



shaping
the future

Annual report and accounts 2006



Shaping the future today



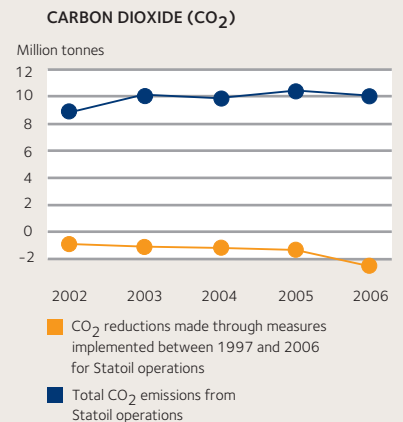
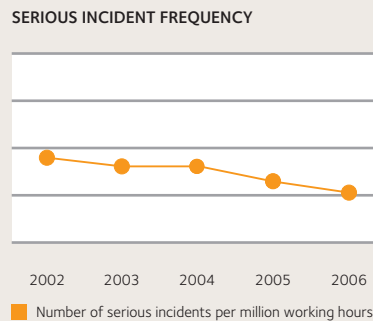
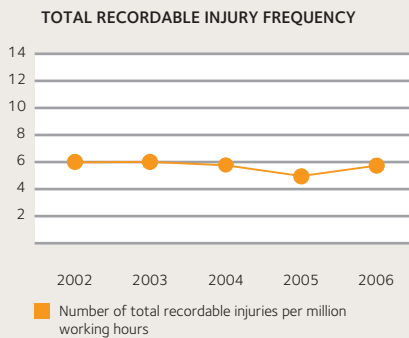
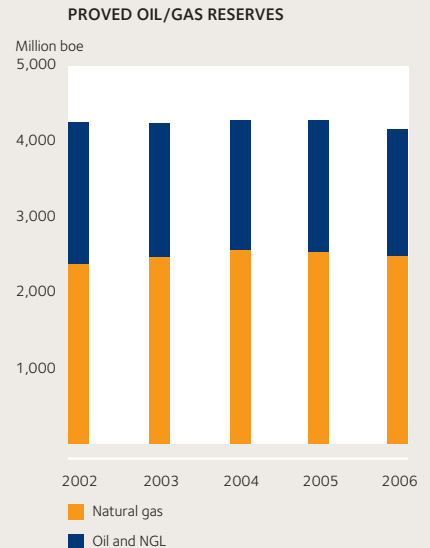
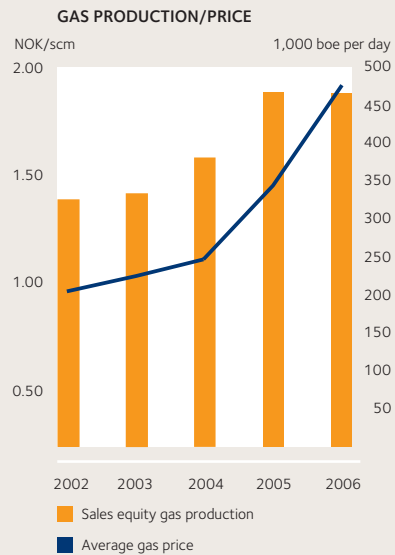
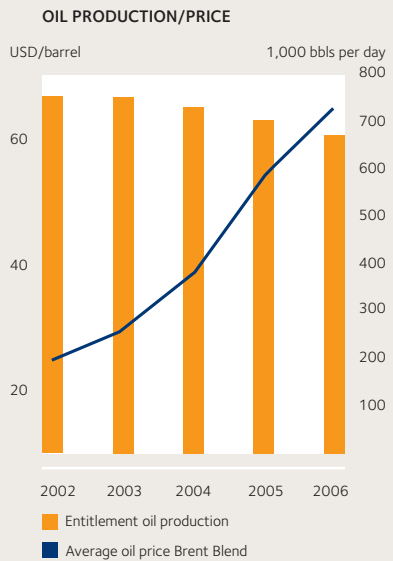
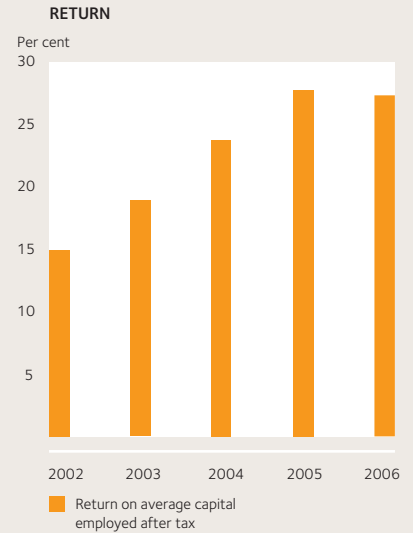
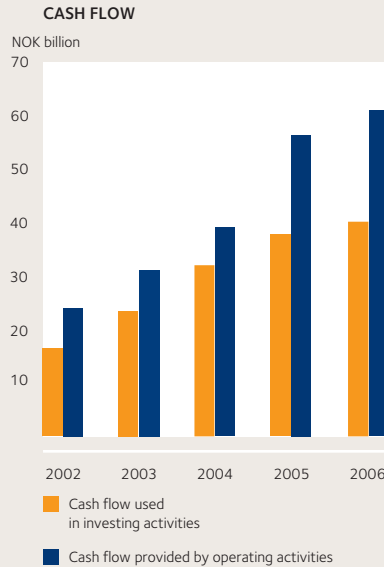
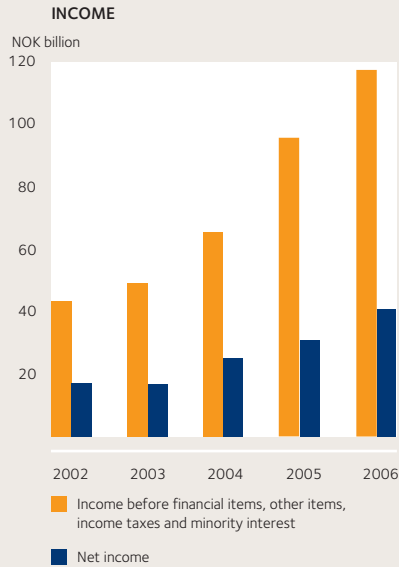
Students get the chance every year to participate in our summer project and have a go at specific assignments. This team has produced a model which shows subsea separation. From left: Magne Hestness, Anne Person, Øystein K Rande and Oddbjørn R Nilsen.

The way to the real world is short: we are starting up the world's first commercial subsea facility for separating oil and gas from water and sand on our Tordis field in the North Sea.

This is one of many examples which demonstrate our ability and courage to develop and adopt new technology which can enhance our value creation. An article on pages 8-13 describes the subject in more detail. We look at tomorrow's technological challenges, which some of the students in this opening illustration to our annual report may be involved in solving a few years from now.

A company which is a front runner in key technology areas does not wait for the future to happen but forms the future itself. This applies not least in the environmental area, and in 2006 we demonstrated our ability to be innovative and our will to tackle the climate challenges with new industrial solutions.

Key figures



USGAAP – Financial highlights

	2006	2005	2004	2003	2002
Financial information (NOK million)					
Total revenues	425,166	387,411	301,443	245,640	240,447
Income before financial items, other items, income taxes and minority interest	116,881	95,043	65,085	48,873	43,065
Net income	40,615	30,730	24,916	16,554	16,846
Cash flow provided by operating activities	60,913	56,250	38,807	30,797	24,023
Cash flow used in investing activities	40,084	37,664	31,959	23,198	16,756
Interest-bearing debt	35,786	34,093	36,081	37,278	37,128
Net interest-bearing debt	24,945	19,287	20,218	20,906	23,592
Net debt to capital employed	16.8%	15.1%	18.9%	22.6%	28.7%
Return on average capital employed after tax	27.1%	27.6%	23.5%	18.7%	14.9%
Operational information					
Combined oil and gas production (thousand boe/day)	1,135	1,169	1,106	1,080	1,074
Proved oil and gas reserves (million boe)	4,185	4,295	4,289	4,264	4,267
Production cost (NOK/boe)	26.6	22.3	22.4	22.4	*
Reserve replacement ratio (three-year average)	0.94	1.02	1.01	0.95	0.78
Share information (in NOK, except number of shares)					
Net income per share	18.79	14.19	11.50	7.64	7.78
Share price at Oslo stock exchange (Oslo Børs) 31 December	165.25	155.00	95.00	74.75	58.50
Weighted average number of ordinary shares outstanding	2,161,028,202	2,165,740,054	2,166,142,636	2,166,143,693	2,165,422,239

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

Definitions

Net interest-bearing debt =

Gross interest-bearing debt less cash and cash equivalents.

Net debt to capital employed =

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

Average capital employed =

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

Return on average capital employed after tax =

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

Production costs per barrel oil equivalent =

Operating expenses associated with production of oil and natural gas divided by total production (lifting) of oil and natural gas.

Reserve replacement ratio =

Additions to proved reserves, including acquisitions and disposals, divided by volumes produced.

Barrel of oil equivalent (boe) =

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

Carbon dioxide (CO₂) =

Carbon dioxide emissions from Statoil operations embrace all sources such as turbines,

boilers, furnaces, engines, flares, drilling of exploration and production wells and well testing/workovers. Reductions in emissions are accumulated for the period 1997-2006.

Total recordable injury frequency =

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

Serious incident frequency =

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

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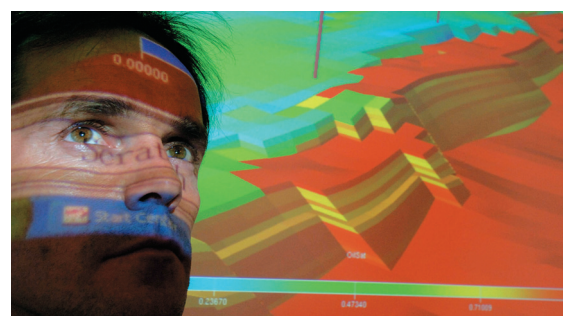
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In addition to this report we publish the sustainability report, the financial statements according to the Norwegian accounting principles and the 20-F report as specified by the US Securities and Exchange Commission. Read more about these reports on page 152.



A will to shape the future

by chief executive Helge Lund

For the third consecutive year, Statoil has delivered its best-ever annual result. We are well equipped to face increased competition. We are a company with great ability to create value and results, and a strong determination to grow and to shape the future.

The planned merger with Hydro's oil and gas division is a distinct sign of this determination. We want to create an even more powerful company by bringing together the best of Norwegian industrial experience and expertise. Through world-class technology and expertise teams, we will further develop the Norwegian continental shelf (NCS) and increase international growth.

Despite high oil and gas prices, the world around us has become ever more demanding in recent years. The competition for available reserves has become much tighter. Mergers and takeovers have created larger and more powerful players. A big demand for expertise, and for goods and services related to exploration activities and increasingly more complex developments, has squeezed costs and lead times.

Overall, it has become more difficult for the oil and gas companies to grow in line with their expressed goals. The plan to merge Statoil with Hydro's oil and gas division is an emphatic response to the growth and competitive challenge faced by the industry.

We set high requirements for results, and continuous improvement within health, safety and the environment. It is therefore gratifying to note that in the past year we have continued the progress in important areas. Since 2001 we have more than halved the number of serious incidents.

During the past year we have seen a substantial increase in the focus on global warming. We will continue the resolute attitude which characterises us in order to identify new solutions that will contribute to a reduction in greenhouse gas emissions. In 2006 we stepped up our commitment to renewable fuels and commenced the construction of the Mongstad

energy project (EVM). Through this project we will demonstrate innovation and determination to deal with the climate challenge by implementing industrial solutions. This is also a good example of Statoil as an early and bold user of technology.

We have made our core activities more robust through sales and acquisitions. Our downstream results have shown such a dramatic improvement that we have met our profitability targets one year ahead of schedule. The gas business has been made more robust through new supplies and infrastructure, the development of a global LNG position, and increased trading activity in the short-term gas market.

Statoil is making an aggressive commitment on the NCS in both developed and unexplored areas. Last year we brought five new projects on stream, sanctioned the development of five new projects, and stepped up our exploration efforts. With the Snøhvit development, promising discoveries and a purposeful exploration programme we have laid the foundation for a new industrial province in the Barents Sea.

In the past three years our international production has increased by almost 80%. In 2006 we brought important upstream projects on stream in Azerbaijan, Angola and Algeria. The opportunities for international growth and value creation have been strengthened through record-high exploration activity, access to new licences and acquisition of new areas rich in resources. In the course of a relatively short time, we have established a solid platform for long-term growth in the Gulf of Mexico. We have a very promising deepwater portfolio there, which provides many opportunities to implement

the expertise and experience we have developed over several decades on the NCS.

We in Statoil have worked systematically to simplify and improve our systems and work processes. We have developed a customised management model, simplified requirements and procedures, and established the parameters for a value-based performance culture with clear requirements with regard to attitude and deliveries among our leaders and employees. Together with operational improvements in key areas, this has strengthened our competitiveness and our ability to deliver at the right tempo, with quality and precision. We will take this with us in establishing the merged company.

Two robust companies with an assertive approach to environmental and sustainability challenges are now planning to merge. The new company will be in a position to work with more and greater opportunities than Statoil and Hydro could do separately. Together we have a historic opportunity to create a new, global company with a Norwegian starting point. The conditions are right for us to continue to create profitable and sustainable growth for our owners, employees and the host communities in the future.



Helge Lund
President and CEO

Statoil's strategy

Globally competitive

A unique workplace for performance and development

Statoil's ambition is to be a leading international company with an increasing share of its production outside Norway. Competition in the energy sector is becoming increasingly tougher, and to succeed in developing our national and international positions, we must beat the competition from the world's best oil and gas companies. The necessary competitive leverage will be secured through improvement programmes and restructuring, and through further development of our employees. We will offer attractive development opportunities to talented young people and be at the forefront of technological development in selected areas. We will also be leading on safe, environment-friendly and efficient operations of all our facilities.

Statoil's strategic direction

- Maintain the role of leading player on the Norwegian continental shelf (NCS).
- Develop new international growth platforms.
- Strengthen our natural gas position in pipeline and liquefied natural gas (LNG) value chains.
- Increase value creation in the product market.
- Be world-leading in project execution and in selected technology areas.

High oil and gas prices in 2006 gave Statoil its best-ever annual result. We have a strong financial position which provides the basis for future freedom of action and growth. At the same time, the high oil prices have led to

greater competition over new projects and important input factors. Keen competition is reflected in higher costs. High oil prices have also contributed to host countries increasingly tightening their framework conditions for international oil companies.

We are experiencing intense exploration activity, with 2006 seeing NOK 7.5 billion spent on exploration. Completed wells totalled 41 in 2006 and 21 finds were made. We were also awarded new exploration acreage both in Norway and internationally.

Merger with Hydro's oil and gas division

The planned merger of Statoil and Hydro's oil and gas division, which the boards of the two companies agreed on in December 2006, is a natural result of Statoil's growth strategy. The new company will have further and bigger growth opportunities both on the NCS and internationally. It will be the world's biggest offshore operator at depths greater than 100 metres, and a leader in subsea technology. The merger secures long-term value creation for shareholders by strengthening its international competitive position.

Investment and future growth

To achieve future production growth, we will invest around NOK 120 billion exclusive of acquisitions in the period 2005-07. The level of investment is also expected to be high throughout 2008 as a result of access to profitable projects. Statoil's strong commit-



ment in coming years will depend on meeting our requirements for profitability and robustness.

HSE and financial results

Great attention is devoted to work on health, safety and the environment (HSE), which has high priority. We can report improvements in most areas where HSE results are measured. We believe that there is a close relationship between a good HSE performance and a company's financial results. Our work with sustainability is important and this commitment was rewarded in 2006 when we came top for the third year running among oil and gas companies in the Dow Jones Sustainability World Index.

Values and culture

Our employees' expertise and experience will always be our most important resource. Strong international growth will characterise us for a number of years to come. This means that our organisational entities and our employees must be willing and able to adapt swiftly, and we must also be good at integrating new personnel.

We work actively to create a healthy performance culture which delivers results and we devote significant resources to trainee programmes and to building expertise. Strict requirements are set for the way in which the group is run and results achieved. Statoil will be an enterprise with clear values and leadership.

Lars Rennan at Statoil's research centre in Trondheim analyses heavy oil from the Orinoco area of Venezuela using computer tomography. Statoil is partner in a project involving land-based oil production here. Big assets can be realised if Statoil succeeds with new technology which improves the recovery factor.

Statoil's key operational goals

- Maintain an output of one million barrels of oil equivalent per day from the NCS until 2015.
- Develop further the existing international portfolio and build new international positions that contribute to the company achieving long-term production growth.
- Maximise the value of existing positions in the value chain and increase the sale of equity natural gas towards 50 billion cubic metres per year by 2015.
- Increase value creation in the product markets through efficient operations and better integration between manufacturing and marketing.
- Be a world leader in project execution and in selected technology areas.

Statoil today

Statoil is an integrated oil and gas company based in Norway. We are the leading operator on the Norwegian continental shelf and are also experiencing strong growth in our international production.

Production outside Norway represented 15.7% of our total output, which averaged 1,135,000 barrels of oil equivalent per day in 2006.


Represented in 34 countries, we have exploration and production activities in 15 of these. At 31 December 2006 we had 25,435 employees.

We are one of the world's largest sellers of crude oil and a substantial supplier of natural gas to the European market.

We have substantial industrial activity and operate 1,803 service stations in Scandinavia, Poland, the Baltic states and Russia.

We are one of the world's most environmentally efficient producers and transporters of oil and gas.

Our goal is to create value for our owners through profitable and safe operations and sustainable business development without causing harm to people or the environment.

 [www.statoil.com/
statoils_world](http://www.statoil.com/statoils_world)

Our history

Statoil was founded by a decision of the Norwegian Storting (parliament) in 1972. Wholly owned by the Norwegian state, the company's role was to be the government's commercial instrument in the development of the oil and gas industry in Norway.

In 1974 Mobil discovered the Statfjord field in the North Sea which was to have enormous significance for Statoil's development. We met great challenges in developing Statfjord, one of the world's largest offshore oil fields. Statfjord came on stream in 1979 and we took over as operator eight years later. We have a 44% interest.

The 1980s saw us become a big player in the European gas market by entering into extensive contracts to develop and operate gas transport systems and terminals.

In the same decade, we were heavily involved in manufacturing and marketing in Scandinavia and

established a comprehensive network of service stations. In Denmark and Sweden, we acquired Esso's service stations, refineries and petrochemical facilities.

The 1990s were characterised by intense technological innovation on the Norwegian continental shelf (NCS), with Statoil becoming a leading company within floating production facilities and subsea developments. Statoil grew strongly, expanded in product markets and made a commitment to international exploration and production in alliance with BP.

In 2001, Statoil was partially privatised with listings on the Oslo and New York stock exchanges. We have strengthened our position on the NCS, and our international exploration and production operations are set to increase substantially over the rest of the decade. In December 2006, the boards of Statoil and Hydro recommended a merger of Statoil and Hydro's oil and gas division.



Events and highlights of 2006

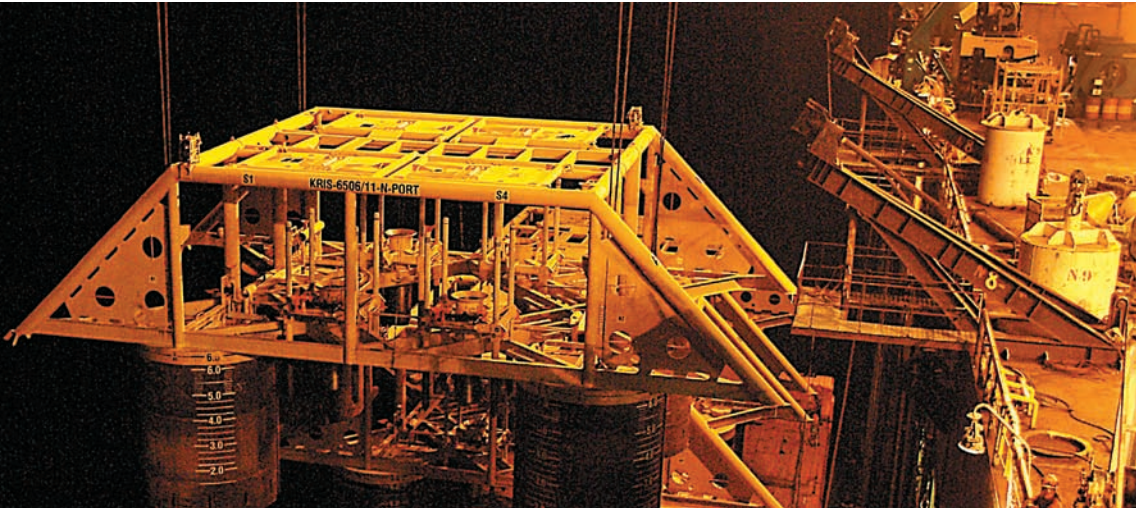
- The boards of Statoil and Hydro recommended a merger of Statoil and Hydro's oil and gas activities.
- Net income of NOK 40.6 billion – our best result ever, up 32% from 2005.
- For the third year in a row we were ranked by the Dow Jones Sustainability World Index as the world's best oil and gas company in terms of sustainability.
- Record-high exploration activity but a slight decline in production and reserves.
- Four new international projects started production and five were brought on stream on the Norwegian continental shelf (NCS).

Topic: Technology



An early and bold adopter of technology

Statoil's history and development are closely linked to the ability and boldness to adopt new technology which can enhance value creation. A fruitful collaboration between able suppliers and very creative in-house specialists has put the group right at the forefront in important technological areas.



“The difference between what is possible and impossible today is a question of time.”

Arve Johnsen

These areas include environmental solutions, where Statoil is an international leader in carbon dioxide capture and storage.

They also embrace exploration, where the group has developed and commercialised subsea logging as a tool which makes it possible to determine the presence of oil and gas ahead of drilling. And exploiting and coordinating engineering, geological and geophysical expertise have also enabled the group to maximise oil and gas recovery. That not only has great significance for value creation on the NCS, but the underlying knowledge is also very important in international competition for upstream positions.

In addition, Statoil is a front runner in subsea production and transport solutions, which are following two exciting development paths:

- operations carried out from ships or other surface installations are increasingly being transferred to the seabed.
- monitoring and control functions are being exercised over ever greater distances, making it possible for jobs to be moved ashore.

Three comments over an 18-year span illustrate Statoil’s willingness to be creative and innovative in the technological arena:

“The difference between what is possible and impossible today is a question of time,” Arve Johnsen, Statoil’s first chief executive, observed in 1986. His young organisation had already provided confirmation of this belief by crossing the Norwegian Trench in 300 metres of water with the Statpipe gas line.

“Åsgard is the boldest and most complex subsea project ever launched,” wrote Leo Aalund, technology editor of Oil and Gas Journal in 1998. This field ranks as the world’s largest subsea development, with 58 wells in 16 templates.

“Statoil is a bold and early user of technology,” said Helge Lund when he took over as chief executive in August 2004. “This will remain an important competitive platform. We are going to be in the forefront.”

A young company

Statoil displayed no shortage of courage and boldness when it got to work on its first operator assignments –



the development and production of the Gullfaks field and the Statpipe system with the associated gas terminal at Kårstø. Approved by the Storting (parliament) in 1981, these projects were among the largest in the world at the time. Yet the company responsible for them had only existed for nine years. The dimensions and perspectives were huge, but few outside the industry grasped them. At that time, the oil and gas business still seemed a little remote and exotic to most Norwegians.

Others understood, though. The management of America's Sonat visited Norway and Gullfaks after the field had come on stream in 1986.

"It's incredible that such a young company and oil nation has accomplished this," one executive commented. "You don't have a bigger population than we've got in Brooklyn."

Strong gas position

Statpipe and Gullfaks gave Statoil valuable development experience, which the group has retained.

These projects formed the basis for a strong position in gas transport and for developing an expertise on gas



“Åsgard is the boldest and most complex subsea project ever launched.”

Oil and Gas Journal

value chains which link such systems with production and sales. Statoil has developed and is now technical service provider for a submarine pipeline network 8,000 kilometres long, which ties more than 40 fields on the NCS to the European market. The group is also working on gas-to-liquids (GTL) technology to turn natural gas into liquid fuels, primarily diesel oil and naphtha. GTL makes it possible to find sales solutions for natural gas when export by pipeline or ship is not commercial. This technology is now ready for full-scale application.

Started on Gullfaks

Gullfaks and Statfjord in the North Sea allowed Statoil to lay the foundation for its current position as a leading international specialist in improved oil recovery (IOR). The Gullfaks organisation was awarded the Norwegian Petroleum Directorate's IOR prize for 2005. According to the original development plan, this field should have been fully depleted by then. But systematic efforts to improve reservoir understanding have doubled its recoverable reserves. This increase is sufficient to meet Norway's oil requirements for more than 13 years.

Even before Statoil became an operator, its IOR ambitions had become clear. They found expression in a 1984 agreement over collaboration with the Norwegian Academy of Science and Letters on financial support for increased basic research. “Statoil takes the view that substantial opportunities exist for increasing the recovery factor – and thereby the production value – of petroleum resources on the NCS,” the contract states. It emphasises the importance of pursuing purposeful research to increase knowledge about and understanding of physical processes in the reservoirs.

IOR involves rather more than drilling additional wells. At times, it presents complex issues which must be resolved through both research efforts and practical collaboration between such disciplines as geology, geophysics, mathematics, physics, chemistry and biology.

Statoil goes subsea

It was also on Gullfaks that Statoil made the first move in 1986 towards what has become a seabed adventure – subsea production. This step involved five production



wells completed on the seabed up to a couple of kilometres from the Gullfaks A platform. Twenty years later, the group operates 272 subsea wells split between 29 facilities and produces a larger total volume from these than from platform wells.

A development thread links the five wells on Gullfaks with the Snøhvit field in the Barents Sea, which is being developed entirely on the seabed. The production facilities are remotely operated, with the unprocessed wellstream – a mix of gas, oil and water – piped for 143 kilometres to a separation facility on land. Known as multiphase flow, this technology permits wellstreams to be piped over long distances and thereby allows processing facilities to be placed on land with a consequent reduction in costs. This opens entirely new perspectives for oil and gas production.

Long-term research

Statoil began researching multiphase flow as early as in 1981, three years before Snøhvit had even been discovered, and has become a leader in this area. The Snøhvit development is a good example of making the

impossible possible. Adequate economics were previously out of reach in a development based on known technology, involving a staffed platform installed offshore.

“Multiphase flow over long distances will accordingly become increasingly important in assessing new projects,” says Margareth Øvrum, executive vice president for Statoil’s Technology & Projects business area. “Moving processing facilities to land opens opportunities for developing oil and gas resources in environmentally sensitive regions and in areas remote from existing infrastructure.”

Innovative solutions

Measurements indicate that no less than 70% of Statoil’s development projects involve innovative technology. The closest rival is at 40%, and the industry average lies as low as 10–12%. A high innovation content increases the risk of cost overruns, as happened in the Åsgard development.

But this field has become very good business. At 31 December 2006, the sales value of Åsgard’s output had



“Statoil is a bold and early user of technology. This will remain an important competitive platform. We are going to be in the forefront.”

Helge Lund

reached NOK 310 billion or five times its development costs. The project came on stream in May 1999 and its sales revenues by 2003 already exceeded investment on the field, the gas pipeline to Kårstø, expansion of that receiving terminal, the Europipe II export pipeline and operating costs during the period.

More on the seabed

Subsea technology is developing rapidly, and is now characterised by transferring new and fairly advanced operations to the seabed. Separation of the wellstream into its components has so far been carried out on fixed and floating installations. Statoil is currently adopting the world's first full-scale subsea facilities for wellstream separation, and injecting unprocessed seawater on the Tordis and Tyrihans fields respectively. These projects are described in more detail on page 38.

Ms Øvrum identifies three factors which have been important in developing Statoil as an innovative technology company:

- the NCS has been and remains demanding to develop
- the level of costs is high

- the Norwegian authorities set strict standards for environmental protection and resource utilisation.

