenska Petroleum. Following these transactions, Statoil has an ownership share of 33.53 per cent in the Snøhvit field. The field is included in Property, plant and equipment and recorded in the segment Exploration and Production Norway.

In January 2004 Statoil sold its 5.26 per cent shareholding in the German company Verbundnetz Gas, generating a gain of NOK 619 million before tax (NOK 446 million after tax). The gain was classified as Other income in the Consolidated Statements of Income, and included in the segment Natural Gas.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – NGAAP

In 2004 Statoil acquired the retailer group ICA's 50 per cent holding in Statoil Detaljhandel Skandinavia AS (SDS), and now owns 100 per cent of SDS. Following approval under the EU merger control regulations on July 1, the transaction was completed on July 8, 2004. Based on Statoil's ownership share, SDS was accounted for in accordance with the equity method up to and including the second quarter of 2004. SDS is consolidated as a subsidiary from the third quarter of 2004. NOK 0.5 billion of the cost price for SDS was allocated to goodwill and NOK 0.7 billion to intangible assets, mainly consisting of franchise agreements. SDS is included in the Manufacturing and Marketing segment.

In October 2004 Statoil sold its 50 per cent interest in the joint venture "Partrederiet West Navigator DA", which owns the deepwater drill ship *West Navigator*, to Smedvig ASA. The interest in the joint venture was included in the segment Exploration and Production Norway. The agreed purchase price was USD 175 million for the vessel adjusted for Statoil's share of the cash flow from the operation of the vessel from May 1, 2004. The effect on Income before financial items, other items, income taxes and minority interest was immaterial, while there was a positive tax effect of NOK 0.3 billion.

On April 27, 2005 Statoil entered into an agreement to acquire assets from EnCana Corporation's Gulf of Mexico subsidiary at a cost of USD 2.0 billion plus the balance of costs incurred between effective date January 1, 2005 and the closing date. The acquisition includes working interests in six discoveries, including a 25 per cent interest in the Tahiti discovery currently under development, and an average 40 per cent working interest in 239 gross blocks covering approximately 1.4 million acres (5,665 square km). The closing of the transaction took place May 26, 2005 and the acquired assets and liabilities were included in Statoil's accounts from the same date. The investment is recognized in the segment International Exploration and Production. Statoil is currently allocating the purchase price based on the fair value of the assets acquired.

In June 2005 Statoil agreed to sell its 50 per cent holding in Borealis A/S to IOB Holding A/S, a company jointly owned by International Petroleum Investment Company and OMV Aktiengesellschaft. Borealis' activity consists primarily of production of olefins and polyolefins as feedstock for plastic products. Including a dividend of EUR 80 million, the sales price amounted to EUR 1 billion. The closing of the transaction took place on October 13, 2005 and the gain of approximately NOK 1.5 billion (before and after tax) has been classified as Other income in the Consolidated Statements of Income and is included in the Manufacturing and Marketing segment.

## 5. ASSET IMPAIRMENTS

In 2005 an impairment charge of NOK 2.2 billion before tax (NOK 1.6 billion after tax) was recorded in Depreciation, depletion and amortization in the International Exploration and Production segment to write down book value of Statoil's share in the Iranian South Pars gas field project. The write-down is due to considerable cost increases and delays in development of phases 6-7-8 in the project. Fair value was calculated based on an assessment of expected discounted cash flows for the project.

## 6. AUDITORS' REMUNERATION

(in NOK million)	Audit fees	Audit related fees	Tax fees	Total
<b>2005</b>				
Ernst & Young - Norway	11.8	10.2	0.1	22.1
Ernst & Young - abroad	13.2	1.2	0	14.4
Total	25.0	11.4	0.1	36.5
<b>2004</b>				
Ernst & Young - Norway	11.4	4.1	2.3	17.8
Ernst & Young - abroad	12.4	0.4	2.8	15.6
Total	23.8	4.5	5.1	33.4

In addition audit fee related to Statoil-operated licenses amounts to NOK 3.8 and NOK 3.5 million for 2005 and 2004, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – NGAAP

7. INVENTORIES

Inventories are valued at the lower of cost or market determined under the first-in, first-out method.

(in NOK million)	At December 31,	
	2005	2004
Crude oil	4,383	3,664
Petroleum products	5,915	3,344
Other	1,157	1,253
Total inventories	11,455	8,261

8. SUMMARY FINANCIAL INFORMATION OF UNCONSOLIDATED EQUITY AFFILIATES

Statoil's investments in affiliates included up to October 13, 2005 a 50 per cent interest in Borealis A/S, a petrochemical production company, and included up to July 8, 2004 a 50 per cent interest in Statoil Detaljhandel Skandinavia AS (SDS), a group of retail petroleum service stations. As from July 8, 2004 SDS became a subsidiary of Statoil ASA.

Summary of financial information for affiliated companies accounted for by the equity method is shown below. Statoil's investment in these companies is included in Investments in affiliates.

Equity method affiliates - gross amounts

(In NOK million)	Borealis A/S			SDS		
	2005	2004	2003	2005	2004	2003
<b>At December 31,</b>						
Current assets	-	8,321	7,286	-	-	2,799
Non-current assets	-	17,548	19,085	-	-	6,787
Current liabilities	-	8,502	7,058	-	-	3,717
Long-term debt	-	2,323	6,140	-	-	1,951
Other liabilities	-	2,785	2,375	-	-	444
Net assets	-	12,259	10,798	-	-	3,474
<b>Year ended December 31,</b>						
Gross revenues	28,755	38,504	30,936	-	13,244	24,615
Income before taxes	1,806	2,205	126	-	60	210
Net income	1,409	1,689	135	-	46	148
Capital expenditures	1,255	1,805	1,002	-	237	779

Statoil received a total of NOK 861 million in dividends from Borealis for 2005, of which NOK 627 million were declared and received as a part of the Borealis sales transaction. Further reference is made to note 4. No dividends were received from Borealis for the years 2004 and 2003.

Statoil received dividends amounting to NOK 100 and NOK 65 million from SDS in 2004 and 2003, respectively.

Equity method affiliates - detailed information

	Currency	(in million)		Ownership	(in NOK million)	
		Par value	Share capital		Book value	Profit share
Borealis A/S	EUR	-	-	-	-	705
South Caucasus Pipeline Holding Company Limited	USD	253	1,012	25.5%	1,743	-
Other companies		-	-	-	2,704	382
Total					4,447	1,087

Ownership corresponds to voting rights.

South Caucasus Pipeline Holding Company Limited is in the process of constructing a gas pipeline from Baku in Azerbaijan to Turkey. The pipeline is expected to be operational in 2007.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – NGAAP

## 9. INVESTMENTS

## Short-term investments

(in NOK million)	At December 31,	
	2005	2004
Short-term deposits	12	53
Commercial papers	6,621	9,735
Liquidity funds	47	1,662
Other	161	171
Total short-term investments	6,841	11,621

The cost price of short-term investments for the years ended December 31, 2005 and 2004 was NOK 6,795 and NOK 11,876 million, respectively. All short-term investments are considered to be trading securities and are recorded at fair value with unrealized gains and losses included in income.

## Long-term investments included in Other assets

(in NOK million)	At December 31,	
	2005	2004
Shares in other companies	2,921	2,206
Commercial papers	1,408	1,810
Bonds	5,422	2,891
Marketable equity securities	3,994	2,257
Total long-term investments	13,745	9,164

Included in Shares in other companies is Statoil BTC Caspian AS' investment in 8.71 per cent of the shares in BTC Pipeline Company. The investment had a book value of NOK 2,272 and NOK 1,543 million as at year-end 2005 and 2004, respectively. BTC Pipeline Company is in the process of constructing an oil pipeline from Baku in Azerbaijan to Ceyhan in Turkey. The pipeline is expected to be operational in 2006.

## 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)	Market value at December 31, 2005
<b>By debtor type</b>	
Government outside Norway	3,031
Central and local government administration	1,763
Banks and credit institutions, Norway	221
Banks and credit institutions outside Norway	407
Total market value	5,422
<b>By currency</b>	
Canadian dollar (CAD)	149
Great British pounds (GBP)	206
US dollar (USD)	963
Euro (EUR)	1,737
Norwegian kroner (NOK)	2,317
Other	50
Total market value	5,422

The cost price of the investments in bonds amounts to NOK 5,469 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – NGAAP

10. PROPERTY, PLANT AND EQUIPMENT

(in NOK million)	Machinery, equipment and transportation equipment	Production plants oil and gas, incl. pipelines	Production plants onshore	Buildings and land	Vessels	Construction in progress	Capitalized exploration expenditures**	Total
Cost at January 1, 2005	10,729	249,412	39,292	11,441	754	36,101	2,886	350,615
Accumulated depreciation, depletion and amortization at January 1	(6,947)	(167,217)	(20,905)	(2,467)	(160)	(3)	0	(197,699)
Additions and transfers	968	28,460	1,060	728	121	4,101	10,319	45,757
Disposal at booked value	(41)	(24)	(52)	(147)	(502)	(5)	(3)	(774)
Expensed exploration expenditures capitalized earlier years	0	0	0	0	0	0	(158)	(158)
Depreciation, depletion and amortization for the year	(854)	(15,085)	(2,250)	(479)	(31)	(2,211)	0	(20,910)
Foreign currency translation	(97)	1,146	851	99	(3)	1,597	1,057	4,650
Book value fixed assets at December 31, 2005	3,758	96,692	17,996	9,175	179	39,580	14,101	181,481
Intangible assets								2,060
Net property, plant, equipment and intangible assets at December 31, 2005								183,541
Estimated useful life (years)	3-10	*	15-20	20-33	20-25			

Intangible assets are depreciated over 10-20 years.

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

\*\* Capitalized exploration expenditures include signature bonuses and other acquired exploration rights of NOK 11,071, NOK 609 and NOK 1,045 million as at the end of 2005, 2004 and 2003, respectively.

In 2005, 2004 and 2003, NOK 1,672, NOK 829 and NOK 442 million, respectively, of interests were capitalized. In addition to depreciation, depletion and amortization specified above intangible assets have been amortized by NOK 246 million in 2005.