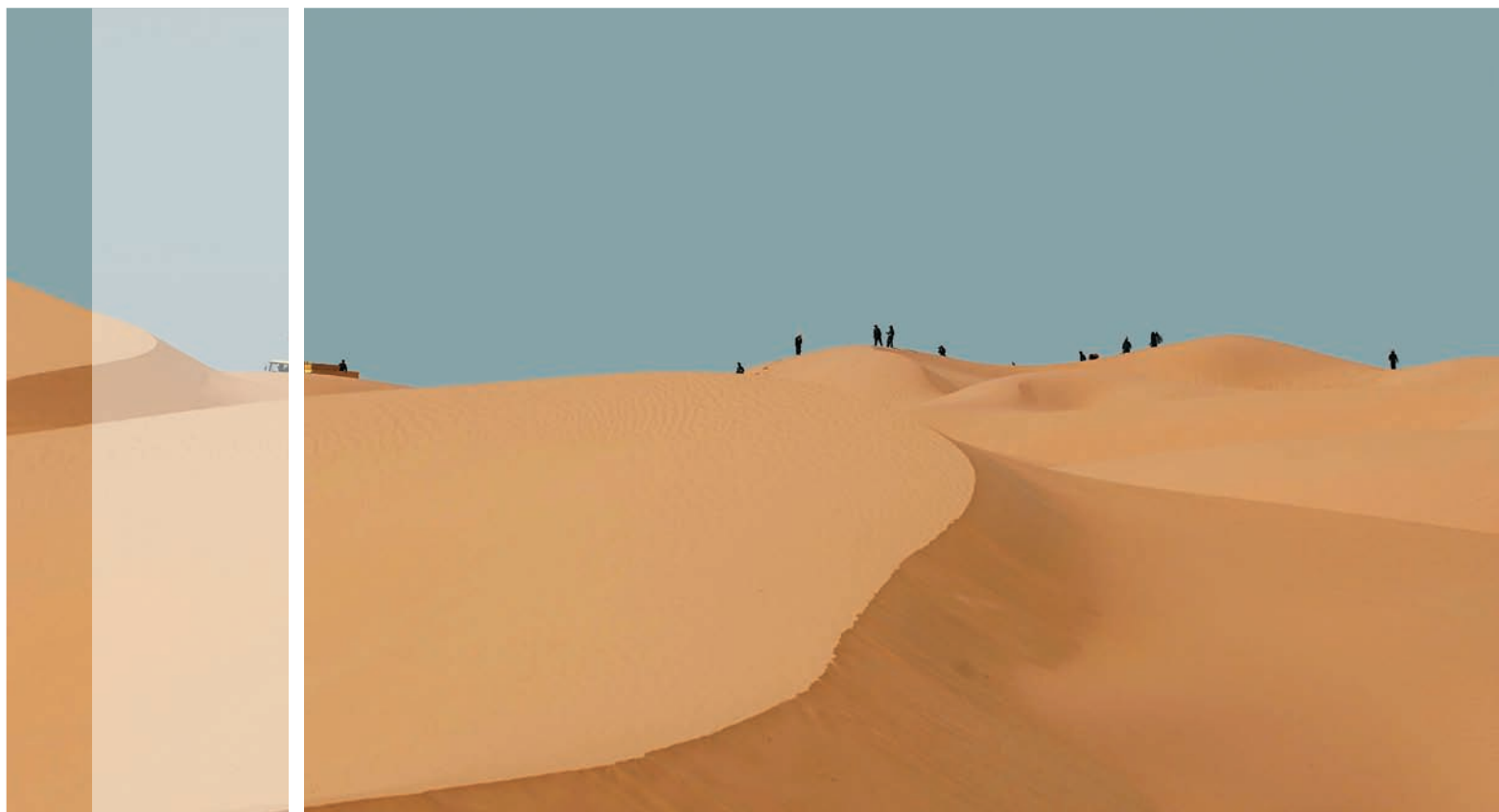
“That’s made it necessary to be creative and innovative in coming up with the best solutions in financial terms,” she says. “However, we have very able and creative engineers who aren’t afraid to challenge accepted truths and to strike out in new directions. That means a lot.”

Ms Øvrum says it is also important to note that we cooperate with suppliers who are among the most competent in the world within their specialities.

“We’ve worked with a number of them for many years, and I know that they find this collaboration stimulating precisely because we’re a client who demands innovative solutions. That gives them exciting challenges.”

Our business

With sand as far as the eye can see, Statoil is searching for gas under the Saharan dunes.





Our business was characterised in 2006 by good results in safety work, an aggressive attitude to business development through a sharp expansion in exploration activity and preparing for new production, and a willingness to tackle climate challenges with industrial solutions.

Nobody lost their life working for us in 2006, and the serious injury frequency reached a lower level than ever before.

Our oil and gas production totalled 1,135,000 barrels of oil equivalent per day, a decline of 34,000 barrels from 2005. This downturn primarily reflected lower output from mature fields and a temporary reduction in production from other developments.

We sharply expanded our exploration activity in 2006, with 37 wildcat and appraisal wells completed, compared with 20 the year before. Nine new projects were brought on stream.

Business strategies

Exploration & Production Norway

The business area's ambition is to maintain daily production of one million barrels of oil equivalent (boe) from the Norwegian continental shelf (NCS) until 2015 and improve and strengthen Statoil's position as the leading company on the NCS.

Good results within health, safety and the environment (HSE), cost-effective operations and improved recovery from existing fields, development of new finds, good area solutions, proving of new reserves through intense exploration activity and increased access to new licences, are clear preconditions for success.



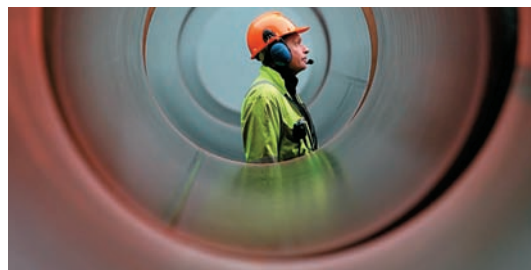
International Exploration & Production

The business area's goal is to secure long-term production growth internationally. This is done in close collaboration with various companies around the world. With a foundation in Statoil's strong technological base, developed on the NCS, growth will be secured by accessing new areas and expanding the existing portfolio. Together, this will contribute to the group's long-term production growth through effective business development and exploration in potentially resource-rich areas.



Natural Gas

Statoil aims to further develop its position on the Norwegian continental shelf (NCS) and internationally through increased production and investments in new fields and infrastructure to serve the European and US gas markets. The business area will strengthen established market positions in Europe with gas from Norway, the Caspian Sea and north Africa. The position of the Cove Point terminal on the USA's east coast will be further developed with equity gas supplied from the Snøhvit field, and third-party gas.



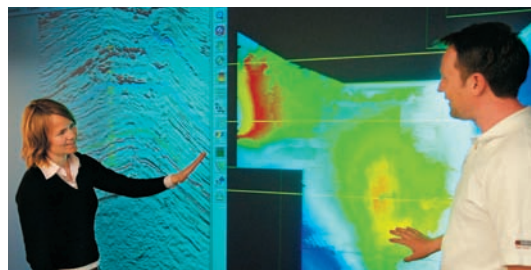
Manufacturing & Marketing

Manufacturing & Marketing has a comprehensive improvement programme and has made considerable progress relating to operations, efficiency and cross-disciplinary value creation in 2006. Market positions have also been strengthened and this work will continue. Growth within existing activities, increased vertical integration in the oil value chain and focus on new energy carriers and carbon dioxide value chains, are also being considered. M&M is developing downstream positions outside Norway to help Statoil achieve its ambitions for increased international oil and gas production.



Technology & Projects

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



Facts

Exploration & Production Norway is responsible for Statoil's operations on the NCS. Fields operated by the group account for about 60% of total Norwegian oil and gas production. Statoil is operator for 25 on-stream oil and gas fields, which comprise 20 platforms or production ships with crew, four unstaffed installations and 23 subsea facilities. Employees: 6,489 of whom 3,531 work offshore.

International Exploration & Production is responsible for Statoil's exploration, development and production of oil and gas outside the NCS. In 2006, the group had production in Angola, Algeria, Azerbaijan, China, the UK and Venezuela. The business area stood for 16% of Statoil's total oil and gas production and output shows strong growth. Employees: 819, of whom 469 work outside Norway.

Natural Gas is responsible for transporting, processing and marketing Statoil's own gas from the NCS to European destinations. The company accounts for two-thirds of all Norwegian gas exports. Statoil has large interests in, as well as responsibility for, technical operation of the majority of export pipelines, onshore facilities and terminals in the processing and transport systems for Norwegian gas. The business area is responsible for international gas marketing and for Statoil's commitment to the market for liquefied natural gas (LNG) Employees: 938 of whom 184 work outside Norway.

Manufacturing & Marketing embraces the group's combined operations in transportation of oil, processing, sale of crude oil and refined products and retail activities in 12 countries. Statoil operates two refineries, one methanol plant and has international trading activities and an extensive distribution network for businesses and private customers. Over one million customers visit Statoil's 1,803 service stations daily. M&M processes and sells Statoil's and the Norwegian government's production of crude oil and natural gas liquids, and markets natural gas in Scandinavia. Employees: 12,966 of whom 10,787 work outside Norway.

Technology & Projects is responsible for Statoil's strategic procurements, technology expertise, research and development, planning and executing large development projects, and for contributing to safe and efficient operations. The group's research centre in Trondheim is part of the business area and has a special responsibility for technological innovation which contributes to finding more oil and gas, and to recovering more of the resources in producing fields. It is in charge of commercialising technology and industrial rights. Employees: 2,205, of whom five work outside Norway.

Key events in 2006

- The Troll and Gullfaks fields celebrated their 10th and 20th year of production, respectively.
- The plan for development and operation (PDO) of Sleipner B compression was approved by the Norwegian Storting (parliament).
- PDO for the Gjøa and Alve fields submitted to the Norwegian government.
- Statoil was awarded three operatorships and shares in five licences

- Significant production capacity added through bringing ACG phase II, In Amenas and Dalia on stream.
- US Gulf of Mexico position further strengthened through acquisition of discoveries and exploration prospects.
- Intense exploration activity with 20 exploration wells completed.
- New exploration acreage secured in Angola, Ireland, Indonesia, Egypt and the US Gulf of Mexico.

- Record gas sales, good gas prices and high export regularity.
- Opening of the Langed pipeline from the Sleipner area to the UK.
- Expansion of the Cove Point terminal in the USA begun.
- Gas pipeline from the Shah Deniz field in Azerbaijan via Georgia to Turkey completed.
- Customer base and relevant landfall sites identified for a new gas pipeline from Norway to continental Europe.

- Decision taken for go-ahead with the combined heat and power (CHP) station at Mongstad.
- Collaboration with the government on construction of a carbon capture facility at Mongstad.
- Service station network in Ireland sold.
- Statoil's retailing arm and energy business merged into one business cluster.

- On schedule for start-up of Snøhvit in December 2007.
- The southern leg of the Langed gas pipeline from Sleipner to Easington came on stream in October.
- Organisation established to carry out planning, operation and processing of land-based seismics and drilling in desert areas of Algeria and Libya.
- Collaboration agreement signed with the University of California for a management programme relating to large and complex development projects.

Exploration & Production Norway

Key figures (NOK million)	2006	2005	2004
Total revenues	116,967	97,623	74,050
Income before financial items, other items, taxes and minority interest	89,389	74,132	51,029
Gross investments	20,921	16,257	16,776

Statoil's equity production of oil and gas on the NCS averaged 958,000 boe per day in 2006. This represents a decrease compared with 2005 production, which averaged 985,600 boe per day. NCS production is expected to increase in 2007. The decrease is not due to fewer reserves, but to postponed production resulting from challenging reservoirs and complicated well operations. Statoil has ambitions to maintain production of one million boe per day until 2015 on the NCS. In the short term, the goal is to produce 1,060,000 boe per day in 2007. The reason for the increase is the planned start-up of new fields and projects, including Ormen Lange, Volve, Snøhvit, the Gullfaks satellites and Statfjord late life, while Kristin is expected to reach plateau production during 2007.

Towards the end of 2006, Statoil and the Kvitebjørn licensees decided to temporarily reduce gas and oil production by 50% to support adequate reservoir management and safe drilling of the remaining wells. Part of this reduction will be offset by increasing production on other fields.

Ten years of gas production on Troll

The Troll field in the North Sea celebrated its 10th year of production in 2006. During the year, there was great activity in the Troll future development project. This involves increasing the production capacity and export from Troll from the autumn of 2011, and 2007 will be an

important year for the project. The goal is to deliver a PDO in December 2007. At the same time, work to ensure improved oil recovery from the field is underway.

Gjøa and Vega to be developed

In December 2006 Statoil submitted a PDO for the Gjøa field in the North Sea. Start-up is planned for the autumn of 2010. The field will be developed using subsea templates and semi-submersible platform processing. The field will be powered mainly with onshore-supplied electricity. The field development, which lies north of the Troll field, will open up a new part of the North Sea.

At the same time, Hydro submitted its plan for development and operation of the North Sea's Vega and Vega South fields, with planned start-up in the autumn of 2010. They will be tied back to Gjøa. The advantages of coordinating Gjøa with these fields will be considerable. Statoil has a total share of 20%.

Subsea processing on Tordis

The Tordis field in the Tampen area will become the world's first commercial field with subsea processing. Water and sand will be separated from the oil on the seabed and pumped into the sub-surface. Oil and gas will be transported via an existing 10-kilometre pipeline to the Gullfaks C platform. The project was sanctioned by the authorities in 2005 and the first phase was started in 2006. It is expected to boost recovery by around 35 million barrels of oil. Plans call for production start-up with subsea separation in October 2007.

The Halten/Nordland growth area

Statoil's production from the Halten/Nordland area of the Norwegian Sea averaged 210,000 boe per day in 2006.

www.statoil.com/norwegian_fields



Kristin inaugurates Kristin

Kristin Halvorsen, the Norwegian finance minister, has the same first name as the field she inaugurated on 21 September 2006. The Kristin gas and condensate field, which lies off the coast of mid-Norway, has been technologically demanding to develop due to an extremely high reservoir pressure and temperature of 910 bar and 170 degrees Celsius, respectively. It has been developed with 12 production wells, split between over four subsea templates tied back to a floating production platform.

This is an increase of 30% on the previous year. The fields in this area represent 22% of Statoil's production on the NCS. It is expected that this share will increase to roughly a third in 2015.

The Heidrun and Norne fields have passed peak production, while the Kristin field's production is under development. Kristin is a technically demanding field with high pressure and high temperature, making drilling and completion of high-deviation wells more complex. All wells must be completed before the field can commence production as planned. Plans call for completion of the final high-deviation well during the first six months of 2007. Because of the special reservoir conditions, Kristin operations are the most demanding now being carried out on the NCS.

The Ormen Lange gas field is planned to come on stream in the autumn of 2007. The PDO for Tyrihans, which will be tied back to the Kristin platform, was approved by the Storting in February 2006. The PDO for Alve which is a subsea installation that will be tied back to the Norne production vessel, was submitted in January 2007 with start-up planned for late 2008. The PDO for the Skarv/Idun fields in the Norwegian Sea is expected to be submitted in 2007. The development solution comprises seabed wells and processing on a production ship. Start-up is planned for 2011.

We are working actively to increase recovery from existing fields through better reservoir mapping, new reservoir measuring methods and by drilling cheaper and smarter wells. We are also evaluating carbon dioxide injection and the possibilities for increased injection of gas.

We have bought BP's 25% holding in the Luva licence and taken over its operatorship.

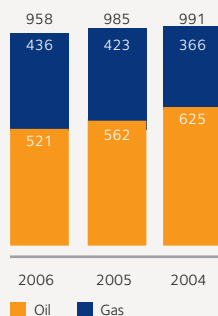
Snøhvit in the Barents Sea

The Snøhvit development is expected to be completed in 2007 with the first liquefied natural gas (LNG) shipment planned for export during the autumn. The Hammerfest LNG plant received its first LNG carrier in December 2006.

The ship unloaded LNG for cooling and testing the loading and storage systems at the plant.

Plant activity reached a peak in the summer of 2006 with a workforce of 3,200 personnel. During the year, the bulk of the installation work was completed and testing of the plant's facilities is now well underway. Snøhvit is

Statoil's average oil and gas production - Norwegian continental shelf		
1,000 barrels of oil equivalent/day		
Field	2006	Statoil's share
Statfjord	58.2	44.34%
Statfjord East	7.2	25.05%
Statfjord North	5.9	21.88%
Sygna	1.8	24.73%
Gullfaks	148.8	61.00%
Gimle	2.1	47.23%
Snorre	22.4	15.55%
Vigdis	20.5	28.22%
Visund	13.2	32.90%
Tordis	9.0	28.22%
Troll Gas Phase 1	106.9	20.80%
Kvitebjørn	71.9	43.55%
Sleipner West	103.4	49.50%
Sleipner East	30.2	49.60%
Gungne	16.1	52.60%
Veslefrikk	3.7	18.00%
Huldra	5.9	19.88%
Glitne	5.9	58.90%
Norne	28.5	31.00%
Urd	18.5	50.45%
Kristin	44.4	41.30%
Heidrun	19.7	12.41%
Åsgard	81.9	24.96%
Mikkjel	16.9	33.97%
Total Statoil-operated	843.0	
Total partner-operated	115.0	
Total production	958.0	
Underlifting	1.5	
Total lifted production	956.5	



Statoil's share of oil and gas production, Norwegian continental shelf

	2006	2005	2004
Oil (thousand barrels per day)	521	562	625
Natural gas (thousand boe per day)	436	423	366
Total production (thousand boe per day)	958	985	991

Europe's first export facility for LNG and there have been many visits to the plant.

Exploration

There was a big increase in exploration activity on the NCS in 2006. Seventeen wells with Statoil involvement were completed, compared to nine the previous year. Finds were made in eight wells, while six were made in 2005. We took part in four exploration extensions and production wells and made two finds. We were also involved in six wells where drilling was taking place at the end of the year. In total, Statoil spent NOK 3.5 billion on exploration on the NCS.

With the awarding of the 19th licensing round in the spring of 2006, Statoil scored well with five awarded licenses, of which three were as operator in the Barents Sea. Through six new operatorships and two further licence shares in Norway's awards in predefined areas (APA) announced in January 2006, Statoil got access to interesting exploration acreage in more mature areas. Drilling results from these new licences will be available from 2008.

More exploration in 2007

In 2007, Statoil plans to participate in 16-20 exploration wells. The group is operator for around half of these. The competition for drilling rigs and personnel is still expected to be intense, but the increase in activity will be possible

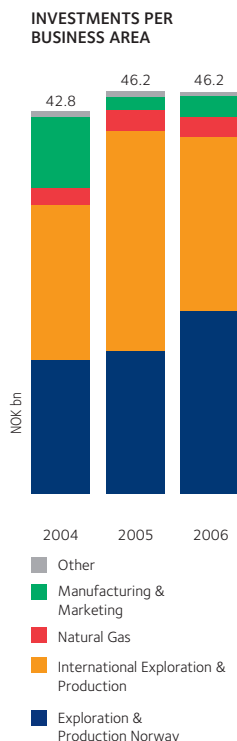
because Statoil has in recent years secured rig capacity and new employees in an ever more demanding market.

Health, safety and the environment

We experienced a serious gas leak on the North Sea's Visund platform in January 2006. An incorrectly designed scrubber caused damage to the flaring system and consequently caused the leak. The safety systems worked as intended and there were no injuries to personnel. Production on the Visund platform was stopped for more than four months following the leak. Statoil has received positive feedback from the Petroleum Safety Authority Norway with regard to how the incident was handled. A lot of work is carried out on risk assessments and measures to avoid damage to health, but there is room for improvement. In 2006 EPN has maintained considerable focus on work operations and chemical hazards. A working group has reviewed the company's routines and a plan of action has been prepared which will contribute to avoiding exposure to dangerous chemicals and securing better follow-up of personnel.

Lifeboat project

In 2005 construction weaknesses were revealed in free-fall lifeboats. During 2006, a total of 212 lifeboats on the NCS were reinforced to withstand water column pressure on the superstructure during towing from the installations. The lifeboat project is planned to end in the first half of 2007.



Projects under development					
Field	Statoil's share	Statoil's investment *	Production start	Plateau production Statoil's share **	Lifetime in years
Ormen Lange ***	10.84 %	6.1	2007	50,000	30
Snøhvit	33.53 %	19.8	2007	40,000	30
Skinfaks/Rimfaks IOR	61.00 %	2.1	2007	22,000	11
Volve	49.60 %	1.1	2007	30,000	6
Statfjord late life	44.34 %	7.2	2007	43,000 ****	12
Tyrihans	46.84 %	6.8	2009	50,000	17
Fram East ***	20.00 %	1.1	2006	9,000	16

*) Estimated in NOK bn. **) Boe/day. ***) Partner-operated project. ****) New additional production.



20 more years for Gullfaks

Odd Roger Enoksen, Norway's minister of petroleum and energy (right) and Lars Chr Bacher, Statoil's senior vice president for the Tampen business cluster, at the ONS conference in Stavanger, August 2006, are optimistic about the Gullfaks field's extended life-span and further production. In 2006, Statoil celebrated 20 years of Gullfaks production. According to original plans, the field was due to be shut down by now, but we aim to continue producing for at least another 20 years. It was Statoil's first major field development and has been of great significance for the group.

International Exploration & Production

Key figures (NOK million)	2006	2005	2004
Total revenues	24,643	19,563	9,765
Income before financial items, other items, taxes and minority interest	10,928	8,364	4,188
Gross investments	19,974	25,295	18,987

The operating income for the International Exploration & Production business area increased by 31% from 2005 to 2006. Entitlement production decreased to 178,000 barrels of oil equivalent (boe) per day from 184,000 boe per day in 2005. The reduction is related to oil price effects in our production sharing agreements.

In 2007 our goal is to increase output to around 240,000 boe per day through the build-up of production from fields in Angola, Azerbaijan and Algeria that came on stream in 2006, and start-up of Angolan fields in 2007. Exploration activity will help lay the foundation for further long-term growth. INT expects to participate in over 20 exploration wells in 2007, of which around one third are expected to be Statoil operated.

USA

In less than two years, Statoil has developed a significant deepwater portfolio in the American sector of the Gulf of Mexico. Through three large-scale acquisitions in 2005 and 2006 totalling USD 3.6 billion, Statoil now has shares in 11 finds including the Tahiti field which is under development. Plans call for production from this field to commence during 2008.

In the autumn of 2006 a successful production test on the Jack find in the Walker Ridge area was carried out, where Statoil is one of the biggest licensees.

During the next few years a comprehensive drilling programme for expanding the deepwater portfolio is planned.

Angola

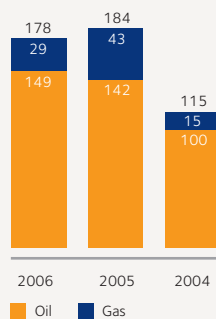
The Angolan continental shelf is the largest source of Statoil production outside Norway. It yielded over 70,000 barrels of oil per day at the end of 2006, representing around 40% of the group's total international oil and gas output.

Statoil has a 13.33% share in each of the blocks 15, 17 and 31. Current production from Angola comes from the Girassol, Jasmim, Kizomba A and B, Xikomba and Dalia fields. Developments are ongoing at Rosa in block 17 and at Marimba, Mondo and Saxi-Batuque in block 15.

In 2006 a further three discoveries have been made in block 31. A total of 12 finds have been identified in block 31. This forms a basis for several more possible stand-alone developments. A successful appraisal of the Orquidea find in block 17 was carried out which could warrant a combined stand-alone development of the Cravo, Lirio, Orquidea and Violeta fields in the north-western part of the block.

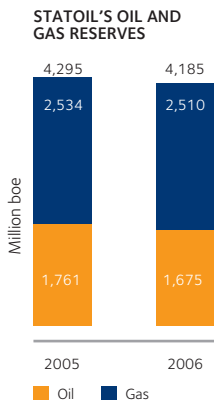
Dalia in block 17 came on stream in December and the field is expected to reach a combined output of 240,000 barrels per day. Dalia is the third stand-alone development to be brought on stream in block 17. The recoverable reserves are estimated at almost one billion barrels of oil.

In November 2006 Statoil entered into an agreement with the Angolan government which gives Statoil a 5% share of block 15/06 exploration acreage. The Italian company ENI is operator.



Statoil's share of oil and gas production outside Norway

	2006	2005	2004
Oil (thousand barrels per day)	149	142	100
Natural gas (thousand boe per day)	29	43	15
Total production (thousand boe per day)	178	184	115



Algeria

In June 2006 gas production commenced from the In Amenas field, where Statoil is joint operator with a 50% share. The BP/Statoil partnership has access to volumes of wet gas, condensate and LPG via the processing facilities which underwent final testing in December 2006.

The In Salah field, where Statoil is participating with a 31.85% share, has produced gas since start-up in 2004. In November 2006, we commenced drilling of the first onshore exploration well in the group's history. Drilling is taking place in the Hassi Mouina block which was awarded in 2004. The area lies north-west of the In Salah gas field. A minimum of two wells will be drilled in the area. Statoil has a 75% share in the exploration block. Partner Sonatrach has 25%.

Sonatrach started the implementation of Statoil's

safe behaviour programme adapted to Algerian conditions. Around 15,000 employees will take part in the programme up to 2009.

Azerbaijan

Phase two of the main development for Azeri-Chirag-Gunashli (ACG) came on stream in 2006 with output from East Azeri. Statoil's share in the field is 8.56%. Phase three includes the Gunashli deepwater field which is planned to come on stream in 2008. ACG is expected to produce over one million barrels of oil per day when the field reaches plateau production in 2009. Oil is transported to market primarily through the 1,768-kilometre Baku-Tbilisi-Ceyhan (BTC) pipeline. Statoil is co-owner in BTC with an 8.71% share. The first cargo of oil from ACG was shipped from Ceyhan in June 2006. The BTC pipeline terminates at Ceyhan on Turkey's Mediterranean coast. Consequently, oil does not need to be shipped from Azerbaijan via the busy and narrow Bosphorus.

The Shah Deniz gas and condensate field was completed and brought on stream in December 2006. Statoil's share in the BP-operated field is 25.5%. The main bulk of volumes are exported via the South Caucasus Pipeline (SCP) to Turkey. Statoil is commercial operator for the SCP and the Azerbaijan Gas Supply Company.

Venezuela

Statoil has had operations in Venezuela since 1995 and has built up a robust business in the country. The group is joint owner (15%) in the Sincor heavy oil project which has produced an average of around 22,000 daily barrels of oil in 2006.

In August 2006, Statoil resumed drilling of the Cocuina 2X exploration well which forms part of the block 4 drilling programme in the Plataforma Deltana area off Venezuela's east coast. It was completed in December. Three well zones were tested and the

Statoil's international oil and gas production

(1,000 barrels of oil equivalent/day)

Field	2006	Statoil's share
InSalah (gas), Algeria	27.4	31.85%
In Amenas, Algeria	1.7	50.00%
Kizomba A, Angola	26.9	13.33%
Kizomba B, Angola	28.0	13.33%
Xikomba, Angola	1.9	13.33%
Girassol/Jasmim, Angola	13.5	13.33%
Dalia, Angola	0.3	13.33%
ACG	35.2	8.56%
Lufeng, China	4.9	75.00%
Alba, UK	8.8	17.00%
Caledonia, UK	0.2	21.32%
Dunlin/Merlin, UK	1.4	28.76%, 2.35%
Jupiter (gas), UK	1.4	30.00%
Schiehallion, UK	3.9	5.88%
LL652, Venezuela	0.2	27.00%
Sincor, Venezuela	21.8	15.00%
Total	177.7	



Largest production outside Norway

In Luanda, Angola, it is hot and the path is steep for the children carrying water home. Statoil established an office here in 1999. Today, Angola provides Statoil with the biggest oil production in the business outside the Norwegian continental shelf. Investments and activities in further exploration were also stepped up in this west African country in 2006.

presence of lean gas was confirmed in all of these. The scope of reserves in block 4 cannot be confirmed until the entire exploration programme is completed. A further two wells will be drilled in 2007. Statoil is licence operator with a 51% holding, while Total has a 49% share. Petr leos de Venezuela SA (PdVSA) Gas has the right to a participating interest if commercial reserves are proven. In the first quarter of 2006, Statoil's rights to the LL 652 field were sold to PdVSA.

Iran

Statoil is operator for the offshore part of development phases six, seven and eight on the South Pars gas field, comprising three platforms, 30 completed production wells and three pipelines to land. The platform jackets and two of the pipelines are already installed. The drilling, completion and test programme was finalised in January 2006 with good results. The completion and installation of the decks as well as laying of the third pipeline remain. This work has been significantly delayed.

Russia

In October 2006 Gazprom announced that it will

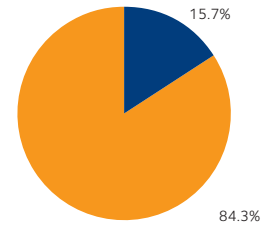
develop the Shtokman field without the involvement of foreign partners as owners.

Statoil has a long-term perspective to develop business opportunities in the country. The group is working on value creation through strong technological expertise and experience from large-scale, complex development projects.