**Exploration expenditures**

(in NOK million)	2005	2004	2003
Incurred during the year	4,337	2,466	2,445
Capitalised share of current year's exploration activity	(1,242)	(748)	(331)
Expensed, previously capitalised exploration expenditures	158	110	256
Expensed during the year	3,253	1,828	2,370

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – NGAAP

## Capitalized exploratory expenditures that are pending the determination of proved reserves

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

In addition to capitalized signature bonuses and other acquired exploration rights of NOK 11,071 million, capitalized exploratory drilling expenditures at year-end 2005 consisted of the following capitalized exploratory drilling expenditures that are pending the determination of proved reserves at December 31:

	NOK million	Number of wells
<b>Exploratory well expenditures that have been capitalized for a period of one year or less (A)</b>	1,461	20
<b>Exploratory well expenditures that have been capitalized for a period greater than one year, aged (B)</b>		
- Completed in 2004	413	6
- Completed in 2003	306	12
- Completed in 2002	233	8
- Completed in 2001	340	3
- Completed in 2000	97	4
- Completed in 1999	66	2
- Completed in 1998	114	2
Total	1,569	37
<b>Exploratory well expenditures that have been capitalized for a period greater than one year, by category (B)</b>		
- Wells where additional drilling efforts are underway or firmly planned in the near future	519	13
- Wells with economic reserves, development decision planned in the near future	973	23
- Wells with economic reserves, development decision pending available capacity in infrastructure	77	1
Total	1,569	37
Total of capitalized exploratory drilling expenditures (A+B)	3,030	57

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – NGAAP**

**11. PROVISIONS**

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

(in NOK million)	Balance at January 1,	Foreign currency translation	Expense	Recovery	Write-off	Other 1)	Balance at December 31,
<b>Year 2005</b>							
Provisions against other long-term assets	0	0	4	0	0	0	4
Provisions against accounts receivable	255	(4)	54	(9)	(75)	38	259
<b>Year 2004</b>							
Provisions against other long-term assets	0	0	0	0	0	0	0
Provisions against accounts receivable	275	0	29	(39)	(22)	12	255
<b>Year 2003</b>							
Provisions against other long-term assets	0	0	0	0	0	0	0
Provisions against accounts receivable	153	0	59	(5)	(5)	73	275

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

**12. FINANCIAL ITEMS**

(in NOK million)	For the year ended December 31,		
	2005	2004	2003
Dividends received	700	271	179
Gain (loss) on sale of securities	755	286	205
Interest and other financial income	738	775	1,057
Currency exchange adjustments, short-term items	(5,063)	3,313	76
Currency exchange adjustments, long-term items	(772)	1,718	22
Interest and other financial expenses	(2,411)	(1,446)	(1,481)
Unrealized gain (loss) on securities	669	(307)	737
Capitalized interest	1,672	829	442
Net financial items	(3,712)	5,439	1,237

**13. INCOME TAXES**

The tax expense consists of

(in NOK million)	For the year ended December 31,		
	2005	2004	2003
Current taxes payable	65,117	40,419	33,624
Change in deferred tax 1)	(4,664)	4,888	437
Change in deferred tax due to new legislation (see note 2)	0	0	(6,712)
Income tax expense	60,453	45,307	27,349
Uplift benefit for the year	4,258	3,793	3,738
Foreign portion of the tax expense	3,519	2,592	789

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – NGAAP

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

(in NOK million)	For the year ended December 31,		
	2005	2004	2003
Income before tax	93,227	70,558	44,702
Calculated income taxes at statutory rate	26,104	19,756	12,517
Petroleum surtax at statutory rate	37,707	27,855	21,758
Uplift benefits	(2,129)	(1,897)	(1,869)
Other, net	(1,229)	(407)	1,655
Change in deferred tax due to new legislation (see note 2)	0	0	(6,712)
Income tax expense	60,453	45,307	27,349

1) Due to changes in Norwegian tax legislation in 2004, dividends from companies, with some exceptions, are not taxable in Norway. Consequently, NOK 1.4 billion in deferred taxes related to retained earnings in subsidiaries and affiliates have been reversed in 2004.

Revenue from oil and gas activities on the NCS is taxed according to the Petroleum tax law. In addition to normal corporation tax, a special tax of 50 per cent is levied after deducting uplift, a special investment tax credit. Uplift is deducted by 7.5 per cent per year for four years, as from the year of investment. Uplift benefits of NOK 10.8 billion will be recognized over a period of four years.

At the end of 2005, Statoil had tax losses carry-forwards of NOK 3.9 billion, primarily in the US and Ireland. Only a minor part of the carry-forward amounts expire before 2019.

## Significant components of deferred tax assets and liabilities were as follows

(in NOK million)	At December 31,	
	2005	2004
<b>Deferred tax assets</b>		
Inventory	2,105	1,465
Other short-term items	1,521	347
Net operating loss carry-forwards	1,278	1,160
Property, plant and equipment	3,930	1,837
Decommissioning and asset retirement obligation	13,107	10,289
Other long-term items	1,251	1,372
Valuation allowance	(2,592)	(1,923)
Total deferred tax assets	20,600	14,547

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – NGAAP**

(in NOK million)	At December 31,	
	2005	2004
<b>Deferred tax liabilities</b>		
Other short-term items	864	1,179
Property, plant and equipment	46,714	43,045
Capitalized exploration expenditures and interest	8,002	8,367
Other long-term items	5,442	6,589
<b>Total deferred tax liabilities</b>	<b>61,022</b>	<b>59,180</b>
<b>Net deferred tax liabilities</b>	<b>40,422</b>	<b>44,633</b>

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.

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

(in NOK million)	2005
Deferred income tax liability at January 1	44,633
Charged to the income statement	(4,664)
Acquisitions, sales and other	453
<b>Net deferred income tax liability at December 31</b>	<b>40,422</b>

**14. SHORT-TERM INTEREST-BEARING DEBT**

(in NOK million)	At December 31,	
	2005	2004
Bank loans and overdraft facilities	288	1,541
Current portion of long-term debt	1,131	2,971
Margin call	1,783	3,001
Other	110	218
<b>Total</b>	<b>3,312</b>	<b>7,731</b>
<b>Weighted average interest rate</b>	<b>3.93%</b>	<b>2.78%</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – NGAAP

## 15. LONG-TERM INTEREST-BEARING DEBT

(in NOK million)	At December 31,	
	2005	2004
<b>Unsecured debentures bonds</b>		
US dollar (USD)	24,269	23,379
Euro (EUR)	187	255
Other currencies	10	11
Total	24,466	23,645
<b>Unsecured bank loans</b>		
US dollar (USD)	1,391	2,108
<b>Secured bank loans</b>		
US dollar (USD)	3,899	3,332
Other currencies	306	13
Other debt	538	355
Grand total debt outstanding	30,600	29,453
Less current portion	1,131	2,971
Total long-term debt	29,469	26,482
Weighted average interest rate	4.83%	4.68%

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, 2005 and 2004, NOK 3,343 and NOK 2,981 million were outstanding, respectively. The interest rate of the bond has been swapped to a LIBOR-based floating interest rate.

Statoil has an unsecured debenture bond agreement for USD 500 million, with a fixed interest rate of 5.125 per cent, maturing in 2014. At December 31, 2005 and 2004, NOK 3,382 and NOK 3,017 million were outstanding, respectively. The interest rate of the bond has been swapped to a LIBOR-based floating interest rate.

Statoil has an unsecured debenture bond agreement for EUR 500 million, with a fixed interest rate of 5.125 per cent, maturing in 2011. At December 31, 2005 and 2004, NOK 3,961 and NOK 4,081 million were outstanding, respectively. EUR 200 million of the bond has been swapped through an interest rate swap agreement to an EURIBOR-based floating interest rate.

Statoil has an unsecured debenture bond agreement for GBP 225 million, with a fixed interest rate of 6.125 per cent, maturing in 2028. At December 31, 2005 and 2004, NOK 2,622 and NOK 2,619 million were outstanding, respectively. The bond has been swapped through cross currency interest rate swap agreements to an USD LIBOR-based floating interest rate.

Statoil has an unsecured debenture bond agreement for USD 375 million, with a fixed interest rate of 5.75 per cent, maturing in 2009. At December 31, 2005 and 2004, NOK 2,528 and NOK 2,252 million were outstanding, respectively. Net after buyback this amounts to NOK 2,197 and NOK 1,955 million at year-end exchange 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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – NGAAP

Statoil's secured bankloans in USD have been secured by guarantee commitments amounting to USD 83 million, mortgage in shares in a subsidiary and investments in other companies with a combined book value of NOK 4,490 million, a bank deposit with a book value of NOK 1,494 million, and Statoil's pro-rata share of income from certain applicable projects.

Statoil has 20 debenture bond agreements outstanding, which contain provisions allowing Statoil to call the debt prior to its final redemption at par if there are changes to the Norwegian tax laws or at certain specified premiums. The agreements are net after buyback at the December 31, 2005 closing rate valued at NOK 23,743 million.

Long-term debt falls due as follows:

(in NOK million)	
2006	1,131
2007	1,889
2008	2,122
2009	3,361
2010	535
Thereafter	21,562
<b>Total</b>	<b>30,600</b>

Statoil has an agreement with an international bank syndicate for committed long-term revolving credit facility totaling USD 2.0 billion, all undrawn. Commitment fee is 0.0575 per cent per annum.

As of December 31, 2005 and 2004 respectively, Statoil had no committed short-term credit facilities available or drawn.

### 16. FINANCIAL INSTRUMENTS AND 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.

#### 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 settled by delivery of commodities (oil and oil products, natural gas, electricity) are excluded from the summary.

(in NOK million)	Net fair market value at December 31,	
	2005	2004
Debt-related instruments	3,425	5,011
Non-debt-related instruments	(2,025)	1,967
Long-term fixed interest debt	(28,498)	(27,702)
Crude oil and Refined products	(74)	694
Gas and Electricity	147	(45)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – NGAAP

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. As at year-end 2005, we had called and received a total of NOK 1.8 billion in cash as collateral for unrealized gains on OTC derivatives.

Credit risk 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. The following table contains the fair market value of OTC commodity and financial derivative assets, net of netting agreements and collateral as at December 31, 2005, split by our assessment of the counter-party's credit risk:

(in NOK million)	Fair Market Value
<b>Counter-party rated</b>	
Investment grade, rated A or above	2,416
Other investment grade	144
Non investment grade or not rated	83

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
<b>At December 31, 2005</b>		
Crude oil and Refined products	(140)	1,102
Gas and Electricity	140	44
<b>At December 31, 2004</b>		
Crude oil and Refined products	636	508
Gas and Electricity	(14)	7

Price risk sensitivities for 2005 and 2004 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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – NGAAP

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.

The following table contains the net fair market value of non-exchange traded (i.e., over-the-counter) commodity and financial derivatives as at December 31, 2005, based on maturity of contracts and the source of determining the fair market value of contracts, respectively:

Source of Fair Market Value (in NOK million)	Net Fair Market Value				Total net fair value
	Maturity less than 1 year	Maturity 1-3 years	Maturity 4-5 years	Maturity in excess of 5 years	
<b>Commodity based derivatives</b>					
Prices actively quoted	195	(2)	0	0	193
Prices provided by other external sources	(64)	(9)	(4)	0	(77)
Prices based on models or other valuation techniques	0	0	0	0	0
<b>Total commodity based derivatives</b>	<b>131</b>	<b>(11)</b>	<b>(4)</b>	<b>0</b>	<b>116</b>
<b>Financial derivatives</b>					
Prices actively quoted	(2,033)	896	1,302	1,235	1,400
Prices provided by other external sources	0	0	0	0	0
Prices based on models or other valuation techniques	0	0	0	0	0
<b>Total financial derivatives</b>	<b>(2,033)</b>	<b>896</b>	<b>1,302</b>	<b>1,235</b>	<b>1,400</b>

In the above table, other external sources for commodities mainly relate to broker quotes. The fair market values of interest and currency swaps and other financial derivatives are computed internally by means of standard financial system models and based consistently on quoted market yield and currency curves.

The following table contains a reconciliation of changes in the fair market values of all commodity and financial derivatives, including exchange traded derivatives in the books at either December 31, 2005, or December 31, 2004, net of margin calls. Derivatives entered into and subsequently terminated during the course of the year 2005 have not been included in the table:

(in NOK million)	Commodity derivatives	Financial derivatives
Net fair value of derivative contracts outstanding as at December 31, 2004	623	6,978
Contracts realized or settled during the period	(599)	(2,452)
Fair value of new contracts entered into during the period	3	(1,944)
Changes in fair value attributable to changes in valuation techniques or assumptions	0	(1,182)
Other changes in fair value	(28)	0
<b>Net fair value of derivative contracts outstanding as at December 31, 2005</b>	<b>(1)</b>	<b>1,400</b>

### *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 6.8 and NOK 5.3 billion as of December 31, 2005 and 2004 respectively. A hypothetical one percentage point adverse change in interest rates would result in a loss of NOK 0.3 and NOK 0.3 billion related to interest bearing liabilities, investments in debt securities and related financial instruments as of December 31, 2005 and 2004 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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – NGAAP

*Equity Securities*

Equity securities, mainly of the portfolio for Statoil Forsikring a.s, 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,	
	2005	2004
Equity securities	3,994	2,257
10 per cent change in share prices	399	226

**17. EMPLOYEE RETIREMENT PLANS****Pension benefits**

Statoil and many of its subsidiaries have defined benefit retirement plans, which cover substantially all of their employees. Plan benefits are generally based on years of service and final salary levels. Some subsidiaries have defined contribution plans and multi-employer plans.

**Net periodic pension cost**

(in NOK million)	For the year ended December 31,		
	2005	2004	2003
Benefits earned during the year	1,079	1,062	849
Interest cost on prior years' benefit obligation	1,025	938	791
Expected return on plan assets	(1,125)	(902)	(843)
Amortization of loss	53	175	54
Amortization of prior service cost	37	34	34
Amortization of net transition assets	0	0	(15)
Defined benefit plans	1,069	1,307	870
Defined contribution plans	47	34	27
Multi-employer plans	26	21	0
Total net pension cost	1,142	1,362	897

Pension cost are partly charged to partners of Statoil-operated activities.

**Change in projected benefit obligation (PBO)**

(in NOK million)	2005	2004
Projected benefit obligation at January 1	19,021	17,642
Benefits earned during the year	1,079	1,062
Interest cost on prior years' benefit obligation	1,025	938
Actuarial loss (gain)	3,962	(388)
Benefits paid	(372)	(350)
Acquisitions	14	117
Foreign currency translation/other	(29)	0
Projected benefit obligation at December 31	24,700	19,021

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – NGAAP

Change in pension plan assets

(in NOK million)	2005	2004
Fair value of plan assets at January 1	17,319	15,143
Actual return on plan assets	1,807	1,157
Company contributions*	1,488	1,154
Benefits paid	(234)	(188)
Acquisitions	10	53
Foreign currency translation	(43)	0
Fair value of plan assets at December 31	20,347	17,319

\* In 2004 the amount included paid-up policies transferred from external companies.

Status of pension plans reconciled to Consolidated Balance Sheets

(in NOK million)	2005	2004
Funded status of the plans at December 31	(4,353)	(1,702)
Unrecognized net loss	5,943	2,685
Unrecognized prior service cost	256	295
Total net prepaid pension recognized at December 31	1,846	1,278

Amounts recognized in the Consolidated Balance Sheets

(in NOK million)	2005	2004
Prepaid pension at December 31	5,538	4,633
Accrued pension liabilities	(4,564)	(3,960)
Intangible assets	258	295
Other comprehensive income	614	310
Net amount recognized at December 31	1,846	1,278

Number of members	Defined benefit plans	Defined contribution plans	Multi-employer plans
Active members	14,782	1,105	10,026
Pensioners	2,315	0	292
Paid-up policies	1,990	0	0
Total at December 31	19,087	1,105	10,318

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – NGAAP

## Weighted-average assumptions for the year ended (Profit and Loss items)

(in per cent)	2005	2004
Discount rate	5.50	5.50
Expected return on plan assets	6.50	6.00
Expected rate of compensation increase	3.50	3.50

## Weighted-average assumptions at the end of the year (Balance sheet items)

(in per cent)	2005	2004
Discount rate	4.25	5.50
Expected return on plan assets	5.75	6.50
Expected rate of compensation increase	3.00	3.50

## The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets

(in NOK million)	At December 31,	
	2005	2004
Projected benefit obligation	5,754	4,894
Accumulated benefit obligation	4,557	3,648
Fair value on plan assets	470	365

The accumulated benefit obligation (ABO) was NOK 18,550 million at December 31, 2005.

## Benefits expected to be paid (from the funded plans)

(in NOK million)	
2006	232
2007	260
2008	295
2009	336
2010	381
2011-2015	2,823
Total payments expected during the next 10 years	4,327

## Pension assets allocated on respective investments classes

(in per cent)	At December 31,	
	2005	2004
Equity securities	30	26
Debt securities	46	32
Commercial papers	10	31
Real estate	5	6
Other assets	9	5
Total	100	100

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – NGAAP

In its asset management, the pension fund aims at achieving long-term returns which contribute towards meeting future pension liabilities. Assets are managed to achieve a return as high as possible within a framework of public regulation and prudent risk management policies. The pension fund's target returns require a need to invest in assets with a higher risk than risk-free investments. Risk is reduced through maintaining a well diversified asset portfolio. Assets are diversified both in terms of location and different asset classes. Derivatives are used within set limits to facilitate effective asset management.

Statoil's pension funds invest in both financial assets and real estate. The expected rate of return on real estate is expected to be between the rate of return on equity securities and debt securities. The table below presents the portfolio weight and expected rate of return of the finance portfolio, as approved by the board of the Statoil pension funds for 2006.

Finance portfolio Statoils Norwegian pension funds	Portfolio weight 1)		Expected rate of return
Equity securities	35.0%	(+/- 5.0%)	X + 4.0%
Debt securities	64.5%	(+5.5%/-10.0%)	X
Commercial papers	0.5%	(+15.0%/-0.5%)	X - 0.4%
Total finance portfolio	100.0%		

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

X = Long-term rate of return on debt securities.

The long-term expected return on pension assets is based on long-term risk-free rate adjusted for the expected long-term risk premium for the respective investment classes.

Company contributions are mainly related to employees in Norway. This payment may either be paid in cash or be deducted from the pension premium fund. Statoil has a relatively large amount classified as pension premium fund in Statoil's pension funds. The decision whether to pay in cash or deduct from the pension premium fund is made on an annual basis. The expected company contribution for the next five years will be approximately NOK 1.0 billion annually. The company contribution in 2005 was NOK 2.5 billion, of which NOK 1.2 billion was deducted from the pension premium fund.

### 18. DECOMMISSIONING AND REMOVAL LIABILITIES

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

(in NOK million)	2005	2004
Asset retirement obligation at January 1	18,602	16,494
Liabilities incurred/revision in estimates	796	1,515
Accretion expense	840	771
Disposals	(69)	(22)
Incurred removal cost	(212)	(89)
Currency exchange adjustments	77	(67)
Asset retirement obligation at December 31	20,034	18,602
Long-lived assets related to ARO at January 1	3,388	2,757
Net assets incurred/revision in estimates	615	1,470
Depreciation	(437)	(821)
Currency exchange adjustments	40	(18)
Long-lived assets related to ARO at December 31	3,606	3,388

### 19. RESEARCH AND DEVELOPMENT EXPENDITURES

Research and Development (R&D) expenditures were NOK 1,066, NOK 1,027 and NOK 1,004 million in 2005, 2004 and 2003, respectively. R&D expenditures are partly financed by partners of Statoil-operated activities.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – NGAAP

**20. LEASES**

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

In 2005, rental expense was NOK 4,502 million. In 2004 and 2003 rental expenses were NOK 4,367 and NOK 4,893 million, respectively.

The information in the table below shows future minimum lease payments under non-cancelable leases at December 31, 2005. In addition, Statoil has entered into subleases of certain assets amounting to a total future rental income of NOK 1,970 million, of which NOK 1,390 for 2006.

Statoil has entered into a number of general or field specific long-term frame agreements mainly related to loading and transport of crude oil. The main contracts expire in 2007 or later, up until the end of the respective field lives. Such contracts are not included in the below table of future lease payments unless they entail specific minimum payment obligations.

Amounts related to capital leases include future lease payments for assets in the books at year-end 2005.

(in NOK million)	Operating leases	Capital leases
2006	3,121	54
2007	2,680	47
2008	2,921	25
2009	1,887	24
2010	1,130	23
Thereafter	3,445	507
Total future lease payments	15,184	680
Interest component		(486)
Net present value		194

Property, plant and equipment include the following amounts for leases that have been capitalized at December 31, 2005 and 2004:

(in NOK million)	At December 31,	
	2005	2004
Vessels and equipment	307	190
Accumulated depreciation	(128)	(97)
Capitalized amounts	179	93

**21. OTHER COMMITMENTS AND CONTINGENCIES****Contractual commitments**

(in NOK million)	2006	Thereafter	Total
Contractual commitments related to investments and property, plant and equipment	13,458	9,552	23,010

These contractual commitments mainly comprise construction and acquisition of property, plant and equipment.