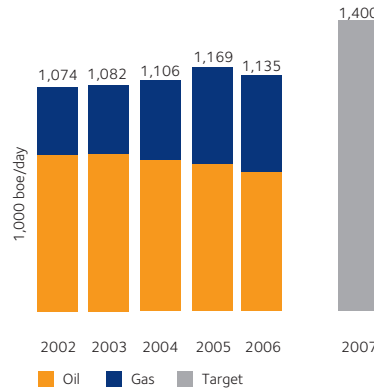
International exploration activity

During 2006, 20 exploration and appraisal wells were

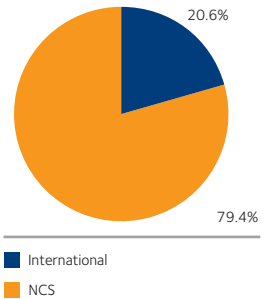
PRODUCTION IN 2006



TOTAL OIL AND GAS PRODUCTION



DISTRIBUTION OF RESERVES IN 2006

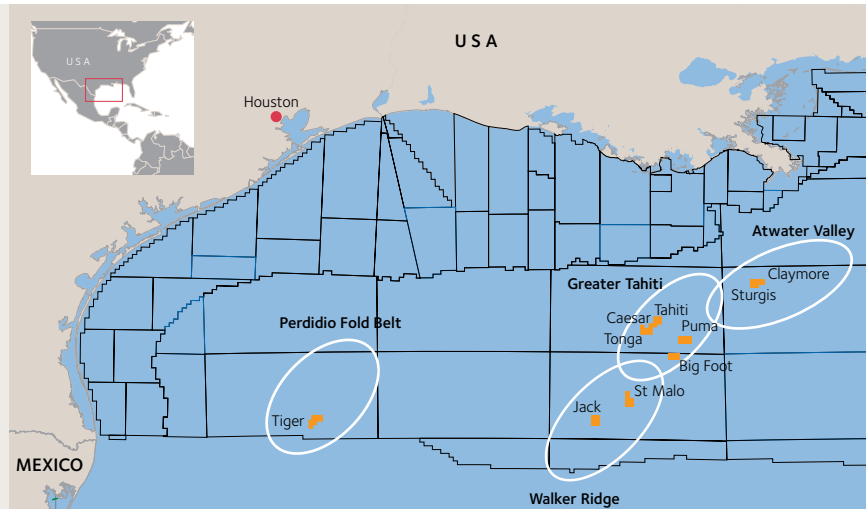


Projects under development				
Field	Statoil's share	Production start	Plateau production Statoil's share ¹	Lifetime in years
Rosa	13.33 %	2007	18,000	19
Corrib	36.50 %	2009	20,000	18
ACG Phase 3	8.56 %	2008	20,000	19
Shah Deniz	25.50 %	2007	37,000	25
South Pars 678	37.00 %	2008	15,000	4 ²
Agbami	18.85 %	2008	40,000	17
Tahiti	25.00 %	2008	30,000	25
Saxi Batuque	13.33 %	2008	13,000	20
Mondo	13.33 %	2008	12,000	22
Marimba	13.33 %	2007	5,000	15

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

Strong growth in the Gulf of Mexico

The building of Statoil's Gulf of Mexico (GoM) portfolio began in 2004 when Statoil bought a share in an exploration prospect from the US company Chevron. In 2006, Statoil had shares in 11 finds, and is now well on its way to establishing the GoM as an international core area. Output here is expected to average 100,000 barrels per day in 2012.



completed internationally with Statoil as participant or operator. Discoveries in Angola, the US Gulf of Mexico and Venezuela have been announced.

In August, Statoil was awarded exploration acreage off Ireland, near the Corrib field.

In Egypt, Statoil and Sonatrach were offered shares in two blocks in a 2006 licensing round. Statoil will be operator with an 80% share. The final agreement is expected to be signed in the spring of 2007.

Statoil's Libyan office was officially opened in Tripoli in December 2006 by Odd Roger Enoksen, Norway's

petroleum and energy minister. The group was awarded two onshore licences in October 2005. The plan is to shoot seismic in 2007 and drill the first exploration well in 2008.

In January 2007 Statoil signed a production sharing contract for a share in the Kuma exploration licence off Indonesia together with operator ConocoPhillips. This is the first time Statoil has been awarded exploration acreage in Indonesia. The group was awarded a 40% share in the block, which lies off the west coast of the island of Sulawesi.

Natural Gas

Key figures (NOK million)	2006	2005	2004
Total revenues	61,134	45,823	33,326
Income before financial items, other items, taxes and minority interest	10,009	5,901	6,784
Gross investments	2,335	2,542	2,368

Statoil ranks today as one of the largest suppliers of natural gas to Europe. The bulk of this gas is recovered from the NCS but Statoil is also working with international projects which will entail significant future growth in gas production. In 2006 Norwegian gas exports increased. At the same time, the group started gas deliveries from the Caspian to Azerbaijan and Georgia as well as gas exports from Algeria to the European markets. Supplies of LNG as part of the Snøhvit contracts to the USA and Spain

have begun with the purchase of third-party gas pending regular supplies from Snøhvit towards the end of 2007.

The company has therefore taken new steps towards realising its ambitions to double its own production of natural gas from 2005 to 2015. This ambition involves an increase of annual equity gas deliveries from around 25 billion cubic metres (scm) to 50 billion scm while the collective volume Statoil will sell will be around 100 billion scm.

Increased consumption and prices

The consumption of natural gas in Europe also increased in 2005 and reached 548 billion scm. This growth is expected to continue, particularly since natural gas will become an ever more important element in electricity generation. Gas-fired power stations currently account for 20% of EU electricity production. The International



Red, hot tomatoes

Dutch Ismail Ud can harvest a lush and tempting tomato crop in a greenhouse regulated by natural gas. The gas heats up a generator which produces electricity and hot water. The water is carried in an ingenious piping network between metre-long rows of tomato plants, and ensures optimal growth conditions.

Energy Agency (IEA) expects that this share could increase beyond 30% by 2030.

High oil prices in combination with a decline in equity production are the most important reasons for this last year's high natural gas prices in Europe. The price of gas is to a great extent index linked to oil products in most of Statoil's long-term sales agreements. In the UK and USA, the shortage of gas has contributed to particularly high prices at different periods in 2006. In March, UK gas prices reached NOK 8.50 per scm on certain days, which is equivalent to an oil price of over USD 200 per barrel. However, demand fell in the final months of 2006 as a result of high temperatures. At the same time we saw an improvement in the supply situation which as a whole led to falling prices in both markets.

The gas market has shown cyclic characteristics in recent years, with big price swings and an ever-increasing competition over market position. Statoil is meeting this challenge with cost-effective, environmentally justifiable and safe operations.

Strong market position

In addition to its equity production, Statoil markets gas for the state's direct financial interest (SDFI) on the NCS. Statoil's sale of gas to Europe in 2006 was the highest ever with a total of 53 billion scm, compared with 51.5 billion scm in 2005. The group has a 10% market share, including the SDFI, in Europe as a whole. Statoil has more than 25 large customers in 13 countries, with the largest gas volumes going to Germany, the UK and France. Statoil's market share was around 15% in Germany and 25% in France. The group has strengthened its UK market position with increased transport capacity and volumes through long-term agreements and short-term sales and commercial activities in relation to end-users.

In 2006 Statoil has realised significant value by optimising gas sales. Short-term sale to countries and markets with good prices has been one method.

Another has been to fulfil long-term contracts with deliveries from purchased third-party gas, while equity gas is sold in markets with higher pricing.

The development is in the direction of a more globalised gas market where LNG trading binds the markets together. The IEA expects that LNG trade will increase fivefold between 2004 and 2030. Statoil has established important positions within LNG. The Snøhvit field in the Barents Sea has been Statoil's springboard for this activity, with the Cove Point terminal and deliveries to the American east coast market being the most important sales strategy.

New pipeline to the UK

The Norwegian gas transport system is owned by the Gassled partnership with the state-owned company Gassco as operator. The latest addition to the gas transport system is the Langeled pipeline which runs from the Ormen Lange field in the Norwegian Sea to the UK. Statoil has been responsible for the engineering and laying of the pipeline. The project has been implemented on time and NOK 3 billion under budget. Statoil has also been given the job of technical service provider for Langeled operation.

The company is technical service provider for all the large Norwegian pipelines to Europe and for the Kårstø processing complex north of Stavanger. Kårstø is important for Norwegian gas exports to Europe and requires continual upgrading and development to meet technical requirements and new needs. The planning of new projects at the site is under way with the aim of completion in 2010.

New sales and new infrastructure

The Troll field in the North Sea is the key to continued growth on the NCS after Ormen Lange and Snøhvit come on stream in 2007. The Troll future development project has received high priority in 2006 with plans calling for decisions in 2007 on new gas volumes to the

World's longest underwater pipeline

In 2006 Statoil completed the engineering and laying of the Langeled pipeline, commissioned by Hydro. The price was NOK 17 billion, three billion under budget. Gas now flows from Statoil's Sleipner East field to the receiving terminal at Easington, Yorkshire, on the England's east coast. In 2007, gas from Hydro's Ormen Lange field will be supplied through the 1,200-kilometre pipeline.



European markets from 2011. Dialogue in 2006 between Statoil and potential European customers has shown that there is great interest in increased gas volumes from Norway.

Statoil and the Troll partners have worked on a concept for Troll future development in 2006 that could provide around 10 billion scm in increased annual output based on higher offtake from Troll East, as well as laying the groundwork for future gas production from Troll

West. This will require a new export pipeline to continental Europe or the UK. The pipeline will have a capacity over and above that of the increase from Troll and will provide room for other gas from the Troll area as well as further gas from the Norwegian Sea. These plans will give Statoil new volumes of competitively priced gas as well as access to a more flexible and integrated infrastructure on the NCS.

Manufacturing & Marketing

Key figures (NOK million)	2006	2005	2004
Total revenues	354,024	333,493	262,402
Income before financial items, other items, taxes and minority interest	6,998	7,593	3,899
Gross investments	2,501	1,630	4,162

The business area's goal is to maximise the value of Statoil's global oil production. Robust results were delivered in 2006. The decline from 2005 is due to the gain from the sale of Borealis which was booked in 2005.

Statoil is one of the world's largest net crude oil traders and sold some 1.9 million barrels of oil per day on average in 2006. That corresponds to about seven times Norway's daily domestic requirements.

High regularity throughout the entire year and high refining margins towards the end of the year contrib-

uted strongly to the good results. Statoil used 17% of its equity oil in its own refineries and produced around 15 million tonnes of refined products in total in 2006. Forty per cent of these refined products were sold through the group's marketing operations. All upstream production not processed at the group's facilities and refinery output not distributed through Statoil's own marketing operations, was sold in the market. Principal markets are north-west Europe and North America. Statoil also sells significant volumes for other oil companies.

Strengthened shipping activity

Good positioning in a volatile market characterised by large price fluctuations gave good oil sale, trade and supply returns. Statoil continued to strengthen its position in the North American market. Shipping is an important part of the oil trading business. This activity was strengthened in 2006 through new deals with shipping companies supplying shipping services,

Further development of service stations

The Lean improvement programme will create continued high customer satisfaction in combination with effective service station management. This involves both standardising of stations' fascia and an employee training programme; 22,000 station employees are participants in the programme which will take place before the end of 2008. At the same time Statoil will introduce a new service station concept with a Nordic-inspired design. The first four test stations were opened in Estonia, Latvia, Poland and Norway in 2006.



and the decision to set up a separate chartering entity.

Improved results

Increased pressure on fuel margins in certain countries and rising oil prices characterised the retail sector in 2006. The results are an improvement on previous years. To achieve a more integrated and powerful market input, the Nordic energy and retail clusters were merged into one business cluster in 2006. Statoil sold its retail and commercial and industrial business in Ireland and is concentrating its focus in Scandinavia, Poland and the Baltic states.

Growth in M&M

M&M has strengthened its strategy and business development in 2006 by establishing its own business cluster for this work. We are evaluating growth possibilities in existing activities, new geographical focus areas, increased vertical integration in the oil value chain, as well as new energy carrier initiatives and carbon value chains. The business area is working actively with projects to support Statoil's ambitions to increase oil and gas production internationally.

The carbon challenge

The reduction of carbon emissions is a big environmental challenge. Statoil is working actively in several areas to contribute to a more sustainable development.

In 2006 Statoil and the Norwegian government decided to form a technology company which will manage the first development phase of a facility for the capture of 100,000 tonnes of carbon dioxide per year at Mongstad, near Bergen. The goal is to test, qualify and develop carbon management technology in order to reduce costs and risk. Based on experience from and development of this facility, a decision to build a full-scale carbon capture plant at the refinery will be made in 2012.

If we are successful in sufficiently reducing costs for carbon management, the technology could be used at point emissions of carbon dioxide globally. This can have real significance for efforts to reduce greenhouse gas emissions.

The EU's carbon trading scheme was established in 2005. M&M has built up expertise and systems for active participation in the scheme. This will stimulate cost-effective environmental measures.

Biofuel pioneer

Statoil's ambition is to be a leader in the sale of biofuel which could be an important contributor to reducing carbon emissions in the transport sector. Statoil is focusing primarily on a low blend of biofuel in petrol and diesel. Biofuel can then be used in existing vehicles.

For several years, Statoil has been working to introduce bioproducts added to petrol and diesel in Sweden, Lithuania, Estonia, Poland and Latvia. We introduced Bio 95 in Denmark in 2006, a petrol fuel with 5% ethanol. In a mature market, this contributed to a market share increase from 16% to 17%. In Norway, Statoil is now offering E85 fuel which consists of 85% ethanol and 15% petrol. Blends of biofuels are estimated to account for over 2% of total fuel volumes sold by Statoil at the end of 2006.

Renewable heating

In 2006, Statoil sold around 150,000 tonnes of wood pellets in Scandinavia. Wood pellets are a renewable resource and contribute to reduced carbon emissions compared with fossil fuels. The Scandinavian market is around 2.5 million tonnes. More than a doubling of the market volume is expected by 2010.

Thinking and filling green

Environment minister Helen Bjørnøy opened Norway's first ethanol (E85) pump at a Statoil station in Oslo in 2006. The fuel comprises 85% bioethanol and 15% normal unleaded petrol. While Statoil supplies ordinary petrol to its customers, the group wants to focus on these kinds of biofuels in the time ahead.





Mongstad energy project (EVM) underway

On 12 October 2006, Statoil was given the go-ahead to build a combined heat and power (CHP) station as part of the EVM project at Mongstad, near Bergen.

At the same time the Ministry of Petroleum and Energy and Statoil entered into an agreement for developing solutions for future carbon capture. Construction work began in January 2007 and the project will be completed in 2010.

Work on the development of technological and commercial solutions for carbon management at Mongstad is under way.

Strategically, EVM is an important project. Use of heat from the CHP station will give significantly greater energy efficiency at the Mongstad refinery. This

increases profitability and safeguards the refinery's competitiveness in the years ahead.

Ten million tonnes of crude and condensate for high-value products like petrol, diesel and aviation fuel are refined at Mongstad annually. Refining consumes just as much energy as the city of Oslo: around 890 megawatts (MW) of heat energy and 60 MW of electricity. Much of this energy is presently wasted. The CHP station is a good environmental solution with an energy efficiency of up to 80%.

The CHP station will have a production capacity of around 280 MW of electricity and 350 MW of heat. This will cover a significant part of the refinery's energy requirements when it comes online in 2010.

Oil prices (USD per barrel)	2006	2005	2004
Lowest:	55.89	38.21	29.13
Highest:	78.69	67.33	52.03
Average:	65.14	54.52	38.27
Dated Brent Blend			

In 2006, the oil market was characterised by an assumption that the Organisation of Petroleum Exporting Countries (Opec) would not have available capacity. At the same time, the unstable political situation created fear of a shortfall in production, especially from Iran, Iraq and Nigeria. Fears of new hurricanes in the Gulf of Mexico further contributed to a record-high oil price of USD 78.69 per barrel in early August. The oil price fell when no hurricanes occurred and the market shifted its focus towards high stockpiles and plans for significant non-Opec production growth. The price fall ceased in October when Opec announced production cuts of 1.2 million barrels of oil per day. The oil price was also bolstered by significant offtake from American stockpiles towards the end of the year.

Technology & Projects

Technology & Projects is responsible for technology expertise, technology development and research, procurements, and planning and execution of large development projects.

Statoil's ambition is to maintain daily output on the NCS at one million barrels of oil equivalent up to 2015. At the same time, new discoveries are generally much smaller than they once were. The environmental requirements with respect to new developments are also stricter than previously. It is therefore challenging to keep unit costs down, and purposeful technology development is necessary if we are to achieve the lowest possible development and operating costs, and at the same time a cleaner production.

High project activity

Statoil and the other operators on the NCS have experienced a high level of project activity in 2006. This has led to a dramatic increase in supplier costs and a big demand for skilled personnel. The level of activity will also remain high in 2007. Statoil has prioritised and will continue to prioritise the projects in order to keep to the budget, ensure progress and meet production start-up deadlines. The high oil price is one of the main causes of the current suppliers' market for the delivery of material and services. Nevertheless, Statoil has secured adequate rig capacity in an overheated market.

Technology strategy

The objective of Statoil's technology strategy is to identify technology areas, specific technologies and the necessary skills to fulfil the group's ambitions and contribute to the further development of Statoil as an internationally competitive company. This strategy must address the following important commercial challenges:

- Achieve the maximum value creation from ongoing activities and lay the basis for future growth.
- Prepare for operations in new areas; develop the Arctic region into a core area, position Statoil as a deepwater operator and gain access to significant volumes of heavy oil.
- Lay the basis for future activities; commit to pioneering technology in order to identify solutions in which today's business does not have the answers. Examples are new energy and environmental technology.

The development of existing technology must be speeded up and we must introduce new knowledge and new solutions in order to create a profitable business in the future. The results will be achieved by concentrating efforts on exploration technology, reservoir management, subsea technology, gas technology and environmental technology.

Exploration technology

Long-term production growth and value creation are ensured through Statoil's continued commitment to exploration activities. By coordinating geophysical methods and geological models with high-speed computers, the risk of drilling dry wells is reduced. Nordland VI and VII on the NCS have not been opened for petroleum activities, while expectations to discover oil and gas in these areas are high. Consideration to the fishing industry means that we will face strict environmental requirements if Nordland VI and VII and other environmentally sensitive areas are to be opened for exploration activities. Approval of operating licences in these areas will be contingent on clean drilling operations. A good example is the drilling programme on the Snøhvit

Ready, aim, fire

A hi-tech convoy on four wheels rolls through the Algerian desert. The machines shoot seismic down into the ground below the Saharan dunes. The 30-tonne vibrators move slowly in the terrain, but have gathered large amounts of geological data in the 23,000-square-kilometre Hassi Mouina exploration licence. Statoil is conducting onshore exploration drilling for the very first time as operator.



field, where 10 wells have been drilled with zero harmful discharges to the sea. This shows it is fully possible to operate under the strictest environmental requirements.

Seabed facilities

We are faced with new and demanding tasks in established areas with regard to maintaining and increasing output. New reserves are located in sensitive areas, far from land or existing infrastructure. There are additional reserves in deepwater basins that could go down to depths of 3,000 metres. In order to gain access to these reserves and bring them on stream, seabed technology must be developed further so that we have facilities for complete processing on the seabed.

Separation of the different components in the well stream in the seabed facilities followed by pumping and compression enables the oil and gas to be transported from low-pressure reservoirs and deepwater areas. The well stream from distant fields can be piped to existing facilities. In extremely sensitive environmental areas, closed systems with zero discharges or emissions may be the only solution allowed by the authorities.

Seabed separation

Statoil has a systematic approach to technology development. This can be illustrated by the Tordis field in the North Sea, which is a subsea development tied back to the Gullfaks field and which came on stream in 1994. With falling reservoir pressure, it will not be long before there is no driving force left to transport the well stream across to Gullfaks. In 2007 the field will be provided with the first full-scale seabed separator in the world for the removal of sand and water, thereby enabling transport of the well stream. The sand and water will then be injected and stored in a dedicated reservoir in order to prevent discharges to the sea. This measure will improve the recovery factor from 49% to 55%.

Improving output

The Tyrihans field, which is being developed with seabed

facilities tied back to the North Sea's Kristin field, will be provided with the first seabed facilities in the world for the injection of untreated seawater. The facilities will be in use in 2009, and may lead to improved output of up to 18 million barrels of oil. The next stage is to develop a seabed compressor for processing natural gas liquids (NGL) on the Åsgard field. In order to maintain production from the Mikkell and Midgard fields, plans call for NGL injection through the seabed compressor. If this succeeds, Statoil will have all the "building blocks" for a seabed processing plant. The next challenge will be to develop the technology further, so that it can be applied in field developments in deeper waters and far from existing infrastructure.

Integrated operations

Integrated operations (IO) were established in Statoil in 2004.

Statoil defines IO as new work processes that use real-time data to enable collaboration between specialist disciplines, organisational entities, companies and across geographical boundaries in order to achieve more reliable, better and faster decisions. Real-time data enables specialist personnel from different disciplines to receive and share information at the same time. Through the application of interactive communication technology, the group can control drilling, production and other activities both on the fields and on land.

The Norwegian Oil Industry Association (OLF) has estimated that IO have a potential value of up to NOK 250 billion on the NCS. Statoil is operator for more than 60% of the oil and gas output on the NCS. This provides the group with not only an opportunity, but also an obligation, to be a leader within IO. Statoil can already show good results within subsurface work, operations and maintenance. Åsgard is one example, where it is estimated that IO have created a net present value of NOK 7 billion, with opportunities to realise a further NOK 2-5 billion.

 www.statoil.com/co2

Improved oil recovery

The seabed separator on the Tordis subsea field, near Gullfaks, will be in place in 2007. The technique gives improved oil recovery from the field which has been producing since 1994 and where the reservoir pressure is decreasing. The new technology facilitates the recovery of millions of extra barrels of oil from Tordis. Statoil presently has nearly 300 subsea wells in production from such mini-platforms on the seabed. This is oil and gas field technology of the future at ever greater depths.



Project management

In May 2006 Statoil entered into an agreement with the University of California for the training of project managers. The two partners will develop and run a programme for the management of the group's large and complex development projects. The agreement is valid for three years. Statoil has an option to extend the agreement by a further two years. Statoil is facing a

generational change with regard to project managers, and needs to train new ones.

The collaboration with the University of California is part of Statoil's Project Academy, which is a result of the corporate initiative entitled 'World-class project performance'. The Project Academy will help strengthen Statoil's position as one of the world's top performers in project development.

People and society

Our values, leadership principles and personnel processes are integrated in our performance-oriented management system and described in *The Statoil Book*, which is our principal governing document.

Communication of our values base, ethical code and standards forms part of the People@Statoil dialogue, where goals and results for each employee are set and evaluated. In this feedback, the way results are achieved in relation to the values base is just as important as the results themselves.

More than 25,000 employees

Our workforce totalled 25,435 people at 31 December. This represented a decline of 209 from the year before, which partly reflects a net reduction of 1,250 employees from the disposal of our service station chain in Ireland. Overall workforce turnover in our group is 8.7%, and varies from a very low level of less than 1% in the parent company to higher rates in other parts of the group. In the downstream business, where turnover has

traditionally been high, efforts to reverse the trend reduced the figure from 18.7% in 2005 to 15.6%.

We recruited 43 new participants to our corporate trainee programme in 2006, including 16 from countries outside Norway. A large proportion of the Norwegian entrants have also studied abroad. Plans call for the number of corporate trainees to be increased in 2007.

Statoil ASA is Norway's largest employer of apprentices, and took on 116 in 2006 compared with 129 the year before. We now have 258 apprentices in a large number of trades.

Equal opportunities

Equality of opportunity is an important and integrated part of our human resources policy. Women currently account for 27.7% of the parent company's workforce and represented 28.8% of externally-recruited personnel in 2006. That represents a decline of about four percentage points from the year before.

Women account for 26% of managers in our group,

Katie Melua on the seabed

Katie Melua and her band played their way into the *Guinness Book of Records* when they performed the world's deepest underwater concert at the bottom of one of the Troll A platform's shafts on 2 October. The idea was platform manager Jan Hauge's brainchild who wanted to mark Troll's 10th anniversary. He accompanied the popular artist on piano on one number. Ms Melua is an environmentally conscious artist, agreeing to the concert after examining Statoil's environmental profile on the group's website.



as against 25% in 2006, and for an unchanged 34% of people below the age of 45 in such positions. We have special development programmes for managers, and the proportion of female participants in these has been around 30% in recent years. All respondents to our Global People Survey on the working environment say that they feel their career opportunities are good. Women are more positive than men.

Women in technical jobs

We are a knowledge-based company, where 55% of our workforce has a college or university education and 25% hold a skill qualification.

Women are relatively well-represented in technical disciplines. Twenty-two per cent of our staff engineers are female, and their average pay is 98% of the corresponding figure for their male colleagues. Women account for 33% of staff engineers with up to 20 years of experience, and their level of pay is for all practical purposes the same as for men. Salary differentials primarily reflect length of experience.

Eighteen per cent of our skilled workers are women. Their average basic pay was rather lower than for their male colleagues, reflecting differences in posts and length of experience. We will be following this up during 2007.

Equal opportunities agreement

An equal opportunities agreement has been concluded with the unions in parent company Statoil ASA.

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

As a general rule, all permanent personnel in Statoil ASA are employed on a full-time basis. We can grant a temporary reduction in working hours on application. Women account for the majority of such applicants. We have arrangements such as flexible working hours and teleworking when the nature of the job makes this

possible without causing undue inconvenience for the business.

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

Occupational health and the working environment

A good working environment is of great importance to the individual and is crucial if Statoil is to meet its goals.

We devoted greater attention in 2006 to occupational health and working environment challenges related to the expansion of our international business. Weight is given to understanding of risk and measures to ensure an inclusive workplace.

A number of precautionary principles intended to safeguard occupational health and the working environment have been implemented, including preventive measures against illnesses, the adoption of strict health requirements for working in extreme climatic conditions, and tighter control of hygiene.

We give weight to ensuring that employees with health problems should be able to remain at work with good monitoring and customised arrangements. Our average retirement age in 2006 was 62.3. Sickness absence showed a slight increase over the year, but remains low at 3.5% – well under the Norwegian average.

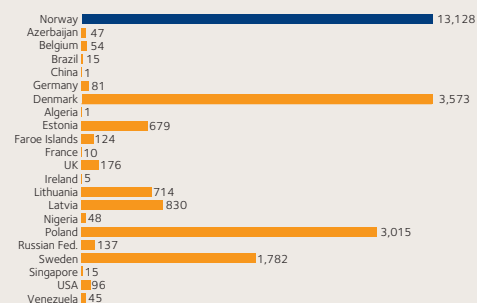
Working environment and organisation survey

Employee assessments of management and organisational conditions are identified through the Global People Survey. This poll is anonymous, and the response rate has lain at 85% of the workforce in recent years.

Results from the survey carried out in the autumn of 2006 show that both trust between employees and management and the working environment are good. Employees also consider that high priority is given to health, safety and the environment.

Women in Statoil 2006	2006	2005
Employees in Statoil ASA	27.7%	27.5%
Management posts in the group	26%	25%
Apprentices in Statoil ASA	35.8%	31%
New recruits in Statoil ASA	30%	33%

GEOGRAPHICAL DISTRIBUTION OF LOCAL EMPLOYEES IN SELECTED COUNTRIES/CONTINENTS (AT 31 DECEMBER 2006)



Good safety

The goal is to conduct our business in such a way that it causes no harm to people or the environment. Our overall results were good in 2006, and there were no fatal accidents. Measured per million working hours, the serious incident frequency declined over the year while personal injuries rose compared with 2005. The serious incident frequency has halved since 2001 and fallen by 25% since 2005. Where personal injuries are concerned, the frequency rose slightly from the record-low figure in 2005.

We launched an extensive effort in 2006 to reduce the number of incidents caused by dropped objects. The chief executive's HSE prize for the year was awarded to a team working to achieve zero dropped objects, which has involved identifying and eliminating the risk of such incidents on offshore installations.

The Visund platform in the North Sea was shut down for four months in 2006 because of a serious gas leak. Caused by a design fault in a flare knock-out drum, this incident was the most serious of its kind that we suffered in 2006. A gas leak occurred on the Sleipner T platform in the fourth quarter. This shows that great attention needs to be paid to process safety.

Our safe behaviour programme is continuing in 2007. It is intended to encourage individual and organisational entities to work on improving their own behaviour and avoiding errors. The aim is to make daily life injury-free. More than 30,000 people had participated in the programme by 31 December.

Social responsibility

Our principles and guidelines for social responsibility are incorporated as one of six corporate principles. Our core business in the countries in which we operate provides the basis for work on social responsibility. In our practical efforts, we undertake to make choices based on the way they affect both our own and the host country's interests, and to generate positive spin-offs

from our core business in order to support the host country's development ambitions. We also commit ourselves to observing standards of working life, respecting human rights, showing openness and combating corruption.

Solidly rooted obligations

Our obligations on human rights and transparency are entrenched in our own governing documents and in international initiatives. These include the principles enshrined in the UN's Global Compact on human rights, labour standards and fighting corruption, and the Voluntary Principles on Security and Human Rights which cover the use of security services. We will include references to these initiatives in our contracts with suppliers and partners where relevant. Particular attention is paid in our standards and guidelines to indigenous people and work in zones of conflict, where human rights challenges can be very substantial.

Where openness is concerned, we support the Extractive Industries Transparency Initiative (EITI), the World Economic Forum's Partnering Against Corruption Initiative (PAIC) and the Global Compact principle of combating corruption. In addition, we back Transparency International through a corporate agreement.

Creating positive spin-offs

The oil and gas industry can give valuable stimulus to economic growth. However, requirements for specialised professional knowledge and technology could mean that the direct benefit is reserved for a relatively small minority. Our strategy for social responsibility aims to generate positive spin-offs by recruiting and making a commitment to local employees. We will utilise local business and labour as suppliers and contractors, and promote expertise development and exchanges with local companies. We will also make social investments in affected communities, so that more people can benefit from the economic spin-offs. Work on creating local

Doubling of trainees

Lenka Sedencka (left) from Slovakia and Andrea Scarabello from Italy are two of 43 new trainees who joined Statoil in 2006. The number of trainee programme participants has increased by 20 from 2005, with 27 from Norway and 16 from 12 other countries. Over half the entrants have international experience and the programme is a tool for building an international organisation. It is among the biggest of its kind in Norway and was started in 2001.



spin-offs should always aim to build up sustainable economic activity. We will avoid creating dependency or supporting unproductive projects.

Social investment

We devoted about USD 9.5 million to social investment projects in 2006. This represents an increase of USD 1.5

million from the year before, which reflects our expanding international operations. These investments are spread over various projects which fall within our three priority areas of openness, human and labour rights, and local spin-offs. Our sustainability report gives a more detailed description of investment projects through examples drawn from our activities in Azerbaijan.

The environment

Statoil's environmental work is rooted in our stated goal of zero harm to people and the environment. The consequences of global warming now overshadow any other environmental challenge and will result in stricter requirements for industrial operations.

Statoil has worked for many years with the greenhouse gas challenges, and in 2006 intensified this work. The environmental challenges are, however, multi-faceted and range from biofuels to the preservation of coral reefs. We in Statoil will continue our assertive attitude and our technology commitment in order to identify solutions that can contribute to a better environment.

Climate strategy

Statoil acknowledges the connection between the production and use of fossil fuels, carbon dioxide emissions and global warming.

Four areas are important in our commitment to reduce the effects of our activities on the climate:

- Using energy in an increasingly effective manner.
- Developing cleaner energy carriers. Increasing the use of renewable energy.

- Applying carbon quota trading, including the Kyoto mechanisms and the EU quota trading system, as important tools to achieve cost-effective reductions in global emissions.
- Concretising and implementing solutions for the capture, storage and commercial use of carbon dioxide.

Improving energy efficiency

Statoil's ambition is, through various measures, to trim 1.5 million tonnes of carbon dioxide equivalent from its annual greenhouse gas emissions by 2010, compared with the emission levels without such measures. We are well on the way to achieving the goal, and by the end of 2006 had reached 67% of the target for 2010. In 2006 carbon emissions from Statoil-operated facilities were 10.0 million tonnes, compared with 10.3 million tonnes the year before.

The most important contributions to improving energy efficiency are achieved by selecting solutions for new facilities that produce low carbon emissions. Examples are the development of the Kristin field in the Norwegian Sea, Snøhvit in the Barents Sea and Gjøa in the North Sea.

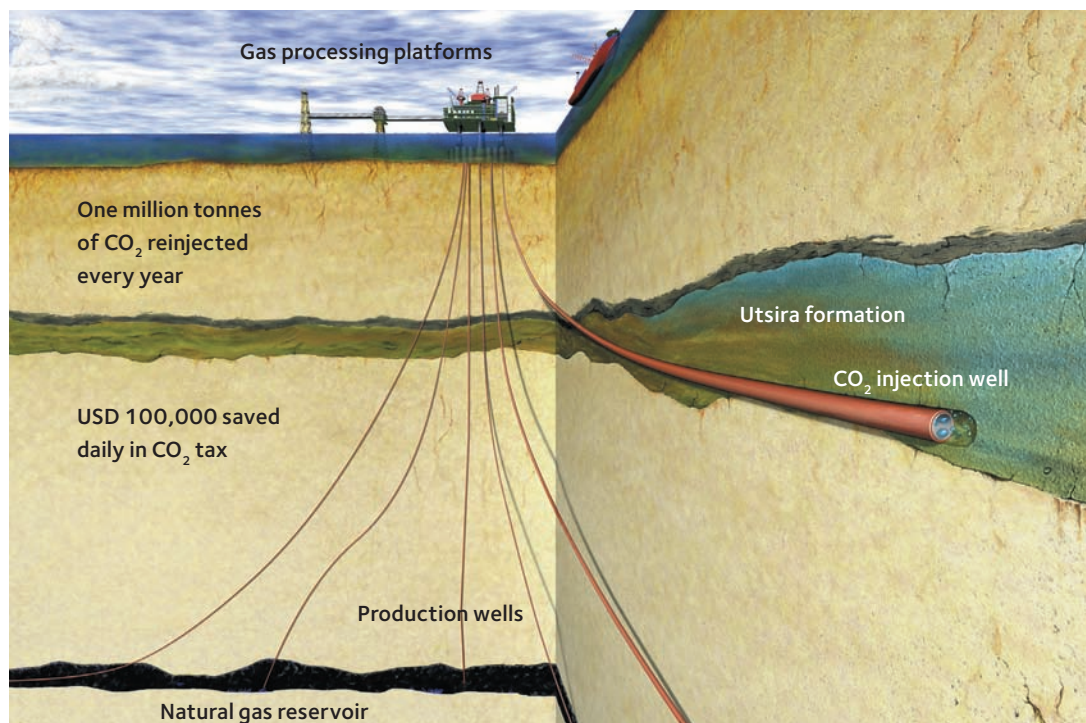
Carbon emissions per tonne of oil and gas produced



Norway's first hydrogen filling station

Norway's first hydrogen filling station opened in Stavanger in August 2006. The station is a demonstration project that will initially cater for a limited number of vehicles. It represents the start of the Norwegian hydrogen highway between Oslo and Stavanger (HyNor), part of the Scandinavian hydrogen highway network. The station offers both pure hydrogen and a mixture of natural gas and hydrogen, called hythane. The focus on hydrogen as an energy carrier is long-term.

www.statoil.com/newenergy



October 2006 marked the 10th anniversary of carbon capture and storage in the Sleipner area of the North Sea, where we are operator. This project has attracted great international attention, and the operating experience acquired from it has been very important for the further development of our expertise in this important area. The process is illustrated on the left.

Big in capture and storage

Statoil is regarded today as a world leader for capturing and storing carbon dioxide. We are currently involved in five large-scale capture and storage projects.

- Eight million tonnes of carbon dioxide from the Sleipner area of the North Sea have been stored in the Utsira formation over a 10-year period.
- Up to 700,000 tonnes per annum of carbon dioxide produced from the Snøhvit gas field in the Barents Sea will be stored beneath the seabed.
- Underground sandstone formations are being used to store 1.2 million tonnes of carbon dioxide removed annually from production on the In Salah gas and condensate field in Algeria.
- Carbon capture and storage in the Mongstad energy project north of Bergen will be developed in two stages. The first embraces a plant to capture 100,000 tonnes per year, and will be followed by a large-scale capture facility. In the long term, the Mongstad refinery is likely to have the world's lowest carbon emissions.
- We are cooperating with Shell in the Halten carbon dioxide project, which is investigating opportunities for a gas-fired power station at Tjeldbergodden to supply carbon dioxide for improved oil recovery on the Draugen and Heidrun fields in the Norwegian Sea. Roughly 2.5 million tonnes of the greenhouse gas could be used and stored every year in these fields. The partners are also investigating the possibility of supplying these fields with electricity from land.

Part of the solution

In its climate strategy, Statoil recognises a link between production and consumption of fossil fuel, carbon emissions and global warming. As an integrated oil and gas company, Statoil is part of the problem, but also an essential part of the solution. Our goal is to reduce carbon emissions from the group's facilities through four key initiatives: energy efficiency, renewables, quota trading and carbon capture and storage.



from Statoil-operated fields are 36% of the industry average.

Quotas and the Kyoto mechanisms

Statoil carries on business development by developing projects that give credits for emission reductions in accordance with the regulations in the Kyoto protocol and the development of new energy solutions through its commitment to hydrogen, energy efficiency, renewable energy and carbon management. The aim is primarily to minimise the overall cost of Statoil's emission allowances in the trading systems in Norway and the EU.

In 2006 the first commercial agreement for the purchase of carbon reduction certificates was signed. The project is based in the Kursk region in Russia, and is intended to seal the gas leaks in the pipeline network there. Emissions are expected to be reduced by an overall amount of 1.2 million tonnes of carbon dioxide equivalent in the period 2008-12.

Statoil assumes that Norwegian oil and gas activities will be included in the emission trading system from 2008, and that Norway joins the EU trading system at the same time.

In 2006 Statoil was the first company in Norway to introduce a carbon-neutral scheme through which the company could buy quotas for carbon emissions that offset the emissions generated by business travel and heating/cooling of all Statoil offices, in accordance with the Kyoto protocol.

Products and biofuel

Statoil produces and sells a wide range of products developed from fossil and renewable sources. Our ambition is to develop efficient products that satisfy customer needs and which consume a minimum amount of resources and have a minimal impact on the environment.

All manufacture of products requires energy and entails emissions to the air and discharges to water. Statoil requires life-cycle analyses for all new products and blend

components. Product quality is developed continuously in order to keep abreast of the innovation taking place within, for instance, engine and exhaust technology.

The use of biofuels gives lower greenhouse gas emissions because the production is based on renewable raw materials.

Statoil therefore wants to offer its customers fuels with an increasing content of biocomponents and aims to be at the forefront in bioproducts in its markets.

Sweden is the group's largest market for biofuels. It is estimated that in 2006 the overall sale of biofuels in Sweden, Denmark, Norway, Poland and the Baltic states has led to a 67,000-tonne reduction in carbon emissions. Detailed information about biofuels is available in the chapter on the environment in our sustainability report.

Research and development

Statoil's technology strategy identifies environmental technology as one of five prioritised commitment areas in order to fulfil the group's ambitions. Carbon management and quantitative risk evaluation are prioritised tasks within environmental technology in the period 2006-15.

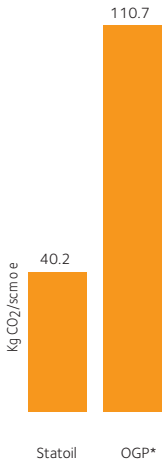
Statoil's overall investment in research activities came to NOK 1,225 million in 2006, compared with NOK 1,066 million in 2005.

Zero harm to the environment

Due to increased discharges of produced water, drill cuttings and water-based mud from petroleum activities on the NCS, Norwegian authorities set a target of zero harmful discharges by the end of 2005.

Statoil works continuously on reducing discharges of potential environmentally harmful chemicals to the sea from the operations on the NCS. Discharges of harmful chemicals have been reduced by 96% in the period 2003-06. The authorities consider that the 2006 target for reducing harmful added chemicals has to a great extent been achieved.

Expected and planned reductions in discharges of oil



Emissions of CO₂ per produced volumes oil/gas (scm o e) from Statoil-operated activities on the NCS, compared with world industry average.

*International Association of Oil & Gas Producers (OGP)2005



Clean water back to sea

Sea water that accompanies oil from the Statfjord C wells is thoroughly treated before being returned to the sea. The technique involves injecting condensed gas into the produced water. The gas-injected water is then cleaned again, with oil traces and chemicals captured and separated from the clean water.

and natural substances in produced water have been delayed on some Statoil installations on the NCS. On the Statfjord field in the North Sea the new CTour cleaning technology has been installed. This is a technology that has proven to be very effective in cleaning large volumes of polluted reservoir water. We have experienced challenges in the start-up on two installations. In 2008 the Norwegian Pollution Control Authority (SFT) will be notified whether the zero discharge targets have been reached.

Development of new environmental management tool

Statoil has headed the development of the environmental impact factor (EIF) management tool. This tool, which was originally developed for discharges of produced water, is used to select the measures that provide the greatest cost-effective environmental gain. The oil companies on the NCS have, with the knowledge of the authorities, used EIF as the standard tool for the past five-six years.

EIF for discharges to the sea from drilling operations and for emissions to the air from all our facilities in 2006 have been tested for several of our operations; EIF for drilling in 2007 will be implemented in connection with our international exploration activities.

EIF for acute discharges of oil to the sea, discharges from our land-based facilities to the sea, and discharges to the soil and freshwater from our land-based operations are under development.

Oil spill response in the far north

In 2006 Statoil had several activities for strengthening the oil spill response in Arctic climes and icy waters. For instance, Statoil and ENI signed a three-year Memorandum of Understanding in order to make the oil spill response in the far north more robust. Research projects for increasing knowledge about oil pollution in cold climates and a project for developing response methods using chemicals in nearshore and shoreline zones have been initiated.

Statoil's lube oil plant in Nynäshamn in Sweden had an oil spill of 104 cubic metres in September 2006. The oil

spill response was efficient, and 31 cubic metres escaped into the sea. According to the Swedish coastguard, a maximum of 65 litres got past the booms.

Freshwater management

Clean water is a scarce commodity in many parts of the world. Due to our increasing international operations, Statoil developed corporate principles in 2006 to deal with this challenge. Our ambition is to manage water resources in a sustainable manner and continuously search for ways in which we can reduce the consumption of freshwater. We will also protect the water quality through the design and operation of our facilities, through recycling and by actively preventing water pollution.

Environmental monitoring

Statoil wants to strengthen its own expertise in marine ecosystems and develop new methods for environmental monitoring, which previously has been mainly organised through the Norwegian Oil Industry Association (OLF). The group's research activities have increased in 2006, mainly through two projects:

The coral risk assessment modelling and monitoring (Coramm) project is an international research collaboration that investigates how deepwater coral withstands the effect of particles of drill cuttings and water-based mud or particles that are stirred up in connection with the oil activities, such as pipelaying and anchoring.

The scientific and environmental ROV partnership using existing industrial technology (Serpent) involves researchers borrowing remotely-operated-vehicle (ROV) capacity linked to Statoil's mobile drilling rigs in order to take samples, observe and film life on the seabed. Through this collaboration Statoil gains an insight into how drilling operations affect the seabed and its megafauna. The studies show that drilling activities only have a limited effect, and that the organisms return to the area after the drilling operation is completed.

Biological diversity

Looking after biological diversity is a key element in sustainable development and central to Statoil's environmental work. In the group's revised 2006 environmental policy, the principle of maintaining biological diversity and important ecosystem functions is set out. Where possible, we will contribute to maintaining such diversity. Work is underway to secure a more structured integration of environmental, social and health-related aspects, and ensure that challenges regarding biological diversity are addressed in project development.



Our results

The oil sales, trading and supply business cluster has created significant value for Statoil in 2006. The picture on the left shows the first arrival of an LNG tanker at the Hammerfest LNG plant. The vessel was carrying gas to be used in the testing of the facility.





Our board of directors is satisfied with the aggressive attitude we are showing on business development. This emerges from the directors' report, which begins on the following page. Particular mention is made of our commitment in the Gulf of Mexico, and the board notes that a strong financial position provides the basis for freedom of action and growth.

The planned merger with Hydro's oil and gas business fits in with our growth strategy, and will strengthen our international competitiveness. This is necessary because competition over access to new resources is tough, and our board expects it to get even harder in the years to come.

In the board's view, a positive image based on serious sustainability work will help us to secure access to new resources and opportunities.

The proposal to the general meeting for an overall ordinary and extraordinary dividend of NOK 9.12 per share will represent the largest payout since we received a stock market listing in 2001.

Directors' report 2006

The Statoil group recorded its best ever net income in 2006. A strong financial position lays the foundation for freedom of action and growth. The board of directors has recommended a merger between Statoil and Hydro's oil and gas division. The proposed merger is ideally suited to Statoil's strategy for growth. The merged company will have more and better opportunities for growth, which will help to ensure long-term value creation for the shareholders.

Jannik Lindbæk (68)

Chair of the board

Appointed to the board of directors in November 2003 and re-elected in June 2006.

Education and professional background: President and CEO of Storebrand, chief executive of the Nordic Investment Bank, executive vice president of the International Finance Corporation.

Other elective posts: Chair of the board of the Bergen International Festival, Transparency International Norway, Plan International Norway and Gearbulk.

Former chair of Den norske Bank. Director of Kristian Gerhard Jebsen Skipsrederi.

Number of shares in Statoil: 0



Best-ever annual profit

The Statoil group's net income of NOK 40.6 billion is NOK 9.9 billion higher than in 2005. Income before financial items, tax and minority interest was NOK 116.9 billion compared with NOK 95.0 billion in 2005. The increase is largely due to higher oil and gas prices. The return on capital employed was 27.1% in 2006, compared with 27.6% the year before. The return is very competitive compared with other oil companies.

Statoil's oil and gas production in 2006 was 1,135,000 barrels of oil equivalent (boe) per day, which is 34,000 boe lower than in 2005. This is largely the result of lower oil production from mature fields and a temporary reduction in production from fields in operation. Production costs per boe rose from NOK 22.3 in 2005 to NOK 26.6 in 2006. A high activity level, increased pressure on costs in the industry and lower production are the main reasons for the increase.

In 2006, the company replaced 73% of production with new, proven oil and gas reserves. The reserve replacement rate in 2005 was 102%. At year-end 2006, proven remaining reserves amounted to 4.2 billion boe.

The board is proposing to the annual general meeting a combined ordinary and special dividend of NOK 9.12 per share for 2006, compared with NOK 8.20 per share in 2005. The repurchase of own shares became part of the company's dividend policy in 2006. Repurchase represents NOK 1.55 per share in 2006. The total payment to Statoil's shareholders corresponds to NOK 10.67 per share. This amounts to 57% of the net income for 2006.

Exploration activity has increased considerably. A total of 37 exploration and appraisal wells were completed in 2006, 19 of which resulted in finds. The final evaluation of six wells remained at year-end. Finds

were made in two out of four exploration extensions. Twenty wells were completed in 2005.

The company has further strengthened its position in the Gulf of Mexico through the acquisition of owner interests in discoveries and exploration acreage from Plains Exploration & Production and Anadarko Petroleum Corporation. The deepwater portfolio is ideally suited to the company's core expertise, building on the technology and experience developed over several decades through operations on the Norwegian continental shelf (NCS).

The company has sold Statoil Ireland to Topaz Energy Group. The sale is expected to result in a pre-tax gain of NOK 0.6 billion.

The board closely monitors the work relating to health, safety and the environment (HSE). Our ambition is zero harm to people and the environment. In 2006, Statoil has shown improvements in most areas in which we measure the results achieved in HSE.

In 2006, Statoil reached a settlement with the US Securities and Exchange Commission (SEC), the US Department of Justice (DOJ) and the United States Attorney's Office for the Southern District of New York (USAO). The settlement concluded the investigation carried out by the SEC, DOJ and USAO under US law concerning Statoil's contract from 2002 with Horton Investments Ltd for business development in Iran.

In the settlement with the DOJ and USAO, Statoil accepted a fine of USD 10.5 million for violation of the US Foreign Corrupt Practices Act (FCPA). Statoil also accepted responsibility for bribes paid to an Iranian civil servant in 2002 and 2003, for accounting for those payments improperly in its books and records, and for having insufficient internal controls in place to prevent the payments being made. In the settlement with the SEC, Statoil accepted the confiscation of USD 10.5 million.



Kaci Kullmann Five (56)

Deputy chair

On the board of directors since August 2002. Acting chair from September to November 2003. Deputy chair from November 2003.

Profession: Self-employed.

Education and professional background: MSc in political science from the University of Oslo. Member of the Norwegian Parliament 1981-1997. Minister for trade and shipping 1989-1990. Leader of the Norwegian Conservative Party 1991-1994. Executive vice president in Aker RGI 1998-2002.

Other elective posts: Director of NMD Grossisthandel AS, Vitus Apotek AS, Asker og Bærum Budstikke ASA and Bluewater Insurance ASA. Member of the Norwegian Nobel Committee.

Number of shares in Statoil: 1,000

Markets and surroundings

Continued growth in the global economy contributed to a further increase in the demand for energy in 2006. A persistent shortage of production and refining capacity – reinforced by political uncertainty in important producer countries – resulted in record high oil and gas prices. The average price of oil in 2006 was USD 64.4 per barrel, compared with USD 53.6 per barrel the year before. Measured in NOK the average price increased by NOK 68 per barrel to NOK 413 in 2006.

Security of supply for gas has been the subject of increasing political attention in important energy markets such as Europe and the USA. Statoil adopts an aggressive strategy with a view to developing long-term sources for stable gas supplies to these markets. Gas prices in Europe and the USA continued to rise in 2006. The average realised gas price in 2006 was NOK 1.91 per cubic metre compared with NOK 1.45 per cubic metre in 2005.

Normalised refining margins (fluid catalytic cracker margin – FCC) fell from USD 7.9 per barrel in 2005 to USD 7.1 per barrel in 2006. The average contract price for methanol rose from EUR 225 per tonne in 2005 to EUR 300 per tonne in 2006.

The increase in activity in the industry in recent years has resulted in considerable pressure on capacity and prices in several supplier markets, including the markets for steel, rigs, marine operations, engineering and fabrication.

Competition is very keen for access to new resources and industrial opportunities. The board believes that competition will be further intensified in the years ahead. Statoil is in a good position for creating value and growth, and the company's robust financial position improves its long-term opportunities. The proposed merger with Hydro's petroleum division will further strengthen the company's competitive position in the international arena.

High level of exploration and project activity on the Norwegian continental shelf

The income before financial items, tax and minority interest was NOK 89.4 billion in 2006, compared with NOK 74.1 billion in 2005. The main reason for the improvement was the increase in oil and gas prices.

Statoil's production from the NCS averaged 958,000 boe per day in 2006, which is 27,000 boe lower than the year before. The decline is largely due to falling production from mature fields and temporary reductions related to measures aimed at improving recovery. Part of the drop in production was offset by the start-up of new fields, measures to improve recovery and increased gas production.

In 2006, the company took part in the completion of 17 exploration and appraisal wells on the NCS, eight of which resulted in discoveries. Finds were also made in two of four exploration extensions. This is a substantial increase in activity compared with 2005, when nine exploration and appraisal wells were completed. Statoil was awarded four new shares in licences and one additional acreage in 2006, including three operatorships in the Norwegian and Barents Seas. In the awards in predefined areas (APA) in 2006, we were awarded eight production licences, six of them as operator.

Access to new exploration acreage is decisive if the company is to maintain a high activity level on the NCS and it is a precondition for achieving Statoil's long-term production ambitions.

Efficient and profitable further development of the NCS is important to the company's financial results and Statoil's reputation as a development operator. In 2006, the company approved development plans for the Gjøa field in the North Sea and the Alve field in the Norwegian Sea.

Gjøa will be the next big development on the NCS. The plan for development and operation (PDO) also calls

Knut Åm (63)

On the board of directors since April 1999.

Profession: Independent consultant.

Education and professional background: Degree in geological and geophysical engineering from the Norwegian Institute of Technology. Former senior vice president in Phillips Petroleum, with responsibility for exploration and production; previously held positions in the Geological Survey of Norway, the Norwegian Petroleum Directorate and Statoil.

Other elective posts: Chair of the Industrial Council of the Norwegian Academy of Technological Sciences, chair of IOR-Chemco AS, EnVision AS and EnVision StreamLine AS. Director of Badger Explorer AS, Petrostream ZA and the Physics of Geological Processes Centre of Excellence at the University of Oslo.

Number of shares in Statoil: 14,594



for the Hydro-operated condensate and gas fields Vega and Vega South to be tied back to the new platform. The coordination benefits of this solution will be substantial.

Efficient project implementation is important to maximise the recovery of area reserves within the lifetime of existing production facilities. The Alve project is an example of this. The field will be phased into the Statoil-operated Norne field. The development will ensure good, continuous utilisation of spare capacity in existing production facilities.

Building new, strong foundations for international growth

Statoil's international operations will create positions that will form the basis for long-term growth in production.

The income before financial items, tax and minority interest was NOK 10.9 billion in 2006, compared with NOK 8.4 billion in 2005. The main reason for the improvement was the increase in oil and gas prices.

International oil and gas production fell from a daily average of 184,000 boe in 2005 to just under 178,000 boe in 2006. Oil output increased by 5%, while average gas production fell from 43,000 boe in 2005 to 29,000 boe. This reduction was largely due to the effects of the production sharing agreement (PSA) for the In Salah field in Algeria.

Four new fields came on stream in 2006, namely In Amenas in Algeria, Dalia in Angola, Shah Deniz and the second of two developments in phase 2 (East Azeri) in the Azeri-Chirag-Gunashli field in Azerbaijan.

In the international arena, Statoil took part in 20 completed exploration and appraisal wells in 2006. In 11 of these, new finds were proven or previous finds confirmed, while the evaluation of six wells was still ongoing at the turn of the year. Eleven wells were completed in 2005. Statoil secured 10 new exploration licences in 2006. The group has increased its activities

in Algeria, drilling its first onshore exploration well in the Hassi-Mouina block in the Sahara desert. In 2006, Statoil opened new offices in Libya and Egypt.

Statoil has strengthened its position in the Gulf of Mexico through the purchase of two deepwater portfolios from Anadarko Petroleum Corporation and Plains Exploration & Production, respectively. Together with the acquisition of EnCana's portfolio and the exploration collaboration with Exxon Mobil, Statoil has established a new international growth area. By exploiting its high level of expertise in exploration, reservoir management and development technology, the company will create a new, strong foundation for growth.

The board considers that a continuing aggressive approach in the international exploration activity and business development will contribute to long-term value creation and growth.

Record gas sales at high prices

In 2006 the gas business achieved record results. The income before financial items, tax and minority interest was NOK 10.0 billion, up 70% on 2005. The increase was mainly due to the higher price of natural gas, increased sale volumes and the contribution from trading in the short-term gas market.

In 2006 Statoil sold more gas than in any previous year. Total gas sales from the NCS increased to 28.5 billion cubic metres in 2006 compared with 27.3 billion cubic metres in 2005. Of the total gas sales in 2006, 25.3 billion cubic metres were equity gas.

The start-up of the southern leg of the Langeled gas pipeline between Sleipner and the receiving terminal in Easington, south-east England, in October 2006 increased the company's capacity for processing and transporting gas to the UK market.

The board is satisfied with the US Federal Energy Regulatory Commission's (FERC) approval and the



Finn A Hvistendahl (65)

On the board of directors since April 1999, chair of the board's audit committee.

Profession: Business development consultant.

Education and professional background: Degree in industrial chemistry from the Norwegian Institute of Technology. Has been chief financial officer and chief executive of Norsk Hydro and group CEO of Den norske Bank.

Other elective posts: Chair of the board of the Financial Supervisory Authority of Norway (Kredittilsynet).

Number of shares in Statoil: 2,947

operator's start-up of work on expanding regasification capacity for liquefied natural gas (LNG) at the Dominion Cove Point receiving terminal. The expansion increases Statoil's annual supply capacity from 2.4 billion to more than 10 billion cubic metres. The capacity agreement with the energy company Dominion for the delivery of liquefied natural gas (LNG) from Snøhvit is an important contribution to the implementation of Statoil's strategy for making Norwegian gas a global commodity.

Good results in Manufacturing & Marketing

The Manufacturing & Marketing business area aims to generate as much value as possible from the group's overall supplies of crude oil, natural gas liquids (NGL) and refined products. Integration and active exploitation of profitable opportunities for synergies and growth will help increase value creation.

The income before financial items, tax and minority interest was NOK 7.0 billion in 2006, compared with NOK 7.6 billion in 2005. The reduction is mainly due to the recognition in the accounts of Statoil's sale of its share in Borealis in 2005. The sale of the service station chain in Ireland gave a book gain of NOK 0.6 billion before tax. Good contributions from oil trading, the high regularity of plant in operation and high methanol prices also helped to create a good result.

In 2006, Statoil was granted permission by the authorities to build a combined heat and power (CHP) station at Mongstad. At the same time, the company entered into an agreement with the Ministry of Petroleum and Energy for the development of solutions for future capture of carbon dioxide. Construction work on the CHP station commenced on 16 January 2007.

At the beginning of 2006, the Norwegian Water Resources and Energy Directorate (NVE) granted Statoil a licence to build a gas-fired power plant at Tjeldbergsodden. Statoil entered into an agreement with Shell with a view to developing a project for the establish-

ment of a carbon value chain for improved oil recovery (IOR) from Draugen and later from Heidrun. The project is technologically and financially challenging, and is a response to the environmental challenge facing energy production.

Both projects represent a major commitment to energy and the environment. Good framework conditions and close industrial collaboration are decisive if we are to succeed.

Making use of first-class technology and expertise

The activity level was high within technology, modification and project work in 2006. Important, advanced subsea projects such as Tyrihans and subsea separation on the Tordis field are being developed.

The Technology & Projects business area is responsible for, among other things, completing the demanding Snøhvit project. Progress was good in 2006, and an important milestone was reached when LNG for cooling the storage tanks arrived at Melkøya in December.

The southern leg of the Langeled gas pipeline and the Easington receiving terminal were delivered on schedule and below the cost estimate when the project was approved. At 1,200 kilometres, Langeled will be the world's longest marine gas pipeline, with a transport capacity of around 20 billion cubic metres of gas annually.

Statoil purchased goods and services for NOK 67.7 billion in 2006. Companies in Norway accounted for 78% of the deliveries. Norwegian companies' high share of the deliveries shows that Norwegian industry has maintained its competitiveness. Statoil collaborates well with important suppliers and is actively engaged in recruitment and skills development. In the board's view, the company makes good efforts to secure sufficient capacity to implement Statoil's ambitious plans, both on the NCS and internationally.

Exploration for and the development of new finds

Grace Reksten Skaugen (53)

On the board of directors since June 2002.

Profession: Self-employed

Education and professional background: PhD in laser physics from the Imperial College of Science and Technology, London University, and an MBA from the Norwegian School of Management.