Statoil has entered into agreements for pipeline transportation for most of its prospective gas sales contracts. These agreements ensure the right to transport the production of gas through the pipelines, but also impose an obligation to pay for booked capacity. In addition, the group has entered into certain obligations for entry capacity fees and terminal, processing, storage and vessel transport capacity commitments. The following table outlines nominal minimum obligations for future years. Corresponding expenses for 2005 and 2004 were NOK 4,460 and NOK 3,701 million. Obligations payable by the group to unconsolidated equity affiliates are included gross in the table below. Where the group reflects both ownership interests and transport capacity cost for a pipeline in the consolidated accounts, the amounts in the table include the transport commitments that exceed Statoil's ownership share.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – NGAAP

Transport capacity and other obligations at December 31, 2005:

(in NOK million)	
2006	4,853
2007	5,002
2008	4,331
2009	3,839
2010	3,724
Thereafter	27,125
Total	48,874

In 2004 Statoil signed an agreement with the U.S. based energy company Dominion regarding additional capacity at the Cove Point liquefied natural gas (LNG) terminal in the USA. The agreement involves annual terminal capacity of approximately 7.7 billion cubic meters of gas for a 20-year period with planned start-up in 2008, and is subject to approval from US authorities. Pending such approval, no obligations related to the additional Cove Point capacity have been included in the table above at year-end 2005.

### Guarantees

In 2004 Statoil, as an owner in BTC Co, entered into guarantee commitments for financing of the development of the BTC pipeline. At December 31, 2005 the maximum potential future amount of payment under these guarantee commitments amounts to USD 110 million (NOK 0.7 billion).

Statoil Detaljhandel has issued guarantees amounting to a total of SEK 1.1 billion (NOK 0.9 billion), the main part of which relates to guarantee commitments to retailers.

### Contingent liabilities and insurance

Like any other licensee, Statoil has unlimited liability for possible compensation claims arising from its offshore operations, including transport systems. The Company has taken out insurance to cover this liability up to about USD 0.8 billion (NOK 5.4 billion) for each incident, including liability for claims arising from pollution damage. Most of the group's production installations are covered through Statoil Forsikring a.s, which reinsures a major part of the risk in the international insurance market. About 23 per cent is retained.

Statoil Forsikring a.s is a member of two mutual insurance companies, Oil Insurance Ltd and sEnergy Insurance Ltd. Membership of these companies means that Statoil Forsikring is liable for its proportionate share of any losses which might arise in connection with the business operations of the companies. Members of the companies have joint and several liability for any losses that arise to the pool.

### Other commitments and contingencies

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

The price reviews for two long-term natural gas sales contracts are currently in arbitration. Contractual prices for a total volume of 3.2 billion cubic meters of gas delivered as of December 31, 2005 and for future deliveries under these contracts may be positively or negatively affected by the arbitration verdicts, the final outcome of which cannot be determined at this time.

The Ministry of Energy and Petroleum in Venezuela has challenged the production level and the royalty rates of the Sincor joint venture. Effective as of June 24, 2005 Sincor has been charged and has paid an increased royalty rate of 30 per cent related to production exceeding 114,000 barrels a day. Statoil and our partner have filed an administrative appeal to annul the demand for such payments, and are communicating with the Ministry to find an overall solution for Sincor.

During the normal course of its business Statoil is involved in legal proceedings, and several other unresolved claims are currently outstanding. The ultimate liability in respect of such litigation and claims cannot be determined at this time. Statoil has provided in its accounts for these items based on the Company's best judgment. Statoil does not expect that neither the financial position, results of operations nor cash flows will be materially adversely affected by the resolution of these legal proceedings.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – NGAAP

The Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim) has conducted an investigation concerning an agreement which Statoil entered into in 2002 with Horton Investments Ltd for consultancy services in Iran. On June 28, 2004 Økokrim informed Statoil that it had concluded that Statoil violated section 276c, first paragraph (b) of the Norwegian Penal Code, which became effective from July 4, 2003 and prohibits conferring on or offering to a middleman an improper advantage in return for exercising his influence with a decision-maker, without the decision-maker receiving any advantage, and imposed a penalty on Statoil of NOK 20 million. The Board of Statoil ASA decided on October 14, 2004 to accept the penalty without admitting or denying the charges by Økokrim.

The U.S. Securities and Exchange Commission (SEC) is also conducting a formal investigation into the Horton consultancy arrangement to determine if there have been any violations of U.S. federal securities laws, including the Foreign Corrupt Practices Act. The U.S. Department of Justice is conducting a criminal investigation of the Horton matter jointly with the Office of the United States Attorney for the Southern District of New York. The SEC Staff informed Statoil on September 24, 2004 that it is considering recommending that the SEC authorize a civil enforcement action in federal court against Statoil for violations of various U.S. federal securities laws, including the anti-bribery and books and records provisions of the Foreign Corrupt Practices Act. Statoil is continuing to provide information to the U.S. authorities to assist them in their ongoing investigations.

Iranian authorities have been carrying out inquiries into the matter. In April 2004 the Iranian Consultative Assembly initiated an official probe into allegations of corruption in connection with the Horton matter with Iran. The probe was finalized for the parliamentary session at the end of May 2004. It was reported in the international press that at such time no evidence of wrongdoing by the subjects of the probe in Iran had been revealed by the probe.

## 22. RELATED PARTIES

Total purchases of oil and natural gas liquid from the Norwegian State amounted to NOK 97,078 million (282 million barrels oil equivalents), NOK 81,487 million (319 million barrels oil equivalents), and NOK 68,479 million (336 million barrels oil equivalents), in 2005, 2004 and 2003, respectively. Purchases of natural gas from the Norwegian State amounted to NOK 262, NOK 237 and NOK 255 million in 2005, 2004 and 2003, respectively. Amounts payable to the Norwegian State for these purchases are included as Accounts payable – related parties in the Consolidated Balance Sheets. The prices paid by Statoil for the purchases from the Norwegian State are estimated market prices.

Statoil is, in its own name, but for the Norwegian State's account and risk, selling the State's natural gas production. This sale, as well as related expenditures refunded by the State, are shown net in Statoil's Financial Statements. Refunds include expenses incurred related to activities and investments necessary to obtain market access and to optimize the profit from sale of natural gas.

## 23. EQUITY AND SHAREHOLDERS

## Change in equity

(in NOK million)	2005	2004
Shareholders' equity January 1	75,910	66,074
Net income	32,009	24,746
Ordinary dividend	(17,756)	(11,481)
Change in minority interest	(124)	133
Settlement with the Norwegian state related to SDFI properties (see note 1)	0	(458)
Treasury shares bought	(96)	(1)
Value of stock compensation plan	31	3
Foreign currency translation adjustment	2,458	(3,106)
Shareholders' equity December 31	92,432	75,910

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – NGAAP

### 24. REMUNERATION

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

(in NOK million, except number of work-years)	For the year ended December 31,	
	2005	2004
Salaries	10,603	9,717
Pension cost	1,142	1,362
Payroll taxes	1,810	1,627
Other social benefits	1,120	954
<b>Total payroll expenses</b>	<b>14,675</b>	<b>13,660</b>
Average number of work-years	21,213	19,929

Payroll expenses are partly charged to partners of Statoil-operated activities.

### 25. SHARE-BASED COMPENSATION

In 2004 Statoil introduced a Share Saving Plan for all permanent Statoil employees both in full and part time positions. Because of differences in legal and tax regulations between participating jurisdictions, and with the need for specific technical solutions for the Share Saving Plan, the program will be launched at different times in the different countries/companies within the Statoil Group.

Statoil's Share Saving Plan gives the employees the opportunity to purchase Statoil shares through monthly salary deduction. The employees may save up to five per cent of their annual gross salary. Statoil will, for employees in some of the companies in the group, give a contribution to the employees of 20 per cent of the saved amount, at a maximum of NOK 1,500 per employee per year. Terms may vary between participating entities in the group.

If the shares are kept for two full calendar years of continued employment the employees will be allocated one bonus share for each two they have bought. The same kind of allocation is planned to be carried out for future yearly programs.

Due to uncertainty with respect to future share prices, the number of shares to be purchased by employees under the programs is unknown. Consequently, the number of bonus shares to be purchased by Statoil must be estimated to estimate the annual expense of the program. The fair value of the bonus shares is estimated at the date of grant using a one-factor capital asset pricing model with adjustments for dividend payments assumed according to the corporate dividend policy in the vesting period.

Significant assumptions for 2005 used in connection with estimating the fair value are shown in the table below.

Risk free interest rate	3.0%
Risk premium	5.5%
Beta	1.0
<u>Expected return/discount rate</u>	<u>8.5%</u>

The model requires the input of highly subjective assumptions. Because changes in the subjective input assumptions can affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of fair value of Statoil's Share Saving plan.

The basis for purchases of bonus shares is the combined amount of salary deductions and Statoil contributions. For the 2004, 2005 and 2006 programs (granted in 2005), this amounts to NOK 54, NOK 121 and NOK 162 million, respectively.

Estimated compensation expense including contribution and social security related to the 2004, 2005 and 2006 programs for Statoil amounts to NOK 35, NOK 72 and NOK 96 million respectively. At December 31, 2005 the amount of compensation expense yet to be expensed throughout the vesting period is NOK 150 million.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – NGAAP

## 26. 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)	2005	2004	2003
Net income for the year per NGAAP	32,009	24,746	17,064
a) Inventory adjustment, from FIFO to LIFO, before tax	(1,530)	(556)	101
b) Other adjustments, before tax	(163)	844	(513)
c) Tax impact of the above adjustments, and other tax adjustments	414	(118)	(98)
Net income for the year per USGAAP	30,730	24,916	16,554
At December 31,			
Shareholders' equity per NGAAP	92,432	75,910	66,074
Minority interest per USGAAP	(1,492)	(1,616)	(1,483)
a) Inventory adjustment, from FIFO to LIFO, before tax	(2,820)	(1,290)	(734)
b) Other adjustments, before tax	224	395	(452)
c) Tax impact of the above adjustments, and other tax adjustments	797	375	496
d) Changes in minimum pension obligations and derivatives (after tax) deferred as other comprehensive income	(253)	(225)	(117)
e) Accrued dividends payable	17,756	11,481	6,390
Shareholders' equity per USGAAP	106,644	85,030	70,174

- a) Per NGAAP the inventories are valued using the FIFO principle. Under USGAAP the inventory is partly valued using LIFO.
- b) Other adjustments are mainly unrealized gains on non-exchange traded (OTC) derivatives. Other adjustments in 2003 also include the excess value over book value pertaining to the acquisition of the minority interests in Navion. Under NGAAP the excess value was recorded to equity and under USGAAP it was reflected as additions to fixed assets. The sale of Navion reflects a corresponding larger gain of NOK 634 million in the 2003 NGAAP accounts.
- c) Changes in deferred tax expense and deferred tax liability primarily consist of taxes on the above adjustments.
- d) Other comprehensive income includes certain gains and losses related to pensions and unrealized derivative hedge positions which have been deferred and reflected directly in equity under USGAAP.
- e) Per NGAAP dividends relating to current year's net income are reflected as a liability as of year-end. Under USGAAP dividends are not accrued until approved by the general meeting.