Director of corporate finance at Enskilda Securities, Oslo. Adviser for Aircontactgruppen, Oslo and Fearnley Finance Ltd, London. Postdoctoral research in the field of microelectronics at Columbia University, New York.

Other elective posts: Board chair at Entra Eiendom, deputy chair at Opera Software. Director of Investor AB and Atlas Copco AB.

Number of shares in Statoil: 0



make increasing demands on technology and expertise, while at the same time the general pressure on costs in the industry is increasing. As part of the efforts to strengthen the company's expertise in project implementation, a collaboration agreement was signed with the University of California, Berkeley in 2006 for the education of managers for big, complex development projects. The board stresses the importance of making purposeful efforts to develop and apply knowledge and new solutions that can contribute to further developing Statoil into a globally competitive company.

The group's financial development

Statoil had total revenues of NOK 425.2 billion in 2006, compared with NOK 387.4 billion in 2005.

The Statoil group recorded an income before financial items, tax and minority interest of NOK 116.9 billion in 2006, compared with NOK 95.0 billion the year before.

Net income amounted to NOK 40.6 billion, which was NOK 9.9 billion up on the year before. The earnings per share in 2006 came to NOK 18.79 compared with NOK 14.19 in 2005.

The cash flow from operations was NOK 60.9 billion in 2006, up from NOK 56.3 billion in 2005. The main reason for the increase was higher prices. The cash flow used for investments in 2006 was NOK 40.1 billion, compared with NOK 37.7 billion the year before.

The group's gross interest-bearing debt amounted to NOK 35.8 billion at the end of 2006, compared with NOK 34.1 billion the year before. The group's debt to equity ratio, defined as net interest-bearing debt in relation to capital employed, was 16.8% as of 31 December 2006, compared with 15.1% on the same date in 2005.

Total bank deposits and other liquid securities amounted to NOK 8.4 billion at the end of 2006, compared with NOK 13.9 billion in 2005.

Statoil uses financial derivatives to manage risk as a result of fluctuations in underlying interest rates,

exchange rates and commodity prices. Since Statoil operates in the international oil and gas markets and has substantial financing needs, the company is exposed to these risks, which can influence operating, investment and financing costs.

The company has used, and will continue to use, financial instruments and commodity-based derivative contracts to reduce the risk relating to the overall earnings and cash flow. Derivatives, which largely offset such market exposure, are used to manage certain risks of this type. The company also uses derivatives to establish positions based on market expectations, but this has no significant effect on the group accounts.

Interest and exchange rate risks are substantial financial risks for the Statoil group. The total exposure is managed at portfolio level in accordance with the strategies and authorisations set out in the group-wide risk management programme, and it is monitored by the company's risk committee. The company's interest exposure is mainly related to the group's debt commitments and to management of the assets in Statoil Forsikring AS and Statholding AS. The group mainly uses interest and exchange rate swap agreements to manage interest and exchange rate exposure.

The group's financial reporting is in accordance with the US generally accepted accounting principles (USGAAP) as well as the Norwegian generally accepted accounting principles (NGAAP). Note 26 in the NGAAP accounts explains the difference between the two sets of accounts.

As required by section 3-3 a) of the Norwegian Accounting Act, the board confirms that the going concern assumption has been fulfilled. The accounts for 2006 have been prepared on that basis. Net income for the Statoil ASA parent company according to NGAAP was NOK 39.1 billion in 2006. The accounts give an accurate picture of the company's assets, liabilities, financial position and financial performance. No events



Ingrid Wiik (62)

On the board of directors since June 2005.

Education and professional background: MSc in pharmacy from the University of Oslo, MSc in biopharmacy from the University of London, Master of Business Administration (MBA) from the Norwegian School of Management (BI).

President and CEO of Alpha Inc, New York. Various managerial posts in Alpha, Apothekernes Laboratorium and Nygaard & Co (now GE/Nycomed).

Other elective posts: Director of Alpha, Coloplast and Norske Skog.

Number of shares in Statoil: 500

have taken place after the end of the financial year that have a bearing on the evaluation of the company and that are not included in the annual accounts and notes.

The year 2006 was characterised by particularly favourable market conditions and good financial results. The board concludes that this allows for a special one-off dividend of NOK 5.12 per share. With an ordinary dividend of NOK 4.00 per share, the board proposes that the annual general meeting allocates a total dividend of NOK 9.12 per share. Repurchase represents NOK 1.55 per share in 2006. The total payment to Statoil's shareholders corresponds to NOK 10.67 per share.

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

Provisions for dividend	19,690
Retained earnings	15,783
Reserve for valuation variances	3,592
Total allocated	<u>39,065</u>

The company's distributable equity after allocations amounts to NOK 77.1 billion.

Corporate governance

Good corporate governance is the board's most important tool for ensuring that Statoil's resources are managed in an optimal manner and contribute to maximum value creation for the company's owners.

The board must ensure that Statoil has good systems for internal control and risk management at all times. In 2006, Statoil's most important management and control principles were gathered together in one document based on the company's corporate values and ethical guidelines. Together with a clearly defined division of responsibility and roles between the shareholders, the board and the company's manage-

ment, this forms the basis for the good relationship of trust between the board, the management and the employees.

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

There were two changes among board members in 2006. Marit Arnstad took office as a new shareholder-elected director from 14 June 2006. Stein Bredal stepped down in May 2006. Claus Clausen took office as a new representative of the employees on 14 June 2006.

The board held 17 meetings in 2006. The board notes the following matters to which particular attention was devoted:

- Work on health, safety and the environment
- Sanction of the Mongstad energy project with CHP station
- Continuous follow-up of the group's operations and financial development
- Strategies and plans for business development on the NCS and internationally
- Progress and cost developments in important development projects
- Changes in the company's remuneration policy
- Settlement with SEC, DOJ and USAO in the Horton case
- Consideration of the merger with Hydro's oil and gas division

The board has followed up the company's work on bringing the internal control systems into line with the regulations in section 404 of the Sarbanes-Oxley Act (SOX404). This work helps to ensure and document the quality of the company's internal controls in connection

Marit Arnstad (44)

On the board of directors since June 2006.
 Profession: Adviser in Schjødt law firm.
 Education and professional background: Law degree from the University of Oslo. Petroleum and energy minister 1997-2000. Member of Parliament from 1993-97 and 2001-05. Parliamentary leader of the Norwegian Centre Party, 2003-05. Senior executive officer, Ministry of the Environment. Assistant lawyer in Wiersholm, Mellbye and Bech law firm.
 Other elective posts: Chair of the board of the Norwegian University of Science and Technology (NTNU). Director of Aker Seafood ASA, COWI AS and NTE Nett AS.
 Number of shares in Statoil: 0



with financial reporting. The board is satisfied that no material weaknesses have been identified in the company's internal controls.

The board members have wide-ranging and varied experience and expertise that forms a good basis for the board's work. In the late autumn of 2006, the board initiated a self-assessment of its work processes, with assistance from external resources. The assessment will be concluded in 2007.

None of the board members were involved in transactions of a significant nature in 2006 that necessitated an evaluation of values by an independent third party.

The board's audit committee is a sub-committee of the board with the role of supporting the board in matters concerning:

- the quality of accounting and financial reporting
- the qualifications, independence and work of the elected auditor
- the company's internal audit and control routines
- the company's compliance with requirements set by the authorities and Statoil's ethical guidelines.

As of 31 December 2006, the members of the committee were Finn A Hvistendahl (chair), Morten Svaan, Ingrid Wiik and Knut Åm. In accordance with US statutory requirements, the board has deemed Finn A Hvistendahl to be an accounting expert as the US Securities and Exchange Commission (SEC) defines the term.

The audit committee held eight meetings in 2006, with particular attention being devoted to:

- continuous follow-up of accounting
- the progress of implementation of SOX404
- communication with the elected auditor
- the independence of the corporate audit entity
- the group's work on hedging and risk management

Pursuant to the instructions specified by the board, the remuneration committee will assist the board in its

work on the terms and conditions of employment of Statoil's CEO, and on its principles and strategy for the remuneration of the company's leading executives. At 31 December 2006, the members of the committee were Jannik Lindbæk (chair), Grace R Skaugen and Knut Åm. The committee held eight meetings in 2006.

A healthy operating philosophy

Statoil is working purposefully to achieve its ambition of zero harm to people and the environment. There were no fatalities in Statoil operations in 2006. The serious incident frequency improved from 2.3 in 2005 to 2.1 in 2006 and it has never been lower.

The board is very pleased to note the improvement in the number of serious incidents. The company has worked systematically for several years to identify and reduce the danger of falling objects, and this work resulted in a strong improvement in this area in 2006.

There is also reason to assume that the group's systematic work to improve behaviour and attitudes throughout the organisation is a contributory factor. The safe behaviour programme was initiated three years ago. At the end of 2006, more than 30,000 people, both Statoil employees and contractor employees, had started on the safe behaviour programme.

Sickness absence rose from 3.5% in 2005 to 3.9% in 2006. The board will follow up the company's efforts to reverse this trend.

Environmental measures

Statoil's operations are based on the principle of zero harm to the environment. This applies to emissions of greenhouse gases and emissions of chemicals from the company's installations. The board places great emphasis on finding industrial solutions that safeguard the natural environment and further the co-existence of important industries.

Statoil works continuously to reduce the growth in



Claus Clausen (52)

On the board of directors since June 2006. Employee-elected director.

Profession: Process engineer.

Education and professional background: Engineer from Bergen College of Engineering. He has held various positions within the process discipline since 1997. At present, he is specialist manager for technical process systems on the Statfjord field.

Other elective posts: Deputy leader of the Norwegian Society of Engineers (Nito) in Statoil and of Nito's company branch in Stavanger. Member of the union-management committee in Exploration & Production Norway.

Number of shares in Statoil: 165

greenhouse gas emissions. In 2006 the company established a scheme for buying emission allowances to offset carbon dioxide released by employee travel and air conditioning plants in Statoil's buildings.

The company works in four main areas to reduce the effect of its operations on the climate; energy efficiency; the development of clean energy carriers; quota trading in carbon dioxide; and the capture and storage of greenhouse gases.

Statoil is involved in five of the world's biggest carbon capture and storage projects: Sleipner, Snøhvit, In Salah in Algeria, the Halten carbon dioxide venture with Shell at Tjeldbergodden and the combined heat and power (CHP) station at Mongstad. In the board's view, a clear industrial foundation and a substantial financial commitment on the part of the authorities are preconditions for the establishment of viable carbon value chains on the NCS.

People, the group and society

Statoil works purposefully to develop a healthy performance culture rooted in unambiguous values and ethical principles. The company's management and control system was simplified and further developed in 2006. It is intended to reinforce values and management principles, to ensure compliance with operational requirements and to increase the quality of the decision-making process and their implementation. Systematic work is ongoing to achieve this in all parts of the organisation.

Statoil is a knowledge-based company in which 55% of the employees have a university or college education, and 25% of the employees have a craft certificate.

Statoil views variety in the workforce with respect to gender, age and cultural background as being a value in itself. More than 27% of the employees in the parent company are women, and work on gender equality has high priority in the company. Today, more than 26% of

managers in the Statoil group are women, which is an increase on last year. The proportion of women among managers under the age of 45 is 34%. The proportion of women in Statoil's management development programmes in recent years has remained stable at around 30%.

Employees in Statoil ASA are remunerated in accordance with their position, competence, performance and behaviour. In the annual pay awards for individual employees, Statoil also applies the principle of equal pay for work of equal value.

Statoil's operations are based on a clear, shared set of values and clear ethical principles. In 2006, the company further developed the guidelines and strategies in order to contribute to sustainable development. This is crucial if our employees are to understand and succeed in handling risks in the countries where we do business.

In 2006, Statoil was ranked the best company in the oil and gas sector on the Dow Jones Sustainability Index for the third year in a row. The board is convinced that good results over time along several performance axes will contribute to ensuring access to new resources and long-term return.

Further development for the group

In 2006, Statoil recorded its best profit ever. The company has a strong financial and industrial position that allows freedom of action and enables growth. It is the board's goal to ensure that Statoil's owners achieve the best possible returns on their holdings in the company.

The recommended merger between Statoil and Hydro's oil and gas division is a natural consequence of Statoil's strategy for growth. In the board's view, the merged company will have more opportunities for growth and will ensure long-term value creation.

The company operates in demanding industrial arenas. Competition for reserves is increasing, and the

Lill-Heidi Bakkerud (43)

On the board of directors since June 2004, and in the period 1998-2002. Employee-elected director.

Profession: Process technician.

Education and professional background: Process/chemistry technician with experience from the petrochemicals industry and oil and gas production.

Other elective posts: Full-time union official, head of Industry Energy (IE) in Statoil.

Director of IE and member of the supervisory board of the Norwegian Federation of Trade Unions.

Number of shares in Statoil: 165



industry is experiencing pressure on capacity and costs. Framework conditions have changed considerably since 2004 when the company defined the goals for 2007. In 2006 Statoil adjusted the production target for 2007 from 1.4 million to 1.3 million boe. The changed assumptions for normalisation are an important reason for this adjustment. The goal is still a very demanding one. It is more probable that production for the year will fall short of the goal than that it will exceed it. The company has abandoned the normalised return on capital employed target of 13% in 2007, since the relevance of the target has been significantly reduced as a result of higher oil prices. In the reporting on produc-

tion and unit costs in 2007, it will be announced how oil prices have affected the right to book production and reserves from fields subject to production sharing agreements.

Statoil will implement all available means in order to ensure future growth within the framework of strict capital discipline. Further development of the company will continue to be based on organic growth. Exploration activity has increased considerably, both on the NCS and internationally. Acquisitions and mergers will be considered insofar as they support the company's strategy and generate added value in the long term for the company's shareholders.

Stavanger, 13 March 2007

THE BOARD OF DIRECTORS OF STATOIL ASA


JANNIK LINDBÆK
CHAIR


MARIT ARNSTAD


LILL-HEIDI BAKKERUD

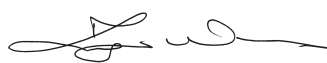

CLAUS CLAUSEN


MORTEN SVAAN


KACI KULLMANN FIVE


FINN A HVISTENDAHL


GRACE REKSTEN SKAUGEN


INGRID WIIK


KNUT ÅM


HELGE LUND
PRESIDENT AND CEO



Morten Svaan (50)

On the board of directors since June 2004. Employee-elected director.

Profession: Project manager, HSE.

Education and professional background: PhD in chemistry from the Norwegian Institute of Technology and a bachelor degree in business from the Norwegian School of Management.

Has worked for Statoil in Manufacturing & Marketing, petrochemicals and research and development.

Number of shares in Statoil: 512

The corporate executive committee



Helge Lund (44)
President and CEO

President and CEO since August 2004.

Education and professional background: MSc in business economics from the Norwegian School of Economics and Business Administration (NHH) in Bergen, and an MBA from the Insead business school in France. Was chief executive of Aker Kvaerner ASA before joining Statoil. Held key managerial posts in the Aker RGI system from 1999. Has been a political adviser to the Conservative Party's parliamentary group, a consultant with McKinsey & Co and deputy managing director of Nycomed Pharma AS. Elective posts: No external elective posts. Number of shares in Statoil: 4,583



Terje Overvik (55)
Executive vice president, Exploration & Production Norway

Member of the corporate executive committee since August 2002.

Executive vice president for Statoil's Technology entity from August 2002 to August 2004. In his current position since August 2004. Education and professional background: PhD in engineering from the Norwegian University of Science and Technology in Trondheim. Has held a number of key posts in Statoil's Exploration & Production Norway business area. Elective posts: Board chair of the Institute for Energy Technology. Number of shares in Statoil: 1,924



Peter Mellbye (57)
Executive vice president, International Exploration & Production

Member of the corporate executive committee since March 1992.

Executive vice president for Natural Gas from March 1992 to August 2004. In his current position since September 2004. Education and professional background: MSc in political science from the University of Oslo. Worked for the Ministry of Trade and the Norwegian Trade Council before joining Statoil in 1982. Elective posts: Director of the Energy Policy Foundation of Norway. Number of shares in Statoil: 3,538



Rune Bjørnson (48)
Executive vice president, Natural Gas

Member of the corporate executive committee since September 2004.

Education and professional background: MSc in economics from the University of Bergen. Joined Statoil in 1985. Has held a number of managerial positions in the Natural Gas business area. Was managing director of Statoil's UK subsidiary from 2001-03. Elective posts: No external elective posts. Number of shares in Statoil: 724



Jon Arnt Jacobsen (49)
Executive vice president, Manufacturing & Marketing

Member of the corporate executive committee since September 2004.

Education and professional background: MSc in business economics from the Norwegian School of Management in Oslo and an MBA from the University of Wisconsin. Was senior vice president for group finance in Statoil from 1998-2004. Has been a bank manager and head of the Singapore branch of Norway's DnB bank. Elective posts: No external elective posts. Number of shares in Statoil: 2,344



Margareth Øvrum (48)

Executive vice president, Technology & Projects

Member of the corporate executive committee since September 2004. Executive vice president for health, safety and the environment from September 2004 to April 2005. In her current position since April 2005. Education and professional background: Degree from the Norwegian University of Science and Technology in Trondheim, specialising in technical physics. Has held a number of key managerial posts in Statoil. Was the group's first female platform manager, on the Gullfaks field. Has also been operations vice president for Veslefrikk and senior vice president for operations support on the NCS. Elective posts: Director of Elkem and member of the committee of shareholders' representatives at Storebrand ASA. Number of shares in Statoil: 3,311



Nina Udnes Tronstad (48)

Executive vice president, health, safety and the environment

Member of the corporate executive committee since April 2005. Education and professional background: Chemistry graduate from the Norwegian University of Science and Technology in Trondheim. Joined Statoil in 1983. Has held a number of managerial positions in the group, including at its Danish and Swedish subsidiaries. Has been the group's vice president for information technology and operations vice president for the Kristin field. Elective posts: Director of Eitzen Maritime Services ASA. Number of shares in Statoil: 1,237



Eldar Sætre (51)

Chief financial officer

Member of the corporate executive committee since October 2003. Education and professional background: MSc in business economics from the Norwegian School of Economics and Business Administration in Bergen. Joined Statoil in 1980. Has held a number of managerial positions in the group in the areas of planning, finance and control. Elective posts: Director of Strømberg Gruppen AS. Number of shares in Statoil: 1,836



Jens R Jensen (53)

Executive vice president, corporate human resources

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



Reidar Gjærum (46)

Executive vice president, corporate communication

Member of the corporate executive committee since May 2005. Education and professional background: Came to Statoil from the position of executive vice president for communications and marketing in EDP Business Partner. Has a background in journalism and various positions as political adviser. Has been communications director in the Confederation of Norwegian Business and Industry, director of external communications at Telenor and managing director of the JKL communications consultancy. Elective posts: No external elective posts. Number of shares in Statoil: 1,853

Corporate governance

A relationship of trust between the company's owners, management and employees is crucial to Statoil's long-term value creation. Combined with a clearly defined division of responsibility and roles between shareholders, the board of directors and the company's management, our corporate values and ethical guidelines form the basis for this relationship of trust.

Corporate governance in Statoil is based on the company's corporate values and ethical guidelines. In 2006, Statoil's most important corporate governance principles were issued in a publication we have chosen to call *The Statoil Book*. The publication provides a coherent and easily accessible overview of the values, principles and requirements on which the company's activities are based. *The Statoil Book* is discussed in more detail in the chapter on values and governing principles in our sustainability report.

Report on corporate governance

Statoil complies with the Norwegian Code of Practice for Corporate Governance which was revised in November 2006. In this chapter, the company's board of directors explains each point in the Code.¹

In addition to being listed on the Oslo stock exchange (Oslo Børs), Statoil is also listed on the New York Stock Exchange, and we are therefore subject to requirements based on US stock exchange regulations. The principles for the composition of the board and the role of the corporate assembly in the corporate governance structure of Norwegian listed companies differ somewhat from practice in other countries. We will therefore try to explain these matters more extensively and describe how Statoil has arranged its affairs in relation to international principles for good corporate

governance over and above the requirements that follow from the Norwegian guidelines.

Business

Statoil's object is defined in its articles of association, and goals and strategies are described for each business area. Because of the current merger process between Statoil and Hydro's petroleum activities, the discussion of strategies is somewhat limited in this annual report. The strategy for the new company will be drawn up by the management of the new company and presented to the market as soon as the merger process has been completed.

Equity and dividends

Shareholders' equity

The group's book equity at 31 December 2006 was NOK 122.2 billion, which represented 38.7% of the total capital.

The board considers this satisfactory given the group's requirement for solidity in relation to its expressed goals, strategy and risk profile.

In 2006, the company's share capital was changed after the annual general meeting (AGM) decided to cancel 23,441,885 own shares, which Statoil had retained since its flotation on the stock exchange.² The cancellation was carried out in accordance with the Norwegian Code for Corporate Governance. As a result of the cancellation, article 3 of the articles of association now reads as follows:

"The share capital of the company is NOK 5,415,359,287.50 divided between 2,166,143,715 shares each with a nominal value of NOK 2.50."

¹ "The Norwegian Code of Practice for Corporate Governance" can be downloaded from <http://www.nues.no/>, or from Statoil's website <http://www.statoil.com/cg>

² When it was listed in 2001, Statoil was provided with 25,000,000 own shares for the purpose of allocating bonus shares to investors who invested in the flotation and who satisfied stipulated requirements. After the allocation of bonus shares during the course of 2002, Statoil was left with 23,441,885 own shares, which the company has retained ever since. The shares could not be used for other purposes without the consent of the general meeting. At the company's annual general meeting in 2006, it was decided to carry out a capital reduction by cancelling these shares. As a result, the company's share capital was reduced by NOK 58,604,712.50, from NOK 5,473,964,000 to NOK 5,415,359,287.50.

The repurchase programme

In 2006, Statoil's AGM adopted a repurchase programme as an integrated part of the company's dividend policy. The intention of introducing the repurchase programme was to give Statoil's board an opportunity to exploit the mechanisms provided for by the Public Limited Companies Act with respect to the distribution of capital to the company's shareholders. The repurchase of own shares is also an important means of continuously ensuring the expediency of the company's capital structure.

At the AGM of 10 May 2006 the board was authorised to purchase up to 50 million own shares in the market at prices of between NOK 50 and NOK 500. It will only be possible to use own shares acquired in accordance with this authorisation for cancellation through capital reduction. The authorisation is valid until the next annual general meeting.

At the same time, Statoil and the Norwegian state represented by the Ministry of Petroleum and Energy have entered into an agreement which regulates the redemption and cancellation of a proportionate number of the state's shares, thus ensuring that the state's proportional interest will remain unchanged. On the redemption of shares, Statoil will pay a price to the state for each share corresponding to a volume-weighted average of the prices paid by Statoil for shares bought in the market, plus interest compensation of NIBOR + 1 percentage point calculated from the date for the individual repurchase.

Dividend policy

Statoil's goal is to give the company's shareholders a competitive return on invested capital over time. The return will be achieved through a combination of an increase in the value of the share and dividend.

Statoil's dividend policy was revised in connection with the introduction of the repurchase programme. It now reads as follows: "Statoil's ambition is to pay an

increasing ordinary cash dividend measured in NOK per share. It is also Statoil's intention, through cash dividends and the repurchase of own shares, to distribute to its shareholders an amount in the order of 45-50% of the group's annual profit pursuant to USGAAP. In individual years, however, the sum of the cash dividend and repurchases may amount to a higher or lower proportion of the annual profit than 45-50%, depending on the company's assessment of developments in cash flows, investment plans, financing requirements and appropriate financial flexibility."

At the end of 2006, Statoil had repurchased a total of 5,867,000 shares under the repurchase programme, which corresponds to 11.7% of the number covered by the current authorisation. In addition, a corresponding proportion of 14,291,848 shares will be redeemed from the Norwegian state.

As a result of the integration agreement between Hydro ASA and Statoil ASA, the company will not carry out any more repurchases until the new company has been established.

The purchase of own shares for use in the share saving programme

At the annual general meeting on 10 May 2006, Statoil's board was re-authorised to acquire shares for the implementation of a share saving programme for its own employees. The authorisation can be used to acquire own shares for a total nominal value of up to NOK 10,000,000. Shares acquired in accordance with this authorisation may only be used for sale or transfer to employees of the Statoil group as part of the group's share saving programme as approved by the board.

At 31 December 2006, Statoil owned 1,240,768 shares reserved for the share saving programme.

Equal treatment of shareholders and transactions with close associates

Statoil has one class of shares, and each share entitles to

Governing bodies in Statoil



Articles of Association for Statoil ASA

Applicable from 31 July 2006

Article 1

The name of the Company is Statoil ASA. The Company is a Public Limited Company and the Company's shares are recorded in the Norwegian Central Securities Depository (Verdipapirsentralen). The corporate object of Statoil ASA is, either by itself or through participation in or together with other companies, to carry out exploration, production, transportation, refining and marketing of petroleum and petroleum-derived products, as well as other business.

Article 2

The Company's registered office is in Stavanger.

Article 3

The share capital of the Company is NOK 5,415,359,287.50 divided between 2,166,143,715 shares each with a nominal value of NOK 2.50.

Article 4

The Board of Directors of the Company shall be composed of at least five and a maximum of 11 directors. The Board of Directors, including the chair and the deputy chair, shall be elected by the Corporate Assembly. Five deputy directors may be elected in respect of the directors elected by and among the employees, and these deputies shall be summoned in the order in which they are elected. Two deputy directors may be elected in respect of the other directors, one as first deputy and one as second deputy. The normal term of office for the directors is two years.

Article 5

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

Article 6

The Board shall appoint the Company's chief executive officer and stipulate his/her salary.

Article 7

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

The Corporate Assembly shall elect a chair and deputy chair from and among its members.

The Corporate Assembly shall hold at least two meetings annually.

Article 8

The Annual General Meeting shall be held each year before the end of June. Annual General Meetings shall be held in Stavanger or in Oslo.

Article 9

The Annual General Meeting shall deal with and decide the following matters: Adoption of the profit and loss account and the balance sheet.

Application of the annual profit or coverage of loss as shown in the adopted balance sheet, and the declaration of dividends.

Adoption of the consolidated profit and loss account and the consolidated balance sheet.

Any other matters which are referred to the Annual General Meeting by statute law or the Articles of Association.

Article 10

The Company shall be responsible for the marketing and sale of the state's petroleum which is produced from the state's direct financial interest (SDFI) on the Norwegian continental shelf, as well as for the marketing and sale of petroleum paid as royalty in accordance with the Petroleum Act of 29 November 1996 No 72. The Annual General Meeting of the Company may by simple majority decide on further instructions concerning the marketing and sale.

Article 11

The duties of the Election Committee are to submit a recommendation to the Annual General Meeting for the election and remuneration of shareholder-elected members and deputy members of the Corporate Assembly, and to submit a recommendation to the Corporate Assembly for the election and remuneration of shareholder-elected members and deputy members of the Board of Directors. The chair of the Board and the president and CEO shall be invited, without voting rights, to attend at least one meeting of the Election Committee before it makes its final recommendation.

The Election Committee consists of four members who must be shareholders or representatives of shareholders and who shall be independent of the Board of Directors and the Company's management. The members of the Election Committee, including the chair, shall be elected by the Annual General Meeting. The chair of the Election Committee and one other member shall be elected from among the shareholder-elected members of the Corporate Assembly. Members of the Election Committee are elected for two years at a time. The Annual General Meeting stipulates the remuneration to be paid to members of the election committee. The Company will cover the costs of the election committee.

At the proposal of the Board of Directors' shareholder-elected members, the Corporate Assembly may adopt instructions for the Election Committee.

Article 12

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

Adopted at the Annual General Meeting of 10 May 2006.

one vote at the general meeting. The articles of association contain no restrictions on the right to vote.

The repurchase of own shares for subsequent cancellation or use in the share saving programme is carried out through Oslo Børs.

Transactions with close associates

Board members, leading employees and close associates who wish to purchase or sell Statoil shares are obliged to clear the transaction with the company first.

The company's ethical guidelines stipulate that no-one who acts on behalf of Statoil is permitted to work on or be involved in a matter in which he/she or a close associate has direct or indirect financial interests.

The Norwegian state as majority owner

With a holding of 70.9%, the Norwegian state is the biggest shareholder in Statoil. The owner interest is managed by the Ministry of Petroleum and Energy.

The Norwegian state endorses the principles in «The Norwegian Code of Practice for Corporate Governance», and it has stated that it expects companies in which the state has owner interests to follow the code.

The state's own principles for corporate governance are concerned with the management of the state's owner interests in companies in which it is a shareholder. The principles are presented in the State Ownership Report (last published in June 2006) and on the website: <http://www.eierberetningen.nhd.no/>

The principle of ensuring equal rights for different groups of shareholders is a key element in the state's own guidelines. In companies in which the state is a shareholder together with others, the state wishes to exercise the same rights and obligations as any other shareholder, and not act in a manner that can have a detrimental effect on the rights or financial interests of other shareholders. In addition to the principle of equal treatment of shareholders, emphasis is also placed on transparency in relation to the state's ownership, and the use of the AGM as a forum for decision-making.

Other contact between the state as owner and the management of the companies must take place in the same manner as for other institutional investors.

Representatives of the Ministry of Petroleum and Energy are invited to the presentation of Statoil's financial results together with other investors and analysts. The contact between the representatives who manage the state's holding in Statoil and the company's representatives is based on information that is available to all shareholders.

The state is not represented on the board of Statoil, but it works on the principle that all board members will endeavour to safeguard the company and the shareholders' joint interests.

Sale of the state's oil and gas

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

The Norwegian state has a common ownership strategy aimed at maximising the total value of its owner interests in Statoil and its own oil and gas interests. This is enshrined in the owner's rules of procedure, adopted by Statoil's general meeting, which require Statoil, in its activities on the Norwegian continental shelf, to attach importance to these overall interests in decisions which may have a bearing on the implementation of the sales arrangements.

The state-owned oil company Petoro AS handles the commercial elements relating to the Norwegian state's direct involvement in petroleum activities on the Norwegian continental shelf and pertaining activities.

For more information about the relationship between Statoil and the Norwegian state, see our US annual report on form 20-F Item 7: Major shareholders and related party transactions.

Freely negotiable shares

The Statoil share is listed on Oslo Børs and associated

The Norwegian state's principles for good corporate governance

- Shareholders shall be treated equally
- There must be transparency in state ownership of companies
- Owner decisions and formal resolutions shall be made/ adopted at the annual general meeting
- The state will, together with other owners if applicable, set performance targets for the companies; the board is responsible for the targets being achieved.
- The capital structure shall be consistent with the purpose of ownership and the company's circumstances.
- The composition of the board shall be characterised by competence, capacity and diversity and reflect the distinctive character of each company.
- Pay and incentive schemes should be designed to promote value creation in the companies, and they should be perceived as reasonable.
- On behalf of the owners, the board shall exercise independent control of the company's management.
- The board should have a plan for its own work and it should work actively on developing its own competence. The board's activities shall be evaluated.
- The company shall be aware of its responsibilities to society at large.

American Depository Receipts (ADR) on the New York Stock Exchange. The share is freely negotiable.

The next chapter, "The Statoil share", provides an overview of how the Statoil share has developed during 2006.

General meetings

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

Pursuant to the company's articles of association, the AGM must be held by the end of June each year. In recent years, Statoil's AGM has been held in the first half of May.

Notice of the meeting and documents for the AGM are published on Statoil's website together with the annual report at the end of March and are sent by mail to the shareholders in the middle of April. Documentation from previous AGMs is available from the website: <http://www.statoil.com/agm>

All shareholders who are registered in the Norwegian Central Securities Depository (VPS) will receive an invitation to the AGM. They are entitled to submit proposals and vote, in person or by proxy. The deadline for registration is a maximum of five working days prior to the AGM.

The chair of the AGM will normally be the chair of the corporate assembly. If there is a dispute concerning individual matters and the chair of the corporate assembly belongs to one of the disputing parties, or for some other reason is not perceived as being impartial, another person will be appointed to chair the AGM in order to ensure impartiality in relation to the matters to be considered.

Given the large number of shareholders and their wide geographical distribution, the number who have an opportunity to attend the AGM in person will be limited. Statoil therefore offers its shareholders an opportunity to follow the proceedings by webcast. The business of

the AGM is conducted in Norwegian and is translated simultaneously into English.

Statoil will introduce electronic voting at its general meetings as soon as Norwegian legislation allows this.

Extraordinary general meetings

Pursuant to Norwegian law, the auditor, or shareholders representing at least 5% of the share capital, can demand that an extraordinary general meeting be held in order to have a specific matter considered and decided. The board must ensure that the extraordinary general meeting is held within a month of such a demand being submitted.

In connection with the merger process between Statoil and Hydro's petroleum activities, an extraordinary general meeting will be convened. The shareholders of both companies will be invited with 30 days' notice.

Nomination committee

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

The duties of the election committee are:

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

In accordance with the Norwegian Code of Practice for Corporate Governance, Statoil's AGM resolved on 10 May 2006 to amend article 11 in the company's articles of association so that all members of the company's election committee will now be directly elected by the company's AGM. Previously, the practice was that one

The corporate assembly in Norwegian law

Pursuant to the Norwegian Public Limited Companies Act, companies with more than 200 employees must elect a corporate assembly comprising at least 12 members. Two-thirds of the members are elected by the AGM and one-third are elected by the employees.

The corporate assembly receives a proposal for candidates from the election committee, and it is responsible for electing members of the board of directors and the chair of the board. The corporate assembly also supervises the board and chief executive's management of the company.

The duties of the corporate assembly are defined in section 6-37 of the Public Limited Companies Act.

member was elected by and from among the shareholder-elected members of the corporate assembly and that the chair of the corporate assembly was a permanent member and chair of the election committee.

Members of the election committee are elected for a term of two years. The annual general meeting stipulates the remuneration to be paid to the election committee. At the AGM on 10 May 2006, it was resolved to pay members of the election committee a fee of NOK 4,000 per meeting.

The election committee's proposal for candidates to the corporate assembly is sent to the shareholders together with the notice of the AGM at which the election is to take place.

Pursuant to the rules of procedure for the election committee, its recommendations must be justified and contain relevant information about the candidates.

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

The election committee held 11 meetings in 2006.

Members of the election committee

Name:	Position:
Anne Kathrine Slungård (chair)	Marketing director, Entra Eiendom
Erlend Grimstad	Executive vice president of Umoe AS
Svein Arild Andersen	Independent consultant and adviser, formerly president of Oslo Børs
Bjørn Ståle Haavik	Director-general, Ministry of Petroleum and Energy

The rules of procedure for the election committee and the form for proposing candidates are available via Statoil's website (<http://www.statoil.com/cg>).

Corporate assembly and board of directors

Pursuant to the Public Limited Companies Act, companies with more than 200 employees must elect a corporate assembly (see panel on page 56). Members of the corporate assembly are elected for a term of two years. Members of the board of directors and the chief executive cannot be members of the corporate assembly, but they are entitled to attend and to speak at meetings of the corporate assembly unless the corporate assembly decides otherwise in individual cases.

The duties of the corporate assembly are to elect the board of directors and to monitor the work of the board and the chief executive in managing the company. (See also panel on page 56).

The corporate assembly held four meetings in 2006.

Composition and independence

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

The election committee's recommendations must at all times satisfy the requirements relating to the composition of the board of directors and corporate assembly laid down in applicable legislation and the regulations of any stock exchanges on which the company's shares are listed.

The proportion of women in Statoil's board of directors increased from 44% to 50% in 2006.

Norwegian law requires companies with at least 200 employees to have at least three board members elected by and from among the employees. None of the three employee-elected members have a leading

CORPORATE ASSEMBLY 2006

Name	Position
Anne Kathrine Slungård (chair)	Marketing director of Entra Eiendom
Erlend Grimstad (deputy chair)	Executive vice president of Umoe AS
Kjell Bjørndalen	General secretary of the Norwegian United Federation of Trade Unions
Kirsti Høegh Bjørneset	Lawyer
Anne Britt Norø	Bachelor of law
Greger Mannsverk	Managing director of Kimek AS
Ingvald Strømme	Professor of energy and process engineering and dean of the faculty of engineering science at the Norwegian University of Science and Technology (NTNU)
Inger Østensjø	Chief officer, Stavanger

Employee representatives:

Anne Synnøve Hebnes	Manager, Technology & Projects (T&P)
Per Helge Ødegård	Senior process technician, Exploration & Production Norway (EPN)
Arvid Færaas	Union rep, Natural Gas (NG)
Einar Arne Iversen	Union rep, Global business services

position in the company. Nor do any of the shareholder-elected members have or have previously had a leading position in the company, and they are deemed to be independent in accordance with both the Norwegian and US definitions.

The work of the board of directors

The board has overriding responsibility for managing the group and supervising day-to-day management and the group's operations.

The work of the board is based on rules of procedure that describe the board's responsibility, duties and administrative procedures. The rules of procedure also describe the duties of the chief executive and his/her duties vis-à-vis the board of directors.

See the directors' report on pages 40-49 for a discussion of important events and matters considered by the board in 2006.

Statoil's board of directors has two sub-committees which act as preparatory bodies.

The rules of procedure for the board of directors and the rules of procedure for the board's audit committee and remuneration committee can be downloaded from Statoil's website <http://www.statoil.com/cg>. The website also contains a more detailed description of the duties of the different governing bodies in the company. See also the US annual report on form 20-F, which contains a more detailed description of the duties of the sub-committees.

The board's audit committee

The role of the audit committee is to assist in the exercise of the board's management and control responsibility and to ensure that the group has an independent and effective external and internal auditing system. The duties of the audit committee include maintaining continuous contact with Statoil's elected auditor about the auditing of the company's accounts. The committee also supervises the implementation of and compliance with the group's ethical guidelines.

The audit committee assesses and makes a recommendation concerning the choice of external auditor, and it is responsible for ensuring that the external auditor meets the requirements set by the authorities in Norway and in other countries where Statoil is listed.

In the board's view, Finn A Hvistendahl meets the requirements as an accounting expert as they are defined in US legislation.

The board's remuneration committee

The role of the remuneration committee is to assist the board in its work on terms and conditions of employment for the chief executive, and on the philosophy, principles and strategy for the remuneration of leading executives in Statoil.

Risk management and internal control

Statoil's overriding guidelines for risk management are described in *The Statoil Book*. The board of directors and the company's management place emphasis on the quality of the control functions, and this is reflected in Statoil's management systems.

Risk management

In order to manage the various market risks, Statoil has developed a comprehensive model that is used to optimise risk exposure and returns.

In Statoil, risk management is divided into three categories:

- Risks that can be covered through insurance and which is managed by Statoil's own insurance company.
- Tactical risks defined as short-term trading risk based on underlying exposure and which is managed by the line management.
- Strategic risks that are long-term fundamental risks, and which are monitored by the company's corporate risk committee, which gives advice and makes recommendations to the corporate executive committee.

Since 1999, Statoil has had a corporate risk

Board meeting attendance, 2006

Name	Member since	Attendance at meetings 2006 (of possible)	Member of the audit committee since	Attendance, audit committee meetings	Member of the remuneration committee since	Attendance, remuneration committee meetings
Jannik Lindbæk (chair)	Nov 2003	17 (17)			Jan 2005	8 (8)
Kaci Kullmann Five	Aug 2002	17 (17)				
Knut Åm	Apr 1999	17 (17)	Oct 2005	8 (8)	Jan 2005	8 (8)
Finn A Hvistendahl	Apr 1999	17 (17)	Jun 2003	7 (8)		
Ingrid Wiik	Jun 2005	15 (17)	Oct 2005	8 (8)		
Grace Reksten Skaugen	Jun 2002	17 (17)			Jan 2005	8 (8)
Marit Arnstad	Jun 2006	9 (11)				
Employee-elected directors						
Morten Svaan	Jun 2004	17 (17)	Sep 2004	8 (8)		
Lill-Heidi Bakkerud	Jun 2004	17 (17)				
Claus Clausen	Jun 2006	10 (11)				

committee which is chaired by the chief financial officer. The committee meets once a month to evaluate and determine the company's strategies for risk management. See the operating financial review and prospects on page 64 for a more detailed description of the company's risk management.

Internal control

Statoil applies the framework of the Committee of Sponsoring Organisations of the Treadway Commission (COSO) in its work on internal control relating to financial reporting. Pursuant to this framework, internal control consists of five interrelated components: the control environment; risk assessment; control activities; information and communication; and follow-up.

The control activities that have been established in connection with financial reporting are based on a formalised process for risk assessment. The risk assessments are carried out with the focus on the risk of material errors in the financial reporting and the risk of dishonesty. The control activities are laid down in governing documents. Responsibility in connection with financial reporting is clearly defined and communicated to relevant personnel at both the management level and operator level.

The follow-up of internal control in connection with financial reporting takes place through management's day-to-day follow-up, through the process owners' follow-up and through independent testing by the corporate audit entity. Non-conformances are systematically followed up and corrective measures initiated. Statoil is in the process of implementing system support for all management levels in relation to their continuous follow-up of internal control. This is being done in the same system in which the management stores other relevant management information. Corporate audit has established a separate department which is responsible for testing internal control in connection with financial reporting.

The board's audit committee and the corporate executive committee follow up internal control in connection with financial reporting through quarterly reporting from the corporate audit entity, and through other reporting as required. The CFO, head of the corporate audit entity and representatives of the external auditor attend meetings of the audit committee on a regular basis.

(See also separate section below on the Sarbanes-Oxley Act).

Remuneration

Remuneration of the corporate assembly and election committee

Members of the corporate assembly are remunerated in accordance with their individual roles. The remuneration is not dependent on results, and none of the shareholder-elected members has a pension scheme or agreement on pay after termination of their office with the company.

In 2006, the chair of the corporate assembly received remuneration of NOK 85,000, the deputy chair received NOK 45,000, while other members received NOK 30,000 each. In addition, NOK 25,000 in total was paid to the deputy members (NOK 5,000 per meeting) and NOK 30,000 was paid to each of the two observers. A total of NOK 515,000 was paid in remuneration to the members of the corporate assembly in 2006.

The election committee received a total of NOK 172,000 in remuneration in 2006.

Remuneration of the board of directors

Members of the board of directors are remunerated in accordance with their individual roles. The remuneration of the board is not dependent on results, and none of the shareholder-elected board members has a pension scheme or agreement on pay after termination of their office with the company.

The Sarbanes-Oxley Act is an American law that requires companies listed on US stock exchanges to verify their internal control procedures in connection with financial reporting. The intention of the Act is to strengthen confidence among shareholders and other interest groups by providing them with documentation that internal procedures are followed and that corporate risk is managed in a responsible manner.

Pursuant to section 404 of the Sarbanes-Oxley Act, Statoil's management, represented by the CEO and the CFO, must issue an annual statement confirming Statoil's internal control in connection with financial reporting. The company's external auditor issues a corresponding confirmation.

This statement was issued for the first time on 31 December 2006. The external auditor's statement pursuant to section 404 of the Sarbanes-Oxley Act is also included in Statoil's reporting for 2006. See Item 15, US annual report on form 20-F.

In 2006, the members of the board received remuneration as follows:

Chair of the board	NOK 450,000
Deputy chair	NOK 280,000
Board member	NOK 225,000
Leader of the audit committee	NOK 75,000
Member of the audit committee	NOK 50,000

In 2006, a total of NOK 2,525,000 was paid to the board of directors in remuneration, (see the note in the Norwegian consolidated accounts).

Members of the board's remuneration committee were not paid special recompense in 2006.

Statoil's remuneration policy

Statoil's policy on pay is rooted in the company's personnel policy. Certain key principles have been adopted for the design of the company's remuneration policy. These principles apply in general but they will be applied differently in the different remuneration systems and job categories.

The remuneration policy is intended to:

- Ensure that the overall picture is taken into account through solutions that are integrated with Statoil's value and performance-oriented framework.
- Be competitive in the employment market without being an overall pacesetter on pay.
- Reward and recognise delivery and behaviour on an equal footing.
- Ensure that there is a strong connection between performance and reward.
- Differentiate on the basis of responsibility and influence.
- Reward both short-term and long-term contributions and results.
- Strengthen a community of interest between employees, the company and its owners.

- Be transparent and act in accordance with good corporate governance.

The decision-making process

The decision-making process for the establishment and amendment of remuneration policies and the stipulation of salaries and other remuneration of leading personnel is in accordance with the provisions of the Public Limited Companies Act sections 5-6, 6-14, 6-16 a) and the rules of procedure for the board adopted on 27 October 2006. The board has appointed a separate remuneration committee.

The remuneration committee is an advisory body for the board of directors.

The board of directors determines the salary and other terms of employment of the CEO.

The remuneration policy for managers

Statoil's remuneration policy for managers consists of the following main elements:

- Basic salary.
- Variable pay based on an annual bonus programme. Statoil does not have share option schemes.
- Payments in kind, e.g. car and telephone allowances.
- Pensions and insurance schemes.
- Severance pay arrangements for members of the corporate executive committee.

The CEO's terms of employment in 2006

The chief executive's basic salary was increased by 3.75% to NOK 4,700,000 with effect from 1 January 2006.

The chief executive has a bonus scheme in which the size of the bonus is stipulated after an evaluation of results achieved based on the targets set by the board. Targets cover financial, operational/market conditions and requirements relating to HSE, organisation and leadership. If the defined targets are met, the bonus will be 15%; if the results achieved are better,

the bonus may be higher but not exceeding 30% of his basic salary.

Chief executive Helge Lund's bonus payment of NOK 906,000 for 2005 was disbursed in the calendar year 2006. Correspondingly, the bonus for results achieved in 2006 will be paid in 2007. In 2006, Mr Lund received salary and other remuneration totalling NOK 9,852,000 from the company, including paid pension premium.

The projected benefit pension obligation for Mr Lund, which in accounting terms is deemed to have been earned as at 31 December 2006, is NOK 9,236,008.

Executive vice presidents

The total salary and other remuneration of executive vice presidents in 2006 amounted to NOK 35,033,238. The detailed terms of employment for members of the corporate executive committee are described in a note to the Norwegian accounts.

Information and communications

Statoil is committed to treating its Norwegian and international investors on an equal footing and ensuring sufficient information to enable the valuation of the company to take place on the best possible basis.

The investor relations (IR) corporate staff function is responsible for coordinating the group's communication with capital markets and for the relations between Statoil and existing and potential investors in the company.

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

The company's quarterly presentations are broadcast directly on the internet. The pertaining reports are made available together with other relevant information on the company's website: <http://www.statoil.com/ir>.

IR reports to the chief financial officer (CFO).

Takeovers

Statoil's board of directors concurs with the principles concerning the equal treatment of all shareholders, and it is obliged to act professionally and in accordance with applicable legislation and rules if a situation arises in which this principle is put to the test.

Auditor

The company's external auditor is independent in relation to Statoil and is appointed by the corporate assembly. The fee for the company's auditor must be approved by the AGM.

Pursuant to the rules of procedure, the board's audit committee is responsible for ensuring that the company is subject to an independent and effective external and internal audit.

When evaluating the external auditor, emphasis is placed on the firm's competence, capacity, local and international availability and the size of the fee.

The board's audit committee evaluates and gives its recommendation regarding the choice of external auditor, and is responsible for ensuring that the external auditor meets the requirements of the authorities in Norway and in the countries where Statoil is listed on the stock exchange. The external auditor is subject to the provisions of US legislation stipulating that a responsible partner may not hold the office for more than five consecutive years.

The board's audit committee considers all reports from the external auditor before they are considered by the board of directors. The audit committee holds regular meetings with the external auditor without the company's management being present.

Ernst & Young is the company's present external auditor. In 2006, the total group fees paid to the external auditor amounted to NOK 42.4 million, NOK 6.6 million of which were for additional services.

The Statoil share

Statoil is the biggest company listed on the Oslo stock exchange (Oslo Børs). At 31 December 2006, Statoil represented 19% of the total company values registered on the exchange.

On average, 12.6 million Statoil shares were traded on Oslo Børs every day in 2006, an increase corresponding to 26% on the year before. The share accounted for 21.2% of the total market value traded throughout the year (see the illustration).

At 31 December 2006, Statoil had more than 67,500 shareholders registered in the Norwegian Central Securities depository (VPS). The number of American Depository Receipts registered on the New York Stock Exchange increased by 64% during the course of the year, from 40.9 million to 67.1 million shares.

Dividend

It is Statoil's policy that its shareholders will receive a competitive return on invested capital over time, through a combination of an increase in the value of the share, cash dividends and the repurchase of own shares.

Statoil's dividend policy is described in the chapter on corporate governance on page 53.

For 2006, it is proposed to pay an ordinary dividend of NOK 4.00 and a special dividend of NOK 5.12 per share. If the dividend is adopted by the annual general meeting on 15 May 2007, the Statoil share will be listed excluding dividend on 16 May, and payment will be effected on 5 June 2007 to all shareholders registered on the day the dividend is adopted. The dividend will be paid in NOK.

With effect from 2006, the repurchase of own shares is also part of Statoil's dividend policy. Repurchase is used as a means of continuously adapting the company to an expedient capital structure. Statoil and

the Norwegian state have entered into an agreement which regulates the redemption and cancellation of a proportionate number of the state's shares, thus ensuring that the state's proportional owner interest will remain unchanged.

In 2006, Statoil repurchased 5,867,000 shares in the market, for cancellation through capital reduction. In addition, a corresponding proportion of 14,291,848 shares will be redeemed from the Norwegian state. The repurchase represents NOK 1.55 per share. The total capital distribution to Statoil's shareholders thus corresponds to NOK 10.67 per share, which amounts to 57% of the net profit for 2006.

	2003	2004	2005	2006
Profit per share	7.64	11.50	14.19	18.79
Ordinary dividend	2.95	3.20	3.60	4.00*
Repurchase of shares	-	-	-	1.55
Special dividend	-	2.10	4.60	5.12*
Share of capital distribution to Statoil's shareholders	39%	46%	58%	57%

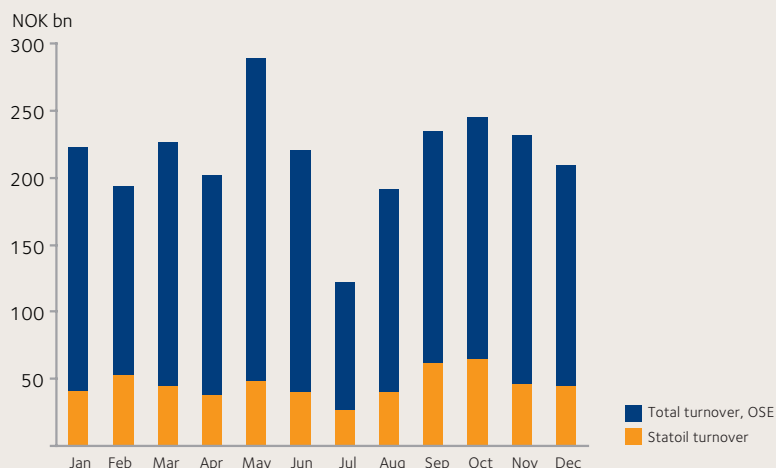
* Proposed dividend for 2006. Will be presented to the AGM on 15 May 2007.

Information to the market

Statoil places emphasis on keeping the stock market and the world at large well informed about developments in the company's financial performance and future prospects. The information to the stock market must be characterised by transparency and equal treatment, and aim to provide shareholders with correct, clear, relevant and timely information that provides a basis for assessing the value of the company. The Statoil share is



 www.statoil.com/ir



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

listed on the stock exchanges in Oslo and New York, and the company distributes all price-sensitive information to Oslo Børs and the US Securities and Exchange Commission.

Investor contact

Statoil's investor relations staff function (IR) coordinates the company's contact with investors.

IR's web pages are especially designed with investors and analysts who follow the company's progress in mind. Among other things, the web pages contain updated information about the share, a financial calendar and information with a bearing on the valuation of the company. Statoil meets the requirements for the information symbol and English symbol issued by Oslo Børs.

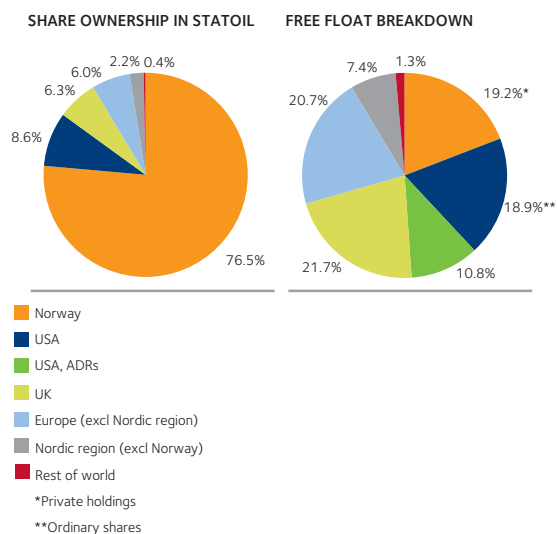
Ticker codes

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

Twenty largest shareholders at 31 December 2006		
1	THE NORWEGIAN STATE	70.90%
2	BANK OF NEW YORK, THE ADR DEPARTMENT*	3.13%
3	STATE STREET BANK*	1.91%
4	JPMORGAN CHASE BANK*	1.25%
5	NORWEGIAN NATIONAL INSURANCE FUND	1.18%
6	FIDELITY FUNDS EUROPE	0.74%
7	CLEARSTREAM BANKING*	0.60%
8	MELLON BANK*	0.50%
9	DANSKE BANK*	0.41%
10	DRESDNER BANK*	0.41%
11	STATE STREET BANK*	0.36%
12	STATOIL ASA ¹	0.33%
13	SKANDINAVISKA ENSKILDA*	0.33%
14	MELLON BANK*	0.32%
15	DEUTSCHE BANK*	0.31%
16	RBC DEXIA INVESTORS*	0.30%
17	EUROCLEAR BANK*	0.30%
18	VITAL FORSIKRING	0.29%
19	SVENSKA HANDELSBANKEN*	0.28%
20	STATE STREET BANK *	0.27%

* Investment manager account

¹ As of 31 December 2006, Statoil owns 7,107,768 own shares, 5,867,000 of which have been acquired in the market for subsequent cancellation, and 1,240,768 of which have been acquired in the market for the purpose of implementing a share saving plan for employees.

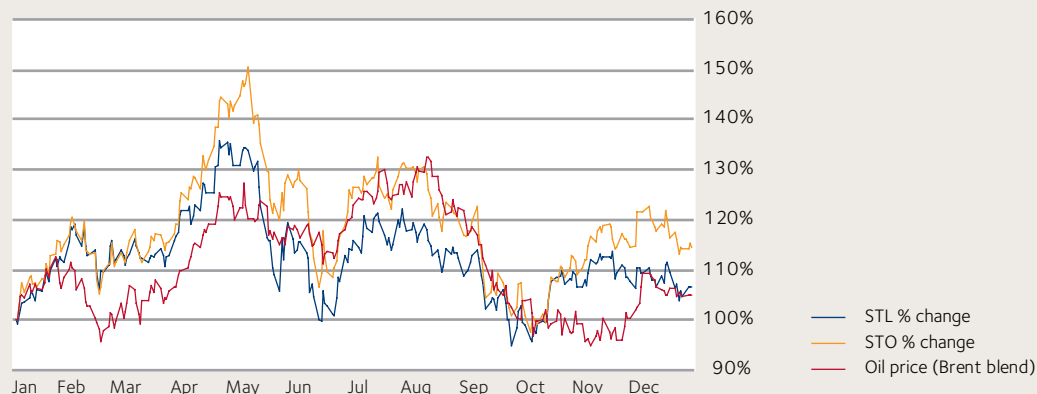


Share capital at 31 December 2006:

Number of ordinary shares: 2,166,143,715
 Number of outstanding shares (adjusted for repurchase of own shares and shares for use in the share saving plan): 2,159,035,947

	2003	2004	2005	2006
Highest closing price	75.25	103.50	166.50	210.50
Lowest closing price	51.50	74.00	91.25	147.25
Closing price at 31 Dec	74.75	95.00	155.00	165.25
Market value at				
31 Dec (NOK bn)	162	206	336	358
Daily turnover (million shares)				
	3.3	6.7	10.1	12.6
Adjustment of cost price (RISK) ¹				
	2.43	3.26	0.89	0.83

¹ RISK: Norwegian abbreviation for adjustment of original cost of shares by taxed profits. Applies only to shareholders who pay tax in Norway. Its purpose is to avoid double taxation of dividends when selling shares, in that the retained and taxed profit in a limited company is added proportionately to the original cost of the shares in the form of a RISK amount per share. In 2006 RISK was replaced by a shielding deduction.



The performance of the Statoil share on the Oslo and New York exchanges, compared with the oil price.

Operating and Financial Review and Prospects

You should read the following discussion of our financial condition and results of operations in connection with our audited financial statements and relevant notes and the other information contained elsewhere in this Annual Report on Form 20-F.

Overview of Our Results of Operations

In the year ended December 31, 2006, we had total revenues of NOK 425.2 billion and net income of NOK 40.6 billion. In the year ended December 31, 2006, we produced 244 million barrels of oil and 27.0 bcm (953 bcf) of natural gas, resulting in a total production of 414 million boe. Our proved reserves as of December 31, 2006 consisted of 1,675 mmbbls of crude oil and NGL and 399 bcm (14.1 tcf) of natural gas, resulting in a total of 4,185 mmboe.

We divide our operations into the following four business segments:

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

Factors Affecting Our Results of Operations

Our results of operations substantially depend on:

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

own, as well as our partners' expertise and co-operation in recovering oil and natural gas from those reserves; and

- changes in our portfolio of assets due to acquisitions and dispositions.

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

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

The following table shows the yearly average quoted Brent Blend crude oil prices, natural gas contract prices, FCC margins and USDNOK exchange rates for 2006, 2005 and 2004.

Sensitivities on 2006 results

The table on the next page illustrates how certain changes in the crude oil price, natural gas contract prices, the fluid catalytic cracking (FCC)(refining) margins and the USDNOK exchange rate, if sustained for the full year, may impact our Income before financial items, income taxes and minority interest and our Net income, assuming activity at levels achieved in 2006.