## 27. SUBSEQUENT EVENTS

On January 31, 2006, Statoil ASA announced its decision to evaluate strategic options for its Irish downstream Retail and Commercial & Industrial business ("Statoil Ireland"), including a possible sale. This decision has resulted from a review of the Retail Business Portfolio and the intention to accelerate strategic commitment to Scandinavian and Eastern European markets. The nature and timing of any resulting transactions are uncertain, but are expected to occur during 2006. Current and long-term assets in Statoil Ireland amount to EUR 132 and EUR 127 million respectively as of December 31, 2005. Current liabilities amount to EUR 96 million as of December 31, 2005.

On March 8, 2006 Statoil entered into an agreement to acquire a 25 per cent share in the license 218 in Blocks 6706/10 and 6706/12 in the Norwegian Sea. The agreement results in that Statoil after the transaction will have a 75 per cent interest in the license. Several discoveries have been made in this area, including the Luva discovery. The investment will be recorded in the segment Exploration and Production Norway.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – NGAAP

28. 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	
<b>2003</b>							
Proved reserves at beginning of year	1,286	580	1,867	374	7	382	4,267
Revisions and improved recovery	110	41	151	9	0	9	206
Extensions and discoveries	27	15	43	14	9	23	186
Purchase of reserves-in-place	0	0	0	0	0	0	0
Sales of reserves-in-place	0	0	0	0	0	0	0
Production	(239)	(31)	(271)	(20)	0	(20)	(395)
Proved reserves at end of year	1,184	605	1,789	378	16	393	4,264
Proved developed reserves	876	163	1,039	271	1	272	2,751
<b>2004</b>							
Proved reserves at beginning of year	1,184	605	1,789	378	16	393	4,264
Revisions and improved recovery	111	(4)	107	0	9	9	165
Extensions and discoveries	23	20	44	0	0	0	46
Purchase of reserves-in-place	10	47	57	14	16	30	246
Sales of reserves-in-place	(13)	0	(13)	(2)	0	(2)	(29)
Production	(226)	(37)	(263)	(21)	(1)	(22)	(402)
Proved reserves at end of year	1,089	632	1,720	368	41	408	4,289
Proved developed reserves	782	170	952	264	7	271	2,654
<b>2005</b>							
Proved reserves at beginning of year	1,089	632	1,720	368	41	408	4,289
Revisions and improved recovery	127	(45)	82	14	(5)	9	141
Extensions and discoveries	119	84	204	13	1	14	292
Purchase of reserves-in-place	17	0	17	0	0	0	20
Sales of reserves-in-place	(5)	0	(5)	(2)	0	(2)	(19)
Production	(205)	(52)	(257)	(25)	(2)	(27)	(427)
Proved reserves at end of year	1,142	619	1,761	369	34	403	4,295
Proved developed reserves	787	202	990	265	4	269	2,682

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

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 participates in a buy-back agreement and 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 is booking as proved reserves volumes equivalent to our tax liabilities payable in-kind under negotiated fiscal arrangements (production sharing agreements or income sharing agreements).

# Statoil ASA – NGAAP

## STATEMENTS OF INCOME STATOIL ASA – NGAAP

(in NOK million)	Note	For the year ended December 31,	
		2005	2004
<b>REVENUES</b>			
Sales		346,714	272,780
Equity in net income of subsidiaries	8	17,477	8,118
Equity in net income of affiliates	8	62	111
Other income	4	117	886
<b>Total revenues</b>		<b>364,370</b>	<b>281,895</b>
<b>EXPENSES</b>			
Cost of goods sold		(219,862)	(175,762)
Operating expenses	3	(29,128)	(24,959)
Selling, general and administrative expenses	3	(3,514)	(2,760)
Depreciation, depletion and amortization	10	(12,616)	(13,458)
Exploration expenses	10	(2,232)	(1,102)
<b>Total expenses before financial items</b>		<b>(267,352)</b>	<b>(218,041)</b>
Income before financial items and income taxes		97,018	63,854
Net financial items	12	(7,569)	5,379
Income before income taxes		89,449	69,233
Income taxes	13	(57,440)	(44,487)
<b>Net income</b>		<b>32,009</b>	<b>24,746</b>
<b>Allocations</b>			
Group Contribution		2,324	2,640
Tax on group contribution		(602)	(739)
Dividend		17,756	11,481
Change in Reserve for valuation variances		7,467	(1,286)

**BALANCE SHEETS STATOIL ASA - NGAAP**

(in NOK million)	Note	At December 31,	
		2005	2004
<b>ASSETS</b>			
Net property, plant and equipment	10	<b>103,114</b>	97,372
Long-term receivables	17, 22	<b>5,795</b>	4,760
Long-term investments	8	<b>71</b>	77
Investments in subsidiaries	8	<b>102,603</b>	90,343
Investments in affiliates	8	<b>1,300</b>	1,288
Total non-current assets		<b>212,883</b>	193,840
Inventories	7	<b>4,326</b>	3,231
Accounts receivable	11	<b>33,907</b>	20,503
Short-term receivables from subsidiaries		<b>5,542</b>	5,078
Prepaid expenses and other current assets		<b>2,705</b>	4,465
Total inventories and accounts receivables		<b>46,480</b>	33,277
Short-term investments	9	<b>88</b>	11,457
Cash and cash equivalents	1	<b>189</b>	1,162
Cash, cash equivalents and short-term investments		<b>277</b>	12,619
Total current assets		<b>46,757</b>	45,896
<b>TOTAL ASSETS</b>		<b>259,640</b>	239,736

## BALANCE SHEETS STATOIL ASA - NGAAP

(in NOK million)	Note	At December 31,	
		2005	2004
EQUITY AND LIABILITIES			
Common stock (NOK 2.50 nominal value), 2,189,585,600 shares authorized and issued		5,474	5,474
Treasury shares, 24,208,212 and 23,452,876 shares	23	(156)	(60)
Additional paid-in capital		12,452	12,421
Paid-in capital		17,770	17,835
Reserve for valuation variances		9,818	2,351
Retained earnings		63,352	54,108
Total equity	23	90,940	74,294
Net deferred income taxes	13	33,631	37,295
Other liabilities	17, 18	23,332	21,866
Long-term debt to subsidiaries		1,508	2,056
Long-term debt	15	23,910	21,938
Total long-term liabilities		82,381	83,155
Short-term debt	14	2,782	6,777
Accounts payable		15,854	18,973
Accounts payable - related parties	22	9,763	552
Short-term payable to subsidiaries		5,194	19,358
Withheld, excise and other taxes		1,678	1,699
Income taxes payable	13	28,040	18,619
Accrued liabilities		5,252	4,828
Dividend payable		17,756	11,481
Total current liabilities		86,319	82,287
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		259,640	239,736

**STATEMENTS OF CASH FLOW STATOIL ASA - NGAAP**

(in NOK million)	For the year ended December 31,	
	2005	2004
<b>OPERATING ACTIVITIES</b>		
Net income	32,009	24,746
<u>Adjustments to reconcile net income to net cash flows provided by operating activities:</u>		
Depreciation, depletion and amortization	12,616	13,458
Exploration expenditures written off	158	61
(Gains) losses on foreign currency transactions	3,002	(1,892)
Deferred taxes	(3,838)	5,012
(Gains) losses on sales of assets and other items	(4,421)	(3,752)
<u>Changes in working capital (other than cash):</u>		
• (Increase) decrease in inventories	(1,095)	(792)
• (Increase) decrease in accounts receivable	(13 868)	(356)
• (Increase) decrease in prepaid expenses and other current assets	1,760	(2,798)
• (Increase) decrease in short-term investments	11,369	(2,261)
• Increase (decrease) in accounts payable	7,136	(1,343)
• Increase (decrease) in other payables	(14,586)	4,940
• Increase (decrease) in taxes payable	9,310	2,192
Increase (decrease) in non-current items related to operating activities	268	1,810
Cash flows provided by operating activities	39,820	39,025
<b>INVESTING ACTIVITIES</b>		
Net cash flows used in investing activities	(24,884)	(32,549)
<b>FINANCING ACTIVITIES</b>		
New long-term borrowings	0	3,461
Repayment of long-term borrowings	(2,877)	(7,021)
Dividend paid	(11,481)	(6,390)
Net short-term borrowings, bank overdrafts and other	(1,551)	1,616
Cash flows used in financing activities	(15,909)	(8,334)
Net increase (decrease) in cash and cash equivalents	(973)	(1,858)
Cash and cash equivalents at January 1	1,162	3,020
Cash and cash equivalents at December 31	189	1,162
Interest paid	1,690	933
Taxes paid	51,366	37,135

## 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 pipelines and other assets with a net book value of NOK 1.5 billion were transferred to the Norwegian State. The transaction was completed June 1, 2001 with a valuation date of January 1, 2001 with the exception of the sale of an interest in the Mongstad terminal which had a valuation date of June 1, 2001.

The total amount paid to the Norwegian State was financed through a public offering of shares of NOK 12.9 billion, issuance of new debt of NOK 9 billion and the remainder from existing cash and short-term borrowings.

The transfer of properties from SDFI has been accounted for as transactions among entities under common control and the results of operations and financial position have been, with effect from June 1, 2001, accounted for at historical cost. The final cash settlement is under review by the Norwegian State, and Statoil has in 2004 recorded its estimated outcome against shareholders' equity. No further material impact is expected.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements 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 year's figures to be consistent with current year's presentation.

An overview of oil and gas reserves is shown in note 28 of the NGAAP group accounts.

**3. REMUNERATION**

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

(in NOK million, except number of work-years)	For the year ended December 31,	
	2005	2004
Salaries	8,035	7,595
Pension cost	973	1,205
Payroll taxes	1,440	1,346
Other social benefits	842	783
<b>Total payroll expenses</b>	<b>11,290</b>	<b>10,929</b>
<b>Average number of work-years</b>	<b>11,115</b>	<b>10,813</b>

Payroll expenses are partly charged to partners of Statoil-operated activities.

The calculation of pension costs and pension assets/liabilities is described in note 17 Employee Retirement Plans.

At December 31, 2005 loans to employees amounted to NOK 587 million. In addition, Statoil ASA has guaranteed for bank loans for employees totaling maximum NOK 10 million. At December 31, 2005 there are no loans from Statoil ASA to any member of the Corporate Executive Committee.

Total remuneration of NOK 510,000 was paid to the members of the corporate assembly and NOK 2,300,000 to the board of directors.

Chief Executive Officer (CEO) Helge Lund received in 2005 NOK 5,128,647 in salary and other remuneration (including pension premium paid). According to his contract, Helge Lund is entitled to severance pay equivalent to two annual salaries, excluding term of notice of six months, when the resignation is a request from the board. In addition, Helge Lund is entitled, under specific terms, to a pension amounting to 66 per cent of pensionable salary after reaching the age of

## NOTES TO FINANCIAL STATEMENTS STATOIL ASA – NGAAP

62. The full service period is 15 years and the benefits are independent of any future changes in National Insurance (Folketrygden). Based on performance, the board will assess a performance payment for Helge Lund. This payment may amount to a maximum of 30 per cent of base salary.