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

Our oil and gas price hedging activities are designed to assist our long-term strategic development and attainment of targets by protecting financial flexibility and cash flow, allowing the company to be able to undertake

Yearly average	2006	2005	2004
Crude oil (USD/bbl Brent Blend)	65.1	54.5	38.3
Natural gas (NOK per scm) ⁽¹⁾	1.91	1.45	1.10
FCC margins (USD/bbl) ⁽²⁾	7.1	7.9	6.4
USDNOK average daily exchange rate	6.42	6.45	6.74

(1) From the Norwegian Continental Shelf.

(2) Refining margin.

profitable projects and acquisitions and avoiding forced divestments during periods of adverse market conditions. In 2004, we bought downside protection for prices below USD 18 per barrel for some of our production for the last three quarters of 2005. Approximately 20 per cent of the refining margin was hedged to reflect our view of the markets for 2005. Based on our current market view, we have in the first quarter of 2007 entered into certain derivative contracts to hedge approximately 4 per cent of natural gas sales originating from the NCS in periods up to and including the third quarter of 2009.

Fluctuating foreign exchange rates can have a significant impact on our operating results. Our revenues and cash flows are mainly denominated in or driven by U.S. dollars, while our operating expenses and income taxes payable accrue to a large extent in NOK. We seek to manage this currency mismatch by issuing or swapping long-term debt into U.S. dollars. This debt policy is an integrated part of our total risk management program.

We are also engaging in foreign currency hedging to cover our non-USD needs, which are primarily in NOK. We manage the risk arising from our interest rate exposures through the use of interest rate derivatives, primarily interest rate swaps, based on a benchmark for the interest reset profile of our long-term debt portfolio. See —Liquidity and Capital Resources—Risk Management. In general, an increase in the value of the U.S. dollar against the NOK can be expected to increase our reported earnings. However, because currently our debt outstanding is in U.S. dollars, the benefit to Statoil would be offset in the near term by an increase in the value of our debt, which would be recorded as a financial expense and, accordingly, would adversely affect our net income. A decrease in the exchange rate would have an opposite effect, and hence cause decreased earnings, which would be offset by financial income in the near term. See —Liquidity and Capital Resources—Risk Management.

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

Statoil sells, in its own name, but for the Norwegian State's account and risk, the State's natural gas production. This sale, as well as related expenses refunded by the State, is shown net in Statoil's financial statements. Expenses refunded by the State include expenses incurred related to activities and investments necessary to obtain market access and to optimize the profit from the sale of the Norwegian State's natural gas. For sales of the Norwegian State's natural gas, both for our own use and to third parties, the payment to



the Norwegian State is based on achieved prices, a net back formula or market value. Statoil purchases a small share of the Norwegian State's gas.

Total purchases of oil and NGL from the Norwegian State by Statoil amounted to NOK 104,628 million (254 mmbob), NOK 97,078 million (282 mmbob) and NOK 81,487 million (319 mmbob) in 2006, 2005 and 2004, respectively. Purchases of natural gas from the Norwegian State amounted to NOK 293 million, NOK 262 million and NOK 237 million in 2006, 2005 and 2004, respectively.

High oil prices have contributed to higher earnings and profitability in international projects with PSAs than previously anticipated. Under a PSA, the partners are generally entitled to production volumes that cover the development costs and an agreed share of the remaining volumes. When oil prices are high, this means that these projects will move from a phase where earnings cover development costs to a phase where profits are generated at an earlier point in time. In PSA contracts, the higher the oil price, the sooner the field is profitable and the smaller is the share of the production that goes to the partners. The actual effect varies between different agreements and countries. See –Corporate Targets below for a description of the impact of the PSA effect on our ability to achieve our corporate targets.

Historically, our revenues have largely been generated from the production of oil and natural gas on the NCS. Norway imposes a 78 per cent marginal tax rate on income from offshore oil and natural gas activities. Our earnings volatility is moderated as a result of the significant amount of our Norwegian offshore income that is subject to a 78 per cent tax rate in profitable periods

(in NOK billion)	Change in Income before financial items, income taxes and minority interest	Change in Net income
Oil price (+/- USD 1/bbl)	1.6	0.5
Gas price NCS (+/- NOK 0.1/scm)	2.6	0.6
Refining margins (+/- USD 1/bbl)	0.8	0.5
U.S. dollar exchange rate impact on revenues and costs (+/- NOK 0.50) ⁽¹⁾	11.8	2.0
U.S. dollar exchange rate impact on financial debt (+/- NOK 0.50) ⁽¹⁾	n/a	1.2

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

and the significant tax assets generated by our Norwegian offshore operations in any loss-making periods. A prevailing part of the taxes we pay are paid to the Norwegian State. Since January 1, 2004, dividends received have not been subject to tax in Norway. Exemptions exist for dividends from low-tax countries or portfolio investments outside the EEA.

Governmental fiscal policy is an issue in several of the countries in which we operate, such as but not limited to Venezuela, the United States, Algeria and Angola. Governmental fiscal policy could for instance be in the form of royalties in cash or in kind, increased tax rates, increased government participation, and changes in terms and conditions as defined in various production or income sharing contracts. Our financial statements are based on currently enacted regulations and, to the extent applicable, current claims from tax authorities regarding past events. Developments in governmental fiscal policy may have a negative effect on future net income.

Combined Results of Operations

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

Years ended December 31, 2006, 2005 and 2004

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

Our sales revenue totaled NOK 423.5 billion in 2006, compared to NOK 384.7 billion in 2005 and NOK 299.0 billion in 2004.

The 10 per cent increase in sales revenues from 2005 to 2006 was mainly due to a 20 per cent increase in the average oil price measured in NOK and a 32 per cent increase in the realized price of our natural gas sold to the European markets measured in NOK. The oil price of the group is a volume-weighted average of the segment prices of oil and NGL, including a margin for oil trading and sales of NOK 0.70 per boe. The increase in sales revenues was partly offset by the reduction of oil volumes sold, mainly due to a decrease in lifted volumes of oil.

The 29 per cent increase in sales revenues from 2004 to 2005 was mainly due to a 34 per cent increase in the average oil price measured in NOK and a 31 per cent increase in the realized price of our natural gas sold to the European markets measured in NOK, as well as increased sales of equity natural gas. The increase in sales revenues was partly offset by the reduction of oil volumes sold, mainly related to a decrease in volumes sold on behalf of SDFI.

Our average daily oil production (lifting) decreased from 701,000 barrels in 2005 to 668,000 barrels in 2006. The 5 per cent decrease in average daily oil production from 2005 to 2006 was primarily due to lower production from declining fields including Statfjord, Troll oil and Oseberg. In addition, temporary lower production from 2005 to 2006 was experienced on the Tordis and Gullfaks fields, due to longer turnarounds. Lower entitlement production under the PSA in Angola and lower production on the Lufeng field in China, the Sincor field in Venezuela and the Alba field in UK also contributed to reduced oil production. This reduction was partly offset by increased oil production mainly related to start-up of new fields such as Kizomba B and the West and East Azeri part of the ACG field, which came on stream in the third and fourth quarter of 2005 and fourth quarter of 2006, respectively.

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

	Year ended December 31,		
	2006	2005	2004
CONSOLIDATED STATEMENTS OF INCOME			
Revenues:			
Sales	99.6%	99.3%	99.2%
Equity in net income of affiliates	0.1%	0.3%	0.4%
Other income	0.3%	0.4%	0.4%
Total revenues	100%	100%	100%
Expenses:			
Cost of goods sold	56.3%	59.6%	61.1%
Operating expenses	8.1%	7.8%	9.0%
Selling, general and administrative expenses	1.6%	1.9%	1.9%
Depreciation, depletion and amortization	5.1%	5.4%	5.7%
Exploration expense	1.3%	0.8%	0.6%
Total expenses before financial items	72.5%	75.5%	78.4%
Income before financial items, income taxes and minority interest	27.5%	24.5%	21.6%

Our natural gas volumes sold of Statoil produced natural gas were 28.4 bcm (1,003 bcf) in 2006, 27.3 bcm (964 bcf) in 2005 and 25.0 bcm (881 bcf) in 2004. The 4 per cent increase in gas volumes sold from 2005 to 2006 was mainly due to increased customer off-take and increased supply obligations under existing contracts and increased spot sales. The 9 per cent increase in gas volumes sold from 2004 to 2005 was mainly due to high customer off-take under existing contracts, an increase in the contracted gas sales portfolio and increased production permits.

We record revenues from sales of production based on lifted volumes. The term “production” as used in this section means lifted volumes. However, when calculating the production unit cost per barrel of oil equivalent, we use produced volumes in the denominator, and not lifted volumes. Overlifting and underlifting positions are a result of Statoil lifting either a higher or a lower volume of oil within the period than that represented by our total production of entitlement volumes in that period.

Equity in net income (loss) of affiliates. Equity in net income (loss) of affiliates principally includes our 50 per cent equity interest in Borealis, which was sold in 2005, our 50 per cent equity interest in Statoil Detaljhandel Skandinavia (SDS), which was increased to 100 per cent in July 2004, our 50 per cent equity interest in the drill ship West Navigator, which was sold in 2004, and miscellaneous other affiliates. Our share of Equity in net income of affiliates was NOK 0.4 billion in 2006, NOK 1.1 billion in 2005 and NOK 1.2 billion in 2004. The decrease from 2005 to 2006 was primarily due to the sale of Borealis which took place in the fourth quarter of 2005.

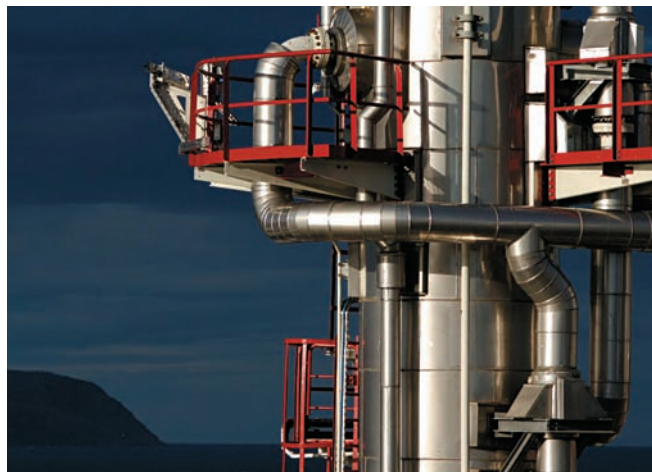
Other income. Other income was NOK 1.2 billion in 2006, NOK 1.7 billion in 2005 and NOK 1.2 billion in 2004. The NOK 1.2 billion income in 2006 was mainly related to a change in write-down of inventory to production cost and gains from sales of assets. The NOK 1.7 billion income in 2005 was mainly related to the sale of our shares in Borealis. The NOK 1.2 billion income in 2004 was mainly related to the sale of our shares in Verbundnetz Gas (VNG), sales of our shares in the technology companies Electro Magnetic Geo Services AS (EMGS) and Advanced Production and Loading AS (APL) and sales of a portion of our ownership interest in the fields Kristin and Mikkel on the NCS.

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

Cost of goods sold increased to NOK 239.5 billion in 2006 from NOK 230.7 billion in 2005 and NOK 184.2 billion in 2004.

The 4 per cent increase in 2006 compared to 2005 and the 25 per cent increase in 2005 compared to 2004 were mainly due to increased oil and gas prices measured in NOK. This was partly offset by reduced oil volumes purchased from the SDFI.

Operating expenses. Our operating expenses include production costs in fields and transport systems related to our share of oil and natural gas production. Operating expenses in 2006 were NOK 34.3 billion, as compared to NOK 30.2 billion in 2005 and NOK 27.3 billion in 2004. The increase from 2005 to 2006 was primarily due to increased activity including higher operation and maintenance costs and increased transportation cost. The increase from 2004 to 2005 was primarily due to increased activity.



Selling, general and administrative expenses. Our selling, general and administrative expenses include costs related to the selling and marketing of our products, including business development costs, payroll and employee benefits. Our selling, general and administrative expenses were NOK 7.0 billion in 2006, compared to NOK 7.2 billion in 2005 and NOK 5.7 billion in 2004.

The decrease from 2005 to 2006 was mainly due to decreased insurance cost of NOK 0.9 billion. 2005 included an insurance cost of NOK 0.5 billion due to insurance premium commitments and accruals related to liabilities in the two mutual insurance companies in which Statoil Forsikring AS participates. These accruals were partially reversed by NOK 0.4 billion in 2006. In addition, a pre-tax gain of NOK 0.6 billion from the sale of Statoil Ireland, which is reported net under selling, general and administrative expenses, contributed to the decrease in 2006.

The increase from 2004 to 2005 was primarily due to increased activity, as well as NOK 0.5 billion in increased insurance costs as described above.

Depreciation, depletion and amortization expenses. Our depreciation, depletion and amortization expenses include depreciation of production installations and transport systems, depletion of fields in production, amortization of intangible assets and depreciation of capitalized exploration expenditure, as well as write-down of impaired long-lived assets. Depreciation, depletion and amortization expenses were NOK 21.8 billion in 2006, compared to NOK 21.0 billion in 2005 and NOK 17.3 billion in 2004.

The increase from 2005 to 2006 was mainly related to the start-up of new fields in 2006, new estimates on decommissioning cost and a change in the well factor depreciation principle. Well costs are now depreciated on the basis of proved reserves reduced by a factor of actual wells drilled in proportion to wells planned to be drilled. In addition, a reduction in the proved reserves estimate for the calculation of depreciation in the fourth quarter of 2006, reflecting a decrease in proved reserves due to the effect of higher oil prices on production for international projects under PSAs, contributed to increased depreciation, depletion and amortization expense in 2006. This was partly offset by a NOK 2.2 billion write-down of the book value of Statoil’s share in phases 6–7–8 of the South Pars project.

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

Exploration expenditure. Our exploration expenditure is capitalized to the extent our exploration efforts are deemed successful, or awaiting such determination, and is otherwise expensed. Our exploration expense consists of the expensed portion of our current-period exploration expenditure and write-offs of exploration expenditure capitalized in prior periods. Exploration expense was NOK 5.7 billion in 2006, NOK 3.3 billion in 2005 and NOK 1.8 billion in 2004.

The increase of 74 per cent in exploration expense from 2005 to 2006 was mainly due to higher exploration activity, generally more expensive wells and an increase in expense previously capitalized licenses and well expenditures. A total of 37 exploration and appraisal wells were completed in 2006, 17 on the NCS and 20 internationally. Of these wells, 19 resulted in discoveries, while six wells await final evaluation.

The increase of 78 per cent in exploration expense from 2004 to 2005 was mainly due to higher exploration activity, higher costs related to seismic and generally more expensive wells. A total of 20 exploration and appraisal wells were completed in 2005, nine on the NCS and 11 internationally. Of these wells, 15 resulted in discoveries.

Income before financial items, income taxes and minority interest. Income before financial items, income taxes and minority interest totaled NOK 116.9 billion in 2006, NOK 95.0 billion in 2005 and NOK 65.1 billion in 2004.

The 23 per cent increase from 2005 to 2006 was mainly due to a 20 per cent increase in the oil price measured in NOK and a 32 per cent increase in the gas price measured in NOK. The increase was partly offset by a reduction in lifted oil volumes and an increase in cost items.

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

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

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

Exploration (in NOK million)	Year ended December 31,		
	2006	2005	2004
Exploration expenditure (activity)	7,451	4,337	2,466
Expensed, previously capitalized exploration expenditures	667	158	110
Capitalized share of current period's exploration activity	(2,454)	(1,242)	(748)
Exploration expense	5,664	3,253	1,828

In 2006, 2005 and 2004, our Income before financial items, income taxes and minority interest, measured as a percentage of revenues was approximately 27 per cent, 25 per cent and 22 per cent respectively, and was impacted by the various factors described above.

Net financial items. In 2006 we reported a net financial items income of NOK 4.8 billion, compared to a net financial items expense of NOK 3.5 billion in 2005 and a net financial items income of NOK 5.8 billion in 2004. The changes from year to year resulted principally from changes in currency gains and losses on the U.S. dollar portions of our long-term debt outstanding and currency gains and losses on U.S. dollar short-term balances linked to our NOK hedging policy. In both cases currency gains and losses relate to changes in the USDNOK exchange rate.

Currency swaps are used for risk management purposes to ensure that the long-term interest bearing debt is recorded in U.S. dollars. As a result, our long-term debt is exposed to changes in the USDNOK exchange rate. The USD weakened in relation to the NOK by NOK 0.51 during 2006 and the USD strengthened in relation to the NOK by NOK 0.73 during 2005 and weakened by NOK 0.64 during 2004.

Interest and other financial income amounted to NOK 2.2 billion in 2006, compared to NOK 1.4 billion in 2005 and NOK 1.0 billion in 2004. The increase from 2005 to 2006 was mainly due to interest income on repaid tax, bank deposits and commercial papers. The increase in interest and other financial income from 2004 to 2005 was mainly related to dividends received.

Interest and other financial expense amounted to NOK 1.3 billion in 2006, compared to NOK 0.5 billion in 2005 and NOK 0.3 billion in 2004. The increased expense from 2005 to 2006 was mainly due to an increase in short-term interest expense and long-term interest expense, which was partly offset by an increase in capitalized interests. The increased expense from 2004 to 2005 was mainly due to an increase in short-term costs, which was partly offset by an increase in capitalized interests.

The result from management of the portfolio of security investments, mainly related to equity securities held by our insurance captive Statoil Forsikring AS and commercial papers held by Statholding AS, provided a gain of NOK 0.6 billion in 2006, compared to NOK 1.4 billion in 2005 and zero in 2004. The Central Bank of Norway's closing rate for USDNOK was 6.26 on December 31, 2006, 6.77 on December 31, 2005 and 6.04 on December 31, 2004. These exchange rates have been applied in Statoil's financial statements.

Other items. There were no Other items in the periods reported.

Income taxes. Our effective tax rates were 66.0 per cent, 65.6 per cent and 64.1 per cent in 2006, 2005 and 2004, respectively.

Adjusted for the effect of the tax-free capital gain on the sale of shares in Borealis, the tax rate in 2005 would have been 66.7 per cent. The tax rate in 2004 was strongly influenced by the positive tax effects due to the change in Norwegian tax legislation relating to dividends received by companies (the Exemption Method) and the acceptance by the Norwegian tax authorities of our method of allocating office costs to be deductible under the offshore tax regime. Adjusted for these non-recurring tax effects, the tax rate in 2004 would have been 66.7 per cent.

Our effective tax rate is calculated as income taxes divided by income before income taxes and minority interest. Fluctuations in the effective tax rates from year to year are principally a result of non-taxable items (permanent differences), changes in the components of income between Norwegian oil and gas production, taxed at a marginal rate of 78 per cent, other Norwegian income, including the onshore portion of net financial items, taxed at 28 per cent, and income in other countries taxed at the applicable income tax rates.

Minority interest. Minority interest in net profit in 2006 was NOK 0.7 billion, compared to NOK 0.8 billion in 2005 and NOK 0.5 billion in 2004. Minority interest consists primarily of Shell's 21 per cent interest in the Mongstad crude oil refinery.

Net income. Net income in 2006 was NOK 40.6 billion, compared to NOK 30.7 billion in 2005 and NOK 24.9 billion in 2004 for the reasons discussed above.

Business Segments

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



gas produced by E&P Norway. Statoil has established a market price-based transfer pricing policy whereby we set an internal price at which our E&P Norway business segment sells oil and natural gas to the Manufacturing and Marketing and the Natural Gas business segments.

For sales of oil from E&P Norway to Manufacturing and Marketing, the transfer price of oil is the applicable market reflective price less a margin of NOK 0.70 per barrel. The transfer price of sales of natural gas from E&P Norway to Natural Gas is NOK 0.32 per scm adjusted quarterly by the average USD oil price over the previous six months in proportion to USD 15 per barrel. The average transfer price for natural gas per standard cubic meter amounted to NOK 1.36 in 2006, NOK 1.04 in 2005 and NOK 0.71 in 2004.

The following table sets forth certain financial information for our business segments, including inter-company eliminations for each of the years in the three-year period ending December 31, 2006. Deferred Long-Term Tax Assets are excluded from Long-Term Assets by business area, while included in Long-Term Assets under Other and Eliminations.

Results of operations (in million)	2006 NOK	Year ended December 31		2004 NOK
		USD	2005 NOK	
E&P Norway				
Revenues	116,967	18,779	97,623	74,050
Income before financial items, income taxes and minority interest	89,389	14,351	74,132	51,029
Long-Term Assets	103,332	16,590	86,386	81,629
International E&P				
Revenues	24,643	3,956	19,563	9,765
Income before financial items, income taxes and minority interest	10,928	1,755	8,364	4,188
Long-Term Assets	70,665	11,345	62,163	37,457
Natural Gas				
Revenues	61,134	9,815	45,823	33,326
Income before financial items, income taxes and minority interest	10,009	1,607	5,901	6,784
Long-Term Assets	20,617	3,310	19,237	17,535
Manufacturing and Marketing				
Revenues	354,024	56,838	333,493	262,402
Income before financial items, income taxes and minority interest	6,998	1,124	7,593	3,899
Long-Term Assets	23,170	3,720	22,149	28,900
Other and Eliminations				
Revenues	(131,602)	(21,128)	(109,091)	(78,100)
Income before financial items, income taxes and minority interest	(443)	(71)	(947)	(815)
Long-Term Assets	20,603	3,308	21,179	15,999

Exploration and Production Norway

The table below sets forth certain financial and operating data regarding our E&P Norway business segment and percentage change for each of the years in the three-year period ended December 31, 2006.

Years ended December 31, 2006, 2005 and 2004

E&P Norway generated **total revenues** of NOK 117.0 billion in 2006, compared to NOK 97.6 billion in 2005 and NOK 74.1 billion in 2004.

The 20 per cent increase in revenues from 2005 to 2006 was primarily due to a 20 per cent increase in the average oil price in USD of oil sold from E&P Norway to Manufacturing and Marketing, contributing NOK 12.8 billion, a 31 per cent increase in the average transfer price in NOK of natural gas sold from E&P Norway to Natural Gas, contributing NOK 7.8 billion, a 3 per cent increase in lifted volume of natural gas, contributing NOK 0.8 billion and an increase of NOK 3.2 billion related to other income. This was partly offset by a 7 per cent decrease in lifted volume of oil, accounting for a decrease of NOK 5.3 billion.

The 32 per cent increase in revenues from 2004 to 2005 resulted primarily from a 41 per cent increase in the average oil price in USD of oil sold from E&P Norway to Manufacturing and Marketing, contributing NOK 18.4 billion, a 47 per cent increase in the transfer price in NOK of natural gas sold from E&P Norway to Natural Gas, contributing NOK 8.3 billion, and an increase in lifted volumes of natural gas, contributing NOK 2.3 billion. This was partly offset by an 8 per cent reduction in lifted volumes of oil, accounting for a decrease of NOK 4.8 billion.

Average daily oil production (lifting) in E&P Norway decreased to 520,100 barrels in 2006, from 561,600 barrels in 2005 and from 612,800 barrels in 2004.

The 7 per cent decrease in average daily oil production from 2005 to 2006 of 41,500 bbl was mainly related to continuing decline on the Statfjord, Troll oil and Oseberg fields. In addition, a shut-down of an important well in June 2006 caused a reduction in oil production at the Tordis field, while Gullfaks

experienced decreased production primarily due to delay in the drilling and well maintenance program. Some fields also experienced lower production due to longer turnarounds. The decrease in production is partly offset by increased volumes from the Kristin and Urd fields, which came on stream in November 2005.

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

Average daily gas production was 69.4 mmcm (2,449 mmcf) in 2006, as compared to 67.2 mmcm (2,372 mmcf) in 2005 and 58.1 mmcm (2,051 mmcf) in 2004.

There was a 3 per cent increase from 2005 to 2006, mainly due to Kristin, Kvitebjørn and Troll. Kristin came on stream in November 2005. Kvitebjørn had reduced production in 2005 due to fewer wells. Troll had an increase in production permit from 2005 to 2006. The increase in gas production was partly offset by reduced production from Sleipner due to more days of turnarounds in 2006 compared to 2005. From 2004 to 2005 there was a 16 per cent increase generally due to long-term contracted gas volumes and high off-take from existing contracts. In addition the Kvitebjørn and Tune fields came on stream in the fourth quarter of 2004.

Unit production cost was USD 3.93 per boe in 2006, USD 3.37 per boe in 2005 and USD 3.20 per boe in 2004. The unit of production cost measured in NOK was NOK 25.17 per boe in 2006, NOK 21.54 per boe in 2005 and NOK 21.71 per boe in 2004. The production cost includes mainly operating plant cost.

The 17 per cent increase from 2005 to 2006 is to both due an increase in costs by 13 per cent and a decrease in production by 3 per cent. The operating

Income statement data (in NOK million)	Year ended December 31,				
	2006	2005	Change	2004	Change
Total revenues	116,967	97,623	20%	74,050	32%
Operating, general and administrative expenses	12,023	10,223	18%	9,863	4%
Depreciation, depletion and amortization	12,913	11,450	13%	12,381	(8%)
Exploration expense	2,642	1,818	45%	777	134%
Income before financial items, income taxes and minority interest	89,389	74,132	21%	51,029	45%
Oil price (USD/bbl) ⁽¹⁾	65.0	54.1	20%	38.4	41%
Production (lifting):					
Oil (mbl/day)	520.1	561.6	(7%)	612.8	(8%)
Natural gas (mmcf/day)	2,449	2,372	3%	2,051	16%
Total Production (lifting) (mboe/day)	956.4	984.2	(3%)	978.3	1%
Unit Production Cost (USD/boe) ⁽²⁾	3.93	3.37	17%	3.20	5%
Unit Production Cost (NOK/boe) ⁽²⁾	25.17	21.71	16%	21.54	1%

(1) The oil price of the E&P Norway business segment is a volume-weighted average of the prices of oil and NGL lifted by the segment.

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

plant costs have increased by NOK 0.9 billion, due to both higher activity and increased industry cost pressure.

The 5 per cent increase from 2004 to 2005 was primarily due to the negative effect of the weaker USD against the NOK since costs were primarily incurred in NOK, and lower production, which were partly offset by lower cost of goods sold.

Operating, general and administrative expenses were NOK 12.0 billion in 2006, NOK 10.2 billion in 2005 and NOK 9.9 billion in 2004. Operating expenses as a part of this cost line item amounted to NOK 12.0 billion in 2006, NOK 10.6 billion in 2005 and NOK 9.8 billion in 2004. The general and administrative expense elements in 2005 and 2004 consisted of reversal of rig accruals and cost of goods sold.

The increase in operating, general and administrative expenses of NOK 1.8 billion from 2005 to 2006 was mainly due to an increase in operating plant cost by NOK 0.9 billion, mainly due to higher operation and maintenance cost of NOK 0.5 billion and higher transportation cost of NOK 0.4 billion related to the production start-up of the Kristin and Visund fields in the fourth quarter of 2005. In addition there was a reduction in the general and administrative expenses by NOK 0.4 billion in 2005 due to a change in long-term rig accruals.

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

Depreciation, depletion and amortization expenses were NOK 12.9 billion in 2006, NOK 11.5 billion in 2005 and NOK 12.4 billion in 2004. The 1.4 billion increase from 2005 to 2006 was mainly due to Kristin and Urd production start-up in the fourth quarter of 2005, higher depreciation of cost of future asset retirement, a change in the well factor depreciation principle and changes in the portfolio of producing fields.

The reduction from 2004 to 2005 was mainly due to increased reserves on several fields, which reduced the rate of depreciation, and the write-down on Murchison in 2004. This was partly offset by commencement of production from the new fields Kvitebjørn and Tune in late 2004 and Kristin, Urd and Visund gas in late 2005.

Exploration expenditure (activity) was NOK 3.5 billion in 2006, compared to NOK 2.2 billion in 2005 and NOK 1.1 billion in 2004.

The increase of NOK 1.3 billion from 2005 to 2006 was mainly due to more wells being drilled and generally more expensive wells. The increase of NOK 1.1 billion from 2004 to 2005 was mainly due to more wells being drilled and more seismic activity, as well as generally more expensive wells.

Exploration expense was NOK 2.6 billion in 2006, compared to NOK 1.8 billion in 2005 and NOK 0.8 billion in 2004. The increased exploration expense from 2005 to 2006 was mainly due to more wells being drilled and higher owner's share of wells drilled, which increased to 41 per cent in 2006 from 30 per cent in 2005. In addition, early phase field development costs increased by NOK 0.1 billion from 2005 to 2006. However, the seismic cost was NOK 0.1 billion lower in 2006 compared to 2005.

The increased exploration expense from 2004 to 2005 was mainly due to higher exploration activity in 2005 than in 2004 and higher expenditure capitalized in previous years but written off in 2005 than in 2004. This was partly offset by higher capitalized exploration expenditure in 2005 than in 2004. Exploration expense included NOK 0.2 billion written off in 2006 relating to expenditures capitalized in previous years, the same amount written off in 2005, compared to NOK 0.1 billion of expenditure written off in 2004.

In 2006, 17 **exploration and appraisal wells** were completed, eight of which resulted in discoveries. In addition, four extensions on production wells were completed in 2006, two of which resulted in discoveries. In 2005 nine exploration and appraisal wells were completed, six of which resulted in discoveries. In addition, five extensions on production wells were completed in 2005, four of which resulted in discoveries. In 2004, six exploration and appraisal wells were completed, four of which resulted in discoveries. In addition, four extensions on production wells were completed in 2004, all of which resulted in discoveries. Extension wells are not included in the exploration expenditure figures in the table below.

Income before financial items, income taxes, and minority interest for E&P Norway was NOK 89.4 billion in 2006, as compared to NOK 74.1 billion in 2005 and NOK 51.0 billion in 2004. The increase of NOK 15.3 billion in income from 2005 to 2006 was primarily due to a 20 per cent increase in the average oil price measured in NOK, and a 23 per cent increase in the natural gas transfer price measured in NOK, but this increase was partly offset by an increase of NOK 1.8 billion in operating, general and administrative expenses, an increase of NOK 1.4 billion in depreciation, depletion and amortization expenses and an increase of NOK 0.8 billion in exploration expenses.

The increase of NOK 23.1 billion in income from 2004 to 2005 was primarily the result of an increase in revenues due to the 35 per cent increase in the average oil price measured in NOK and a 47 per cent increase in the transfer price in NOK of natural gas. Depreciation, depletion and amortization expenses were reduced by NOK 0.9 billion, but this reduction was partly offset by an increase of NOK 1.0 billion in exploration expense and an increase of NOK 0.4 billion in operating, general and administrative expenses.

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

Exploration (in NOK million)	2006	2005	2004
Exploration expenditure (activity)	3,500	2,188	1,092
Expensed, previously capitalized exploration expenditure	161	158	61
Capitalized share of current period's exploration activity	(1,019)	(528)	(376)
Exploration expenses	2,642	1,818	777

International Exploration and Production

The following table sets forth certain financial and operating data regarding our International E&P business segment and percentage change for each of the years in the three-year period ending December 31, 2006.

Years ended December 31, 2006, 2005 and 2004

International E&P generated **total revenues** of NOK 24.6 billion in 2006, compared to NOK 19.6 billion in 2005 and NOK 9.8 billion in 2004.

The 26 per cent increase from 2005 to 2006 was mainly due to a 26 per cent increase in average realized oil and gas prices for International E&P measured in NOK, contributing NOK 4.2 billion.

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

Average daily oil production (lifting) was 147,900 barrels per day in 2006, compared to 139,500 barrels per day in 2005 and 99,800 barrels per day in 2004. The 6 per cent increase in average daily production of oil from 2005 to 2006 was mainly related to start-up of new fields such as Kizomba B and the West and East Azeri part of the ACG field, which came on stream in the third and fourth quarter of 2005 and fourth quarter of 2006, respectively. This was partly offset by lower entitlement production under the PSAs in Angola and lower production on the Lufeng field in China, the Sincor field in Venezuela and the UK fields.

The 40 per cent increase in average daily production of oil from 2004 to 2005 came primarily from new fields such as the Central Azeri part of the ACG field and Kizomba B, ramp-up of production from the Kizomba A field and re-start of production from the Lufeng field. These increases were partly offset by reduced PSA entitlement production from the Xikomba and Girassol/Jasmim

fields in Angola, as well as lower production from the Alba and Schiehallion fields in the UK.

Average natural gas production in 2006 was 4.6 mmcm per day (162 mmcf per day), compared to 6.8 mmcm per day (239 mmcf per day) in 2005 and 2.4 mmcm per day (84 mmcf per day) in 2004. The large decrease in gas production from 2005 to 2006 was mainly attributable to lower gas sales from the In Salah field due to disproportionate revenue sharing under the PSA. The large increase in gas production from 2004 to 2005 was attributable to gas sales from the In Salah field in Algeria, which commenced production in July 2004.

Depreciation, depletion and amortization expenses were NOK 5.7 billion in 2006, compared to NOK 6.3 billion in 2005 and NOK 2.2 billion in 2004. The 9 per cent decrease in 2006 as compared to 2005 was mainly explained by the NOK 2.2 billion write-down of the book value of Statoil's share in phases 6-7-8 of the South Pars project in the fourth quarter of 2005. A reduction in the proved reserves estimates in 2006, which forms the basis for the unit of production depreciation, caused by higher oil and gas prices in 2006 than in 2005, is the main explanation for the increase when excluding the effect for the write-down explained above.

The 183 per cent increase in 2005 as compared to 2004 was largely due to the NOK 2.2 billion write-down. Higher lifting from existing fields and new fields coming on stream also contributed to the increase in depreciation, depletion and amortization.

Unit production cost on a 12-month average in 2006 was USD 5.4 per boe compared to a unit production cost in 2005 of USD 3.9 per boe, an increase of 38 per cent. The increase in the unit production cost from 2005 to 2006 was primarily due to a decrease in entitlement production under the PSA effects and high start-up costs related to new fields coming on stream. The 15 per cent decrease in the unit production cost from 2004 to 2005 was

Income statement data (in NOK million)	Year ended December 31,				
	2006	2005	Change	2004	Change
Total revenues	24,643	19,563	26%	9,765	100%
Operating, general and administrative expenses	4,996	3,491	43%	2,311	51%
Depreciation, depletion and amortization	5,697	6,273	(9%)	2,215	183%
Exploration expense	3,022	1,435	111%	1,051	37%
Income before financial items, income taxes and minority interest	10,928	8,364	31%	4,188	100%
Oil price (USD/bbl) ⁽¹⁾	61.7	51.0	21%	35.7	43%
Production (lifting):					
Oil (mdbl/day)	147.9	139.5	6%	99.8	40%
Natural Gas (mmcf/day)	162.1	239.0	(32%)	84.7	185%
Total Production (lifting) (mboe/day)	176.8	182.0	(3%)	114.8	59%
Unit Production Cost (USD per boe) ⁽²⁾	5.40	3.90	38%	4.59	(15%)

(1) The oil price for the International E&P business segment is a volume-weighted average of the internal transfer price and external sales price of oil sold.

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

primarily due to increased entitlement production as a result of the ramp-up of production from large fields such as In Salah, Kizomba A, Kizomba B and ACG.

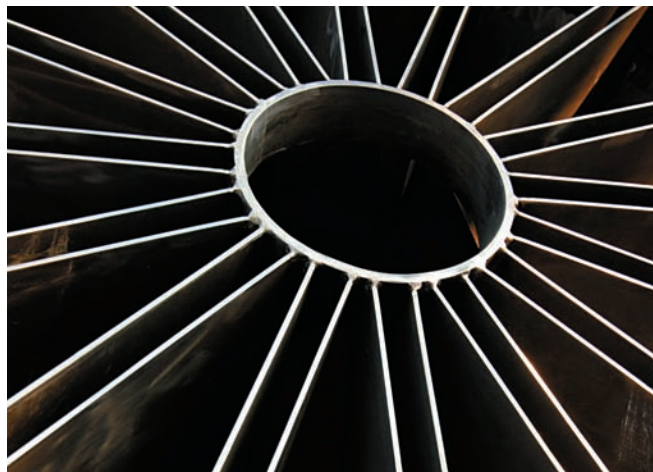
Operating, general and administrative expenses. Due to increased royalty and extraction tax on Sincor, increased transport costs, new fields in production and increasing pressure on operating costs in the oil and gas industry generally, the operating costs increased by NOK 1.5 billion from 2005 to 2006. The NOK 1.2 billion increase from 2004 to 2005 was due to higher liftings, new fields in production and increasing industry cost pressure.

Exploration expenditure (activity) was NOK 4.0 billion in 2006, compared to NOK 2.1 billion in 2005 and NOK 1.4 billion in 2004. The increase from 2005 to 2006 was mainly due to increased activity, higher cost of wells and seismic data acquisition.

Exploration expense was NOK 3.0 billion in 2006, compared to NOK 1.4 billion in 2005 and NOK 1.1 billion in 2004.

In total, 20 **exploration and appraisal wells** were completed in 2006, and as of year end 11 were considered as discoveries or confirmed earlier discoveries. Six wells are pending or awaiting final evaluation. In 2005 11 exploration and appraisal wells were completed, and as of year end nine of which were considered as discoveries. Six exploration and appraisal wells were completed in 2004, of which five wells were considered as discoveries at year end 2004.

Income before financial items, income taxes and minority interest for International E&P in 2006 was NOK 10.9 billion, compared to NOK 8.4 billion in 2005 and NOK 4.2 billion in 2004. Increased revenues resulted mainly from higher prices for crude oil and natural gas. Total costs increased by NOK 2.5 billion from 2005 to 2006 mainly due to increased exploration expenses, higher operating costs as a result of increased transport costs, new fields in production and upward cost pressure, as well as increased royalty and sales tax on Sincor. Sales, administration and business development costs also increased from 2005 to 2006 due to increased activities in all areas.



Natural Gas

The table on the next page sets forth certain financial and operating data for our Natural Gas business segment and percentage change for each of the years in the three-year period ending December 31, 2006.

Years ended December 31, 2006, 2005 and 2004

Total revenues in the Natural Gas business consist mainly of gas sales derived from long-term gas sales contracts and tariff revenues from transportation and processing facilities. Natural Gas generated revenues of NOK 61.1 billion in 2006, compared to NOK 45.8 billion in 2005 and NOK 33.3 billion in 2004. The 33 per cent increase from 2005 to 2006 was mainly derived from significantly higher natural gas prices measured in NOK in 2006 than 2005. In addition, increased volumes, improved returns from trading and optimization, and higher revenues from processing and transportation also contributed to the improved result in 2006.

The 37 per cent increase from 2004 to 2005 was mainly due to increased gas sales, higher natural gas prices measured in NOK, and higher revenues from processing and transportation.

Natural gas sales were 28.4 bcm (1,003 bcf) in 2006, 27.3 bcm (964 bcf) in 2005 and 25.0 bcm (881 bcf) in 2004. The 4 per cent increase in gas volumes sold from 2005 to 2006 was mainly due to increased customer off-take and increased supply obligations under existing contracts, as well as increased spot sales. The increase in sold volumes was partly offset by reduced production from the Sleipner field, linked to a longer turnaround than in 2005.

The 9 per cent increase in gas volumes sold from 2004 to 2005 was mainly due to high customer off-take under existing contracts, an increase in the contracted gas sales portfolio, increased production permits and increased third party gas sales in the U.S. Of the total natural gas sales in 2006 Statoil

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

Exploration (in NOK million)	2006	2005	2004
Exploration expenditure (activity)	3,951	2,149	1,374
Expensed, previously capitalized exploration expenditure	506	0	49
Capitalized share of current period's exploration activity	(1,435)	(714)	(372)
Exploration expenses	3,022	1,435	1,051

produced 25.4 bcm (895 bcf). Average gas prices for our European gas sales were NOK 1.91 per scm in 2006 compared to NOK 1.45 per scm in 2005, an increase of 32 per cent, compared to NOK 1.10 per scm in 2004, an increase of 31 per cent. The increased price from year to year was mainly due to increased prices on oil products and other competing energy sources, as well as higher gas prices on the National Balancing Point (NBP) in the UK. Natural gas from In Salah and In Amenas is not sold by the Natural Gas business segment, and hence Statoil's sales volumes from this field are not included in the sales reported by the Natural Gas business segment.

Cost of goods sold increased by 32 per cent from 2005 to 2006, and by 59 per cent from 2004 to 2005. This was caused by a higher transfer price paid to E&P Norway for natural gas and higher prices paid for volumes that were resold in the U.S., as well as the purchase of higher volumes of both Statoil produced gas to be sold in Europe and third party gas to be sold in the U.S. The transfer price for natural gas purchased from E&P Norway, which is indexed against crude oil prices, increased accordingly throughout 2006.

Operating, selling and administrative expenses increased by 13 per cent from 2005 to 2006 and by 27 per cent from 2004 to 2005. This was mainly due to higher transportation costs caused by increased natural gas sales volumes.

Income before financial items, income taxes and minority interest for Natural Gas in 2006 was NOK 10.0 billion, compared to NOK 5.9 billion in 2005 and NOK 6.8 billion in 2004. The 70 per cent increase from 2005 to 2006 was



primarily due to higher natural gas prices. The sale of our 30 per cent interest in Ringsend gas power plant in Dublin, Ireland, in 2006 also contributed to higher income before financial items, income taxes and minority interest.

The 13 per cent decrease from 2004 to 2005 was primarily due to an increase in cost of goods sold. The sale of shares in VNG also contributed to higher income before financial items, income taxes and minority interest in 2004.

Income statement data (in NOK million)	2006	2005	Year ended December 31, Change	2004	Change
Total revenues	61,134	45,823	33 %	33,326	37 %
Natural gas sales ⁽¹⁾	56,323	41,565	36 %	29,703	40 %
Processing and transportation	4,812	4,258	13 %	3,623	18 %
Cost of goods sold	40,831	30,826	32 %	19,350	59 %
Operating, selling and administrative expenses	9,424	8,321	13 %	6,540	27 %
Depreciation, depletion and amortization	870	775	12 %	652	19 %
Income before financial items, income taxes and minority interest	10,009	5,901	70 %	6,784	(13 %)
Prices:⁽²⁾					
Average natural gas price (NOK/scm) ⁽³⁾	1.91	1.45	32 %	1.10	31 %
Average transfer price natural gas (NOK/scm)	1.36	1.04	31 %	0.71	47 %
Volumes marketed:⁽⁴⁾					
For our own account (bcf) ⁽⁵⁾	1,003	964	4 %	881	9 %
For the account of the SDFI (bcf)	1,168	1,116	5 %	1,069	4 %
For our own account (bcm)	28.4	27.3	4 %	25.0	9 %
For the account of the SDFI (bcm)	33.1	31.6	5 %	30.3	4 %

(1) Gain from sale of Ringsend of NOK 0.1 billion is included in natural gas sales of 2006. Gain from sale of shares in VNG of NOK 0.6 billion is included in natural gas sales for 2004.

(2) Gas prices are volume weighted averages.

(3) Calculation of the average natural gas price excludes revenues from third party sales in the U.S., ethane and volumes reported by the International E&P business segment.

(4) All volumes are measured assuming a gross calorific value of 40 MJ/scm.

(5) Excluding natural gas volumes sold by the International E&P business segment, but including third-party volumes sold by Natural Gas.

Manufacturing and Marketing

The following table sets forth certain financial and operating data for our Manufacturing and Marketing business segment and percentage change for each of the years in the three-year period ending December 31, 2006.

Years ended December 31, 2006, 2005 and 2004

Manufacturing and Marketing sells Statoil equity oil volumes, SDFI oil volumes and third party oil volumes.

Manufacturing and Marketing generated **total revenues** of NOK 354.0 billion in 2006 compared to NOK 333.5 billion in 2005 and NOK 262.4 billion in 2004. The 6 per cent increase from 2005 to 2006 resulted mainly from increased Oil Sales, Trading and Supply (O&S) revenues due to higher prices in USD for crude oil, but was partly offset by a reduction of 11 per cent in total volumes of crude oil sold.

The 27 per cent increase from 2004 to 2005 resulted mainly from higher prices in USD for crude oil, but was partly offset by the strengthening of the NOK versus the USD and a decrease in total volumes of crude oil sold by 3 per cent.

Cost of goods sold increased from NOK 243.0 billion in 2004 to NOK 308.1 billion in 2005, and to NOK 329.1 billion in 2006. The increase from 2005 to 2006 resulted primarily from higher prices paid in USD for crude oil.

The increase from 2004 to 2005 resulted primarily from higher prices paid in USD for crude oil and SDS being consolidated in the group's accounts for 12 months in 2005, compared to only six months in 2004.

Operating, selling and administrative expenses increased by 2 per cent in 2006 compared to 2005. In 2005, operating, selling and administrative expenses increased by 13 per cent compared to 2004, mainly due to the full-year effect from the SDS consolidation and restructuring costs in Marketing.

Depreciation, depletion and amortization totaled NOK 1.9 billion in 2006, compared to NOK 2.1 billion in 2005 and NOK 1.6 billion in 2004. The decrease from 2005 to 2006 was mainly due to lower depreciation within Manufacturing as a result of extended life expectancy for the plants, following a review of the useful life of the facilities that took place during 2006.

Income before financial items, income taxes and minority interest for

Manufacturing and Marketing was NOK 7.0 billion in 2006, compared to NOK 7.6 billion in 2005 and NOK 3.9 billion in 2004. The decrease from 2005 to 2006 was mainly due to the gain from the sale of Borealis in 2005, partly offset by the gain from the sale of Statoil Ireland and higher trading income in 2006. The gain from the sale of Statoil's shares in Borealis and higher margins, combined with higher regularity within Manufacturing, were the main reasons for the increase in income before financial items, income taxes and minority interest of NOK 3.7 billion from 2004 to 2005.

In **Manufacturing**, Income before financial items, income taxes and minority interest increased by NOK 0.3 billion from 2005 to 2006 mainly due to reduced depreciation and the absence of losses on margin hedging compared to 2005. These were partly offset by lower refining margins. The increase by NOK 1.7 billion from 2004 to 2005 was mainly due to high refining margins and high regularity levels. In 2006, the average refining margin (FCC margin) was 10 per cent lower than in 2005, equivalent to a reduction of USD 0.8 per barrel. The average contract price on methanol was 33 per cent higher measured in NOK in 2006 than in 2005.

In **Oil Sales, Trading and Supply (O&S)**, Income before financial items, income taxes and minority interest increased by NOK 0.6 billion in 2006 compared to 2005, mainly due to higher trading income. Income before financial items, income taxes and minority interest increased by NOK 0.7 billion in 2005 compared to 2004, mainly due to good results from trading operations and currency gains on commercial storage, which were partly offset by a lower contribution from the then contingent compensation arrangements relating to the sale of the Melaka refinery.

In **Energy & Retail** (formerly Marketing), Income before financial items, income taxes and minority interest increased in 2006 by NOK 0.7 billion compared with 2005. This was mainly due to the gains from the sale of Statoil Ireland in 2006 of NOK 0.6 billion before tax. Income before financial items, other items, income taxes and minority interest decreased slightly from 2004 to 2005, due to lower margins, particularly in Sweden, and restructuring costs.

The contribution from **Borealis** to Manufacturing and Marketing's Income before financial items, other items, income taxes and minority interest was an income of NOK 2.2 billion in 2005 and NOK 0.8 billion in 2004. The

Income statement data (in NOK million)	Year ended December 31,				
	2006	2005	Change	2004	Change
Total revenues	354,024	333,493	6 %	262,402	27 %
Cost of goods sold	329,072	308,124	7 %	243,026	27 %
Operating, selling and administrative expenses	16,035	15,704	2 %	13,896	13 %
Depreciation, depletion and amortization	1,919	2,072	(7 %)	1,581	31 %
Income before financial items, income taxes and minority interest	6,998	7,593	(8 %)	3,899	95 %
Operational data:					
FCC-margin (USD/bbl)	7.1	7.9	(10 %)	6.4	23 %
Contract price methanol (EUR/tonne)	300	225	33 %	213	6 %
Petrochemical margin (EUR/tonne)	-	161	-	153	5 %

contribution from Borealis increased from 2004 to 2005 due to the gain from the sale in 2005 of Statoil's 50 per cent holding in Borealis to International Petroleum Investment Company (IPIC) and OMV Aktiengesellschaft. Statoil received EUR 1 billion (NOK 7.8 billion) for the transaction, which resulted in a tax-free capital gain of NOK 1.5 billion that was recorded as profit in the fourth quarter of 2005.

Other operations

Years ended December 31, 2006, 2005 and 2004

Our other operations consist of the activities of Corporate Services, Corporate Center, Group Finance and the corporate technical service provider Technology and Projects. In connection with our other operations, we recorded a loss before financial items, income taxes and minority interest of NOK 0.4 billion in 2006, compared to a loss of NOK 0.9 billion in 2005 and a loss of NOK 0.8 billion in 2004. The segment Other included an insurance cost of NOK 0.5 billion in 2005 due to insurance premium commitments and accrual related to liabilities in the two mutual insurance companies in which Statoil Forsikring participates. These accruals were partially reversed by NOK 0.4 billion in 2006.

Liquidity and Capital Resources

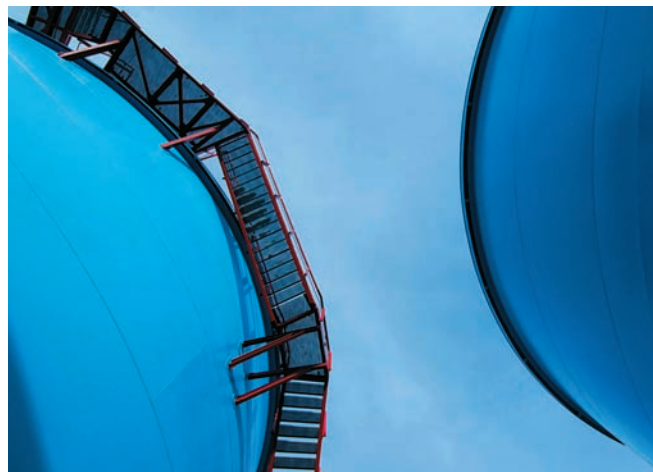
Cash Flows Provided by Operating Activities. Our primary source of cash flow is funds generated from operations. Net funds generated from operations for 2006 were NOK 60.9 billion, as compared to NOK 56.3 billion in 2005 and NOK 38.8 billion in 2004.

The increase in cash flows provided by operating activities of NOK 4.7 billion in 2006 was mainly due to an increase in cash flows from underlying operations contributing NOK 31.2 billion. Short-term investments contributed NOK 1.0 billion. Increased taxes paid reduced the cash flows from operations by NOK 19.9 billion, increased working capital reduced the cash flows from operations by NOK 6.1 billion, and increases in non-current items reduced the cash flows from operations by NOK 1.6 billion.

The increase in cash flows provided by operating activities of NOK 17.4 billion in 2005, compared to 2004, was mainly due to an increase in cash flows from underlying operations contributing NOK 27.5 billion. Short-term investments contributed NOK 7.1 billion. Increased taxes paid reduced the cash flows from operations by NOK 15.6 billion, while changes in working capital and long-term items related to operations reduced the cash flows from operations by NOK 1.6 billion.

Net cash flows used in investing activities amounted to NOK 40.1 billion in 2006, as compared to NOK 37.7 billion in 2005 and NOK 32.0 billion in 2004. Gross investments, defined as additions to property, plant and equipment and capitalized exploration expenditure were NOK 46.2 billion in 2006, NOK 46.2 billion in 2005 and NOK 42.8 billion in 2004. Gross investments also include investments in intangible assets and investments in affiliates. Gross investments in 2006 were of the same magnitude as gross investments in 2005. Lower gross investments in International E&P were offset by higher gross investments in E&P Norway. The increase from 2004 to 2005 was mainly related to the acquisition of the deepwater Gulf of Mexico assets from EnCana for NOK 13.3 billion.

The difference of NOK 6.1 billion between cash flow used in investing activities of NOK 40.1 billion and gross investments in 2006 of NOK 46.2 billion was



mainly related to sale of assets, the capitalization of future lease payments which have no current cash effect, but are accounted for as financial lease arrangements, and other changes in long-term loans granted and liabilities joint-venture.

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

Net cash flows used in financing activities amounted to NOK 20.5 billion in 2006, as compared to NOK 16.5 billion for 2005 and NOK 9.1 billion for 2004. New long-term borrowing in 2006 amounted to NOK 0.1 billion, compared to NOK 0.4 billion in 2005. Repayment of long-term debt in 2006 was NOK 1.4 billion compared to NOK 3.2 billion in 2005.

The NOK 4.0 billion increase in cash flows used in financing activities from 2005 to 2006 was mainly due to an increase in dividends paid.

Cash flow used in financing activities in 2006 include a dividend paid to shareholders of NOK 17.8 billion, while the dividend paid to shareholders was NOK 11.5 billion in 2005 and NOK 6.4 billion in 2004.

Current items (total current assets less current liabilities) decreased by NOK 1.0 billion from a positive amount of NOK 0.3 billion as at December 31, 2005 to a negative amount of NOK 0.7 billion as at December 31, 2006. The change in current items was mainly due to an increase in short-term debt of NOK 4.0 billion and a decrease in short-term investments of NOK 5.8 billion. This was partly offset by an increase in inventory of NOK 3.5 billion, an increase in prepaid expenses and other current assets of NOK 2.7 billion and decrease in accounts payable to related parties of NOK 2.2 billion. Current items as of December 31, 2004 were NOK 3.9 billion.

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

Liquidity. Our cash flow from operations is highly dependent on oil and gas prices and our levels of production, and is only to a small degree influenced by seasonality and maintenance turnarounds. Fluctuations in oil and gas prices, which are outside of our control, will cause changes in our cash flows. We will use available liquidity to finance Norwegian petroleum tax payments (due April 1 and October 1 each year), any dividend payment and investments. Our investment program is spread over the year. The investments are expected to remain high at a level of NOK 120 billion for the period 2005 to 2007 (excluding the purchases of Gulf of Mexico assets during 2005 and 2006, totaling NOK 17.9 billion. There may be a gap between funds from operations and funds necessary to fund investments, which will be financed by short- and long-term borrowings. It is our intention to keep ratios related to net debt at levels consistent with our objective of maintaining our long-term credit rating in the A category (for current rating levels, see below).

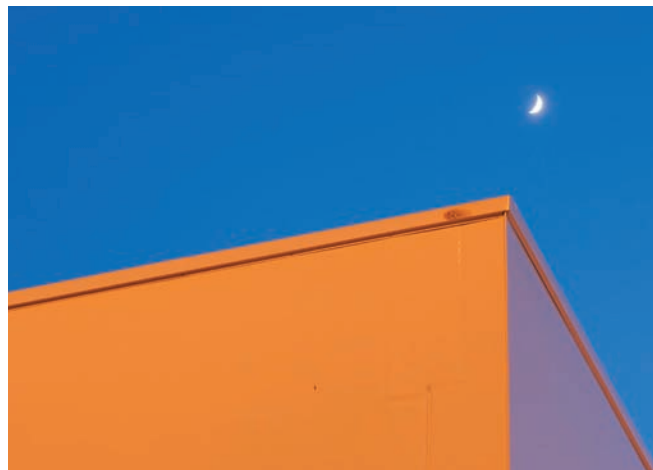
As of December 31, 2006, we had liquid assets of NOK 8.4 billion, including approximately NOK 7.4 billion in cash and cash equivalents and approximately NOK 1.0 billion of short-term investments (domestic and international capital market investments). Approximately 20 per cent of our liquid assets were held in NOK-denominated assets, 67 per cent in U.S. dollars and 13 per cent in other currencies, before the effect of currency swaps and forward contracts. As compared to year end 2005, capital market investments decreased by NOK 5.8 billion during 2006 and cash and cash equivalents increased by NOK 0.3 billion. The reduction in liquid assets during 2006 was mainly caused by variation in working capital, mainly inventories, as well as by the impact of the prepayment of taxes for 2006 caused by revenue estimates for the second half of 2006 being higher than the revenues actually realized during the second half of 2006.

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

As of December 31, 2004, we had liquid assets of NOK 16.6 billion, including approximately NOK 11.6 billion of domestic and international capital market investments, primarily government bonds, but also other investment grade short-term debt securities, and NOK 5.0 billion in cash and cash equivalents. As of December 31, 2004, approximately 25 per cent of our cash and cash equivalents were held in NOK-denominated assets, 70 per cent in U.S. dollars and 5 per cent in other currencies, before the effect of currency swaps and forward contracts.

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

As of December 31, 2006, the group had available USD 2.0 billion in a committed revolving credit facility from international banks, including a USD 500 million swing-line facility. The facility was entered into by us in 2004, and



is, after exercise of an extension option in 2006, available for draw-downs until December 2011. At year end 2006 no amounts had been drawn under the facility. In addition, a EUR 200 million line of credit has been established in our favor on a bilateral basis by an international financial institution. This line of credit is expected to be drawn down in April 2007. The loan will be denominated in US dollars and have a final maturity of five years.

Our long-term and short-term ratings from Moody's are Aa2 and P-1, respectively. Our long-term rating from Standard & Poor's was raised to A+ in November 2006 reflecting their reassessment of ongoing positive impact on our business and financial stability from our 70.9% ownership by Norwegian State. Standard & Poor's short-term rating of Statoil is A-1. Upon the announcement in December 2006 of the planned merger between Statoil and Hydro's oil and gas activities, Standard and Poor's placed its ratings of Statoil on Credit Watch with positive implications.

Interest-bearing debt. Gross interest-bearing debt was NOK 35.8 billion at the end of 2006, compared to NOK 34.1 billion at the end of 2005. The increase in gross interest bearing debt was due to an increase in financial lease of NOK 2.0 billion, and new short-term debt of NOK 2.5 billion owed to the Norwegian State, which were partly offset by a decrease in long-term interest bearing debt due to weakening of the USD in relation to the NOK in 2006 and repayment of long-term borrowings. The increased lease obligation is mainly related to three vessels built for Sønøvit LNG transportation. The new short-term debt to the Norwegian State is related to the shares to be redeemed by the Norwegian State in connection with the share buy-back program. At December 31, 2004, gross interest-bearing debt was NOK 36.1 billion.

For risk management purposes, currency swaps are used to ensure that Statoil keeps long-term interest-bearing debt in USD. As a result, most of the group's long-term debt is exposed to changes in the USD/NOK exchange rate.

Net interest