A performance pay system has also been established for the other members of the corporate 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 base salary on achieving set goals, with a ceiling of 20 per cent for results that clearly exceed these goals.

If resigning at the request of the company, members of the corporate executive committee, other than the CEO, are on a general basis entitled to severance pay equivalent to 12 months salary, including six months term of notice. The pension rights follow the general system in Statoil ASA. Executive vice president Peter Mellbye is entitled to severance pay including term of notice equivalent to 24 months salary, if resigning at the request of the company. Peter Mellbye is entitled, under specific terms, to a pension after reaching the age of 60. The pension will amount to 66 per cent of the pensionable salary.

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

### 4. SIGNIFICANT ACQUISITIONS AND DISPOSITIONS

In January 2004 Statoil acquired 11.24 per cent of the Snøhvit field, of which 10 per cent from Norsk Hydro and 1.24 per cent from Svenska Petroleum. Following these transactions, Statoil has an ownership share of 33.53 per cent in the Snøhvit field.

In January 2004 Statoil sold its 5.26 per cent shareholding in the German company Verbundnetz Gas, generating a gain of NOK 619 million before tax (NOK 446 million after tax). The gain has been classified as Other income in the Statements of Income.

In 2004 Statoil acquired the retailer group ICA's 50 per cent holding in Statoil Detaljhandel Skandinavia AS (SDS), and now owns 100 per cent of SDS. Following approval under the EU merger control regulations on July 1, the transaction was completed on July 8, 2004.

### 5. ASSET IMPAIRMENT

There have been no material write-downs of properties owned by Statoil ASA in 2005 or 2004.

### 6. AUDITORS' REMUNERATION

(in NOK million)	For the year ended December 31,	
	2005	2004
Audit fees	7.5	7.3
Audit-related fees	7.3	3.8
Tax fees	0.0	0.7
Total	14.8	11.8

### 7. INVENTORIES

Inventories are valued at the lower of cost or market determined under the first-in, first-out method.

(in NOK million)	At December 31,	
	2005	2004
Crude oil	2,183	1,754
Petroleum products	1,509	885
Other	634	592
Total inventories	4,326	3,231

## 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, 2005	90,343	1,288
Net income subsidiaries and affiliates	17,477	62
Translation adjustment	2,458	0
Change in paid-in equity	152	14
Group contribution (after tax)	1,722	0
Ordinary dividend	(9,549)	(64)
Investment at December 31, 2005	102,603	1,300

## Ownership in certain subsidiaries (in per cent)

AS Eesti Statoil	100	Statoil Latin America AS	100
Latvija Statoil SIA	100	Statoil Marine Holding AS	100
Offtech Invest AS	100	Statoil Nigeria AS	100
Statholding AS	100	Statoil Nigeria Deep Water AS	100
Statoil AB	100	Statoil Nigeria Outer Shelf 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 Apsheron AS	100	Statoil North America Inc.	100
Statoil Asia Pacific Pte. Ltd.	100	Statoil Orient Inc AG	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 Polen Invest AS	100
Statoil Coordination Center N.V.	100	Statoil Russia AS	100
Statoil Danmark A/S	100	Statoil Sincor AS	100
Statoil Deutschland GmbH	100	Statoil SP Gas AS	100
Statoil do Brasil Ltda	100	Statoil UK Ltd	100
Statoil Exploration Ireland Ltd	100	Statoil Venezuela AS	100
Statoil Forsikring a.s	100	UAB Lietuva Statoil	100
Statoil Hassi Mouina AS	100	Statoil Metanol ANS	82
Statoil Innovation AS	100	Mongstad Refining DA	79
Statoil Iran AS	100	Mongstad Terminal DA	65
Statoil Ireland Ltd	100	Tjeldbergodden Luftgassfabrikk DA	51
Statoil Kazakstan AS	100		

Voiting rights correspond to ownership interests.

## Ownership in certain equity method affiliates

Nova Naturgas AB	30%
Vestprosess DA	17%
Etanor DA	16%

NOTES TO FINANCIAL STATEMENTS STATOIL ASA – NGAAP

9. INVESTMENTS

(in NOK million)	At December 31,	
	2005	2004
Short-term deposits	0	8
Commercial papers	0	9,693
Liquidity funds	48	1,662
Other	40	94
<b>Total short-term investments</b>	<b>88</b>	<b>11,457</b>

The cost price of short-term investments is NOK 146 and NOK 11,712 million as at year-end 2005 and 2004, respectively.

All short-term investments are considered held for trading and are recorded at fair value with unrealized gains and losses included in income.

Commercial papers related to strategic liquidity management have been transferred to the subsidiary Statholding AS.

10. PROPERTY, PLANT AND EQUIPMENT

(in NOK million)	Machinery, equipment and transportation equipment	Production plants oil and gas, incl. pipelines	Production plants onshore	Buildings and land	Vessel	Construction in progress	Capitalized exploration expenditures	Total
Cost at January 1, 2005	2,256	231,316	4,280	2,534	107	19,022	1,119	260,634
Accumulated depreciation, depletion and amortization at January 1	(1,781)	(157,534)	(2,928)	(956)	(91)	0	0	(163,290)
Additions and transfers	372	17,929	225	62	0	(599)	589	18,578
Disposal at booked value	(1)	(24)	0	(35)	0	(2)	(3)	(65)
Expensed exploration expenditures capitalized earlier years	0	0	0	0	0	0	(158)	(158)
Depreciation, depletion and amortization for the year	(305)	(12,107)	(130)	(67)	(5)	0	0	(12,614)
<b>Book value fixed assets at December 31, 2005</b>	<b>541</b>	<b>79,580</b>	<b>1,447</b>	<b>1,538</b>	<b>11</b>	<b>18,421</b>	<b>1,547</b>	<b>103,085</b>
Intangible assets								29
<b>Net property, plant, equipment and intangible assets at December 31, 2005</b>								<b>103,114</b>

Estimated useful life (years)	3-10	*	15-20	20-33	20-25
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\* Depreciation according to Unit of production, see note 2.

The book value of vessels consists of financial leases. In 2005 and 2004 NOK 866 and NOK 452 million respectively, of interests were capitalized. In addition to depreciation, depletion and amortization specified above intangible assets have been amortized by NOK 2 million in 2005.

## NOTES TO FINANCIAL STATEMENTS STATOIL ASA – NGAAP

## Exploration expenditures

(in NOK million)	2005	2004
Incurring during the year	2,602	1,417
Capitalized share of current year's exploration activity	(528)	(376)
Expensed, previously capitalized exploration expenditures	158	61
Expensed during the year	2,232	1,102

## 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,	Recovery	Balance at December 31,
<b>Year 2005</b>			
Provisions against accounts receivable	39	0	39
<b>Year 2004</b>			
Provisions against accounts receivable	44	(5)	39

## 12. FINANCIAL ITEMS

(in NOK million)	For the year ended December 31,	
	2005	2004
Dividends received	82	5
Gain (loss) on sale of securities	459	(280)
Interest and other financial income	570	527
Currency exchange adjustments, short-term items	(4,113)	3,390
Currency exchange adjustments, long-term items	(2,914)	2,839
Interest and other financial expenses	(2,519)	(1,554)
Capitalized interest	866	452
Net financial items	(7,569)	5,379

NOTES TO FINANCIAL STATEMENTS STATOIL ASA – NGAAP

13. INCOME TAXES

Income tax expense consists of

(in NOK million)	For the year ended December 31,	
	2005	2004
Current taxes payable	61,278	39,475
Change in deferred tax 1)	(3,838)	5,012
Income tax expense	57,440	44,487
Uplift benefits for the year	4,258	3,793

1) Due to changes in Norwegian tax legislation in 2004, dividends from companies, with some exceptions, are not taxable in Norway. Consequently, NOK 1.4 billion in deferred taxes related to retained earnings in subsidiaries and affiliates was reversed in 2004.

Revenue from oil and gas activities on the NCS is taxed according to the Petroleum tax law. In addition to normal corporation tax, a special tax of 50 per cent is levied after deducting uplift, a special investment tax credit. Uplift is deducted by 7.5 per cent per year for four years, as from year of investment. Uplift credits of NOK 10.8 billion will be recognized over a period of four years.

Significant components of deferred tax assets and liabilities were as follows:

(in NOK million)	At December 31,	
	2005	2004
<b>Deferred tax assets</b>		
Inventory	1,118	1,001
Other short-term items	1,194	252
Decommissioning and asset retirement obligation	12,478	9,709
Other long-term items	978	1,775
Total deferred tax assets	15,768	12,737
<b>Deferred tax liabilities</b>		
Property, plant and equipment	41,722	40,756
Capitalized exploration expenditures and interest	7,222	7,407
Other long-term items	455	1,869
Total deferred tax liabilities	49,399	50,032
Net deferred tax liabilities	33,631	37,295

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

(in NOK million)	2005
Deferred income tax liability at January 1	37,295
Charged to the income statement (see footnote 1 above)	(3,838)
Acquisitions, sales and other	174
Net deferred income taxes at December 31	33,631

## NOTES TO FINANCIAL STATEMENTS STATOIL ASA – NGAAP

## 14. SHORT-TERM INTEREST-BEARING DEBT

(in NOK million)	At December 31,	
	2005	2004
Bank loans and overdraft facilities	10	1,518
Current portion of long-term debt	924	2,156
Margin call	1,783	2,995
Other	65	108
<b>Total</b>	<b>2,782</b>	<b>6,777</b>
Weighted average interest rate	4.00%	2.84%

## 15. LONG-TERM INTEREST-BEARING DEBT

(in NOK million)	At December 31,	
	2005	2004
<b>Unsecured debentures bonds</b>		
US dollar (USD)	24,269	23,379
Euro (EUR)	187	214
Other currencies	10	12
<b>Total</b>	<b>24,466</b>	<b>23,605</b>
Other debt	368	489
Grand total debt outstanding	24,834	24,094
Less current portion	924	2,156
<b>Total long-term debt</b>	<b>23,910</b>	<b>21,938</b>
Weighted average interest rate	4.86%	5.03%

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, 2005 and 2004, NOK 3,343 and NOK 2,981 million were outstanding, respectively. The interest rate of the bond has been swapped to a LIBOR-based floating interest rate.

Statoil has also an unsecured debenture bond agreement for USD 500 million, with a fixed interest rate of 5.125 per cent, maturing in 2014. At December 31, 2005 and 2004, NOK 3,382 and NOK 3,017 million were outstanding, respectively. The interest rate of the bond has been swapped to a LIBOR-based floating interest rate.

Statoil has 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, 2005 and 2004, NOK 3,961 and NOK 4,081 million were outstanding, respectively. EUR 200 million of the bond has been swapped through an interest rate swap agreement to an EURIBOR-based floating interest rate.

Statoil also has an unsecured debenture bond agreement for GBP 225 million, with a fixed interest rate of 6.125 per cent, maturing in 2028. At December 31, 2005 and 2004, NOK 2,622 and NOK 2,619 million were outstanding, respectively. The bond has been swapped through cross currency interest rate swap agreements to an USD LIBOR-based floating interest rate.

Statoil has 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, 2005 and 2004, NOK 2,528 and NOK 2,252 million were outstanding, respectively. Net after buyback this amounts to NOK 2,197 and NOK 1,955 million at year end exchange 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.

## NOTES TO FINANCIAL STATEMENTS STATOIL ASA – NGAAP

Substantially all unsecured debenture bond and unsecured bank loan agreements contain provisions restricting the pledging of assets to secure future borrowings without granting a similar secured status to the existing bondholders and lenders.

Statoil's secured bankloans in USD have been secured by guarantee commitments amounting to USD 83 million, mortgage in shares in a subsidiary and investments in other companies with a combined book value of NOK 4,490 million, a bank deposit with a book value of NOK 1,494 million, and Statoil's pro-rata share of income from certain applicable projects.

Statoil has 20 debenture bond agreements outstanding, which contain provisions allowing Statoil to call the debt prior to its final redemption at par if there are changes to the Norwegian tax laws or at certain specified premiums. The agreements are net after buyback at the December 31, 2005 closing rate valued at NOK 23,743 million.

### Long-term debt falls due as follows:

(in NOK million)	
2006	924
2007	1,665
2008	1,898
2009	3,125
2010	289
Thereafter	16,933
<b>Total</b>	<b>24,834</b>

Statoil has an agreement with an international bank syndicate for committed long-term revolving credit facility totalling USD 2.0 billion, all undrawn. Commitment fee is 0.0575 per cent per annum.

As of December 31, 2005 and 2004 respectively, Statoil had no committed short-term credit facilities available or drawn.

## 16. FINANCIAL INSTRUMENTS AND 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 and currency risk are assessed against mandates and based on a scenario of 10 per cent currency devaluation and one percentage point change in interest rates.

The table below illustrates an uncorrelated loss scenario.

(in NOK million)	At December 31,	
	2005	2004
Currency risk	7,756	5,283
Interest rate risk	428	454

## NOTES TO FINANCIAL STATEMENTS STATOIL ASA – NGAAP

## 17. EMPLOYEE RETIREMENT PLANS

**Pension benefits**

The company has 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)	For the year ended December 31,	
	2005	2004
Benefits earned during the year	967	973
Interest cost on prior years benefit obligation	895	837
Expected return on plan assets	(983)	(811)
Amortization of loss/prior service cost	70	185
Defined benefit plans	949	1,184
Multi-employer plans	24	21
Total net pension cost	973	1,205

Pension costs are partly charged to partners of Statoil-operated activities.

**Change in projected benefit obligation (PBO)**

(in NOK million)	2005	2004
Projected benefit obligation at January 1	16,410	15,347
Benefits earned during the year	967	973
Interest cost on prior years benefit obligation	895	837
Actuarial loss (gain)	3,492	(492)
Benefits paid	(263)	(255)
Projected benefit obligation at December 31	21,501	16,410

**Change in pension plan assets**

(in NOK million)	2005	2004
Fair value of plan assets at January 1	15,133	13,231
Actual return on plan assets	1,528	966
Company contributions *	1,201	1,054
Benefits paid	(125)	(119)
Fair value of plan assets at December 31	17,737	15,132

\* In 2004, the amount included paid-up policies transferred from external companies.

NOTES TO FINANCIAL STATEMENTS STATOIL ASA – NGAAP

**Status of pension plans reconciled to Balance Sheets**

(in NOK million)	2005	2004
Funded status of the plans at December 31	(3,764)	(1,278)
Unrecognized net loss	5,227	2,318
Unrecognized prior service cost	233	266
Total net prepaid pension recognized at December 31	1,696	1,306

**Amounts recognized in the Balance Sheets**

Prepaid pension at December 31	5,199	4,416
Accrued pension liabilities	(3,503)	(3,110)
Net amount recognized at December 31	1,696	1,306

Number of members	Defined benefit plans	Multi-employer plans
Active members	12,817	9,343
Pensioners	1,403	290
Paid-up policies	1,990	0
Total at December 31	16,210	9,633

**Weighted-average assumptions for the year ended December 31 (Profit and Loss items)**

(in per cent)	2005	2004
Discount rate	5.50	5.50
Expected return on plan assets	6.50	6.00
Expected rate of compensation increase	3.50	3.50

**Weighted-average assumptions at December 31 (Balance Sheet items)**

(in per cent)	2005	2004
Discount rate	4.25	5.50
Expected return on plan assets	5.75	6.50
Expected rate of compensation increase	3.00	3.50

## NOTES TO FINANCIAL STATEMENTS STATOIL ASA – NGAAP

**18. DECOMMISSIONING AND REMOVAL LIABILITIES**

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

(in NOK million)	2005	2004
Asset retirement obligation at January 1	17,212	15,171
Liabilities incurred/revision in estimates	189	1,424
Accretion expense	774	715
Disposals	(69)	(22)
Incurring removal cost	(212)	(76)
Asset retirement obligation at December 31	17,894	17,212
Long-lived assets related to ARO at January 1	3,011	2,352
Net assets incurred/revision in estimates	120	1,380
Depreciation	(300)	(721)
Long-lived assets related to ARO at December 31	2,831	3,011

**19. RESEARCH AND DEVELOPMENT EXPENDITURES**

Research and Development (R&D) expenditures were NOK 1,025 and NOK 994 million in 2005 and 2004, respectively. R&D expenditures are partly financed by partners of Statoil-operated activities.

## NOTES TO FINANCIAL STATEMENTS STATOIL ASA – NGAAP

### 20. LEASES

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

Rental expense was NOK 4,075 and NOK 4,094 million in 2005 and 2004, respectively.

The information in the table below shows future minimum lease payments under non-cancelable leases at December 31, 2005. In addition, Statoil has entered into subleases of certain assets amounting to a total future rental income of NOK 1,668 million, of which NOK 1,372 million for 2006.

Statoil has entered into a number of general or field specific long-term frame agreements mainly related to loading and transport of crude oil. The main contracts expire in 2007 or later, up until the end of respective field lives. Such contracts are not included in the below table of future lease payments unless they entail specific minimum payment obligations.

Amounts related to capital leases include future lease payments for assets in the books at year-end 2005.

(in NOK million)	Operational leases	Capital leases
2006	2,692	18
2007	2,286	18
2008	2,594	0
2009	1,622	0
2010	883	0
Thereafter	1,875	0
Total future lease payments	11,952	36
Interest component		(5)
Net present value		31

Property, plant and equipment include the following amounts for leases that have been capitalized at December 31, 2005 and 2004.

(in NOK million)	At December 31,	
	2005	2004
Vessel	107	107
Accumulated depreciation	(96)	(91)
Net	11	16

### 21. OTHER COMMITMENTS AND CONTINGENCIES

#### Contractual commitments

(in NOK million)	2006	Thereafter	Total
Contractual commitments related to investments in property, plant and equipment	4,436	5,250	9,686

These contractual commitments mainly comprise construction and acquisition of property, plant and equipment.

Statoil has entered into agreements for pipeline transportation for most of its prospective gas sales contracts. These agreements ensure the right to transport the production of gas through the pipelines, but also impose an obligation to pay for booked capacity. In addition the Company has entered into certain processing and storage capacity commitments. The following table outlines nominal minimum obligations for future years. Corresponding expenses for 2005 and 2004 were NOK 3,623 and NOK 3,082 million. Obligations payable by the Company to affiliates are included gross in the table below. Where the Company however reflects both ownership interests and transport capacity cost for a pipeline in the accounts, the amounts in the table include the transport commitments that exceed Statoil's pipeline ownership share.

## NOTES TO FINANCIAL STATEMENTS STATOIL ASA – NGAAP

Transport capacity and other obligations at December 31, 2005:

(in NOK million)	
2006	3,938
2007	3,614
2008	3,423
2009	3,182
2010	3,122
Thereafter	23,607
<b>Total</b>	<b>40,886</b>

**Guarantees**

In 2004 Statoil, as an owner in BTC Co, entered into guarantee commitments for financing of the development of the BTC pipeline. At December 31, 2005 the maximum potential future amount of payment under these guarantee commitments amounts to USD 110 million (NOK 0.7 billion). In addition, the Company has provided other third party guarantees which are immaterial at year-end 2005.

The Company has provided parent company guarantees to Statoil Forsikring a.s and to subsidiaries with operations in Sweden, Venezuela, Azerbaijan, Great Britain, Ireland, Iran, Algeria, the Faroe Islands, France and USA. The Company has also counter-guaranteed certain bank guarantees to subsidiaries in Brazil, Algeria, Netherlands and Venezuela.

**Contingent liabilities and insurance**

Like any other licensee, Statoil has unlimited liability for possible compensation claims arising from its offshore operations, including transport systems. The Company has taken out insurance to cover this liability up to about USD 0.8 billion (NOK 5.4 billion) for each incident, including liability for claims arising from pollution damage. Most of the group's production installations are covered through Statoil Forsikring a.s, which reinsures a major part of the risk in the international insurance market. About 23 per cent is retained.

**Other commitments and contingencies**

As a condition for being awarded oil and gas exploration and production licenses, participants may be committed to drill a certain number of wells. At the end of 2005, Statoil was committed to participate in 16 wells off Norway, with an average ownership interest of approximately 48 per cent. Statoil's share of estimated expenditures to drill these wells amounts to approximately NOK 2.0 billion. Additional wells that Statoil may become committed to participate in depending on future discoveries in certain licences are not included in these numbers.

The price reviews for two long-term natural gas sales contracts are currently in arbitration. Contractual prices for a total volume of 3.2 billion cubic meters of gas delivered as of December 31, 2005 and for future deliveries under these contracts may be positively or negatively affected by the arbitration verdicts, the final outcome of which cannot be determined at this time.

During the normal course of its business Statoil is involved in legal proceedings, and several other unresolved claims are currently outstanding. The ultimate liability in respect of such litigation and claims cannot be determined at this time. Statoil has provided in its accounts for these items based on the Company's best judgment. Statoil does not expect that neither the financial position, results of operations nor cash flows will be materially adversely affected by the resolution of these legal proceedings.

The Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim) has conducted an investigation concerning an agreement which Statoil entered into in 2002 with Horton Investments Ltd for consultancy services in Iran. On June 28, 2004 Økokrim informed Statoil that it had concluded that Statoil violated section 276c, first paragraph (b) of the Norwegian Penal Code, which became effective from July 4, 2003 and prohibits conferring on or offering to a middleman an improper advantage in return for exercising his influence with a decision-maker, without the decision-maker receiving any advantage, and imposed a penalty on Statoil of NOK 20 million. The Board of Statoil ASA decided on October 14, 2004 to accept the penalty without admitting or denying the charges by Økokrim.

The U.S. Securities and Exchange Commission (SEC) is also conducting a formal investigation into the Horton consultancy arrangement to determine if there have been any violations of U.S. federal securities laws, including the Foreign Corrupt Practices Act. The U.S. Department of Justice is conducting a criminal investigation of the Horton matter jointly with the Office of the United States Attorney for the Southern District of New York. The SEC Staff informed Statoil on September 24, 2004 that it is considering recommending that the SEC authorize a civil enforcement action in federal court against Statoil for violations of various U.S. federal securities laws, including the anti-bribery and books and records provisions of the Foreign Corrupt Practices Act. Statoil is continuing to provide information to the U.S. authorities to assist them in their ongoing investigations.

## NOTES TO FINANCIAL STATEMENTS STATOIL ASA – NGAAP

Iranian authorities have been carrying out inquiries into the matter. In April 2004 the Iranian Consultative Assembly initiated an official probe into allegations of corruption in connection with the Horton matter with Iran. The probe was finalized for the parliamentary session at the end of May 2004. It was reported in the international press that at such time no evidence of wrongdoing by the subjects of the probe in Iran had been revealed by the probe.

### 22. RELATED PARTIES

Total purchases of oil and natural gas liquid from the Norwegian State amounted to NOK 97,078 million (282 million barrels oil equivalents) and NOK 81,487 million (319 million barrels oil equivalents), in 2005 and 2004, respectively. Purchases of natural gas from the Norwegian State amounted to NOK 262 and NOK 237 million in 2005 and 2004, respectively. Amounts payable to the Norwegian State for these purchases are included as Accounts payable - related parties in the Consolidated Balance Sheets. The prices paid by Statoil for the purchases from the Norwegian State are estimated market prices.

Statoil is, in its own name, but for the Norwegian State's account and risk, selling the State's natural gas production. This sale, as well as related expenditures refunded by the State, are shown net in Statoil's Financial Statements. Refunds include expenses incurred related to activities and investments necessary to obtain market access and to optimize the profit from sale of natural gas.

### 23. EQUITY AND SHAREHOLDERS

#### Change in equity

(in NOK million)	2005	2004
Shareholders' equity January 1	74,294	64,591
Net income	32,009	24,746
Ordinary dividend	(17,756)	(11,481)
Settlement with the Norwegian state related to SDFI properties (see note 1)	0	(458)
Treasury shares bought	(96)	(1)
Value of stock compensation plan	31	3
Foreign currency translation adjustment	2,458	(3,106)
Shareholders' equity December 31	90,940	74,294

#### Common stock

	Number of shares	Par value (in NOK)	Common stock (in NOK)
Authorized and issued	2,189,585,600	2.50	5,473,964,000
Treasury shares	(24,208,212)	2.50	(60,520,530)
Total outstanding shares	2,165,377,388	2.50	5,413,443,470

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

## NOTES TO FINANCIAL STATEMENTS STATOIL ASA – NGAAP

In 2001, 25,000,000 treasury shares were issued. During 2002 and 2003 a number of 1,558,115 of the treasury shares were distributed as bonus shares in favor of retail investors in the initial public offering in 2001. Distribution of treasury shares requires approval by the general meeting.

The board of directors is authorized on behalf of the company to acquire Statoil shares in the market. The authorization may be used to acquire Statoil shares with an overall nominal value of up to NOK 10 million. The board will decide the manner in which the acquisition of Statoil shares in the market will take place. Such shares acquired in accordance with the authorization may only be used for sale and transfer to employees of the Statoil group as part of the group's share investment plan approved by the board. The lowest amount which may be paid per share is the nominal value; the highest amount which may be paid per share is a maximum of 100 times the nominal value. The authorization will apply until November 2006. As per December 31, 2005 Statoil has 766,327 shares according to this authorization.

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**The 20 largest shareholders at December 31, 2005 (in per cent)**


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

\* Client account and similar

Members of the board of directors, corporate executive committee and corporate assembly held the following number of shares as of December 31, 2005:

**Board of Directors**

Jannik Lindbæk (the chairman of the board of directors)	0
Lill-Heidi Bakkerud	165
Stein Bredal	352
Kaci Kullman Five	1,000
Finn A Hvistendahl	2,947
Grace Skaugen	0
Morten Svaan	469
Ingrid Wiik	500
Knut Åm	14,594

**Corporate Executive Committee**

Helge Lund (chief executive officer)	3,256
Rune Bjørnson	297
Reidar Gjærum	1,397
Jon Arnt Jacobsen	1,707
Jens R Jenssen	500
Peter Mellbye	3,250
Terje Overvik	1,217
Eldar Sætre	1,478
Nina Udnes Tronstad	832
Margareth Øvrum	2,875

**Corporate Assembly (in total)****941**

## NOTES TO FINANCIAL STATEMENTS STATOIL ASA – NGAAP

### 24. SHARE-BASED COMPENSATION

In 2004 Statoil introduced a Share Saving Plan for all permanent Statoil employees both in full and part time positions. Because of differences in legal and tax regulations between participating jurisdictions, and with the need for specific technical solutions for the Share Saving Plan, the program will be launched at different times in the different countries/companies within the Statoil Group.

Statoil's Share Saving Plan gives the employees the opportunity to purchase Statoil shares through monthly salary deduction. The employees may save up to five per cent of their annual gross salary. Statoil will give a contribution to the employees of 20 per cent of the saved amount, at a maximum of NOK 1,500 per employee per year.

If the shares are kept for two full calendar years of continued employment the employees will be allocated one bonus share for each two they have bought. The same kind of allocation is planned to be carried out for future yearly programs.

Due to uncertainty with respect to future share prices, the number of shares to be purchased by employees under the programs is unknown. Consequently, the number of bonus shares to be purchased by Statoil must be estimated in connection with the valuation of the cost of the program. The fair value of the bonus shares is estimated at the date of grant using a one-factor capital asset pricing model with adjustments for dividend payments assumed according to the corporate dividend policy in the vesting period.

Significant assumptions for 2005 used in connection with estimating the fair value are shown in the table below.

Risk free interest rate	3.0%
Risk premium	5.5%
Beta	1.0
Expected return/discount rate	8.5%

The model requires the input of highly subjective assumptions. Because changes in the subjective input assumptions can affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of fair value of Statoil's Share Saving plan.

The basis for purchases of bonus shares is the combined amount of salary deductions and Statoil contributions. For the 2004, 2005 and 2006 programs (granted in 2005), this amounts to NOK 52, NOK 116 and NOK 145 million, respectively.

Estimated compensation cost including contribution and social security related to the 2004, 2005 and 2006 programs for Statoil amounts to NOK 35, NOK 69 and NOK 86 million respectively. At December 31, 2005 the amount of compensation cost yet to be expensed throughout the vesting period is NOK 140 million.

### 25. SUBSEQUENT EVENTS

On January 31, 2006, Statoil ASA announced its decision to evaluate strategic options for its Irish downstream Retail and Commercial & Industrial business (Statoil Ireland), including a possible sale. This decision has resulted from a review of the Retail Business Portfolio and the intention to accelerate strategic commitment to Scandinavian and Eastern European markets. The nature and timing of any resulting transactions are uncertain, but are expected to occur during 2006. Current and long-term assets in Statoil Ireland amount to EUR 132 and 127 million respectively as at December 31, 2005. Current liabilities amount to EUR 96 million as at December 31, 2005.

On March 8, 2006 Statoil entered into an agreement to acquire a 25 per cent share in the license 218 in Blocks 6706/10 and 6706/12 in the Norwegian Sea. The agreement results in that Statoil after the transaction will have a 75 per cent interest in the license. Several discoveries have been made in this area, including the Luva discovery. The investment will be recorded in the segment Exploration and Production Norway

Stavanger, March 9, 2006

THE BOARD OF DIRECTORS OF STATOIL ASA

  
JANNIK LINDBÆK  
CHAIR

  
STEIN BREDAL

  
LILL-HEIDI BAKKERUD

  
MORTEN SVAAN

  
KACI KULLMANN FIVE

  
FINN A HVISTENDAHL

  
GRACE R SKAUGEN

  
INGRID WIIK

  
KNUT ÅM

  
HELGE LUND  
PRESIDENT AND CEO

# To the Annual Shareholders' Meeting of Statoil ASA

## Auditor's report for 2005

We have audited the annual financial statements of Statoil ASA as of December 31, 2005, showing a profit of NOK 32 009 million for the parent company and a profit of NOK 32 009 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 financial statements for the parent company and the group. The financial statements of the parent company comprise the balance sheet, the statements of income and cash flows and the accompanying notes. The financial statements of the group comprise the balance sheet, the statements of income and cash flows and the accompanying notes. The regulations of the Norwegian Accounting Act and accounting standards, principles and practices generally accepted in Norway have been applied in the preparation of the financial statements of the parent company and the group. These financial statements and the Directors' report are the responsibility of the Company's Board of Directors and 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.

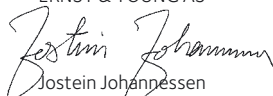
We conducted our audit in accordance with laws, regulations and auditing standards and practices generally accepted in Norway, including the auditing standards adopted by the Norwegian Institute of Public Accountants. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and 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 of the parent company and the group are prepared in accordance with laws and regulations and present fairly, in all material respects the financial position of the Company as of December 31, 2005, and the results of the operations and 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 record and document the accounting information as required by law and generally accepted bookkeeping practice 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 complies with law and regulations.

Stavanger, March 9, 2006

ERNST & YOUNG AS



Jostein Johannessen


State Authorized Public Accountant  
(Norway)

## RECOMMENDATION OF THE CORPORATE ASSEMBLY

### Resolution:

At its meeting of March 21, 2006 Statoil's corporate assembly discussed the 2005 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 21, 2006



Anne Kathrine Slungård

Chair of the corporate assembly

### Corporate assembly

Anne Kathrine Slungård, Wenche Meldahl, Kjell Bjørndalen, Kirsti Høegh Bjørneset, Erlend Grimstad, Per-Inge Søreng, Anne Britt Norø, Asbjørn Rolstadås, Arvid Færaas, Hans M Saltveit, Per Helge Ødegård, Åse Karin Staupe

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Directors’ report 2005  
is included in the document  
“Annual report and  
accounts 2005”



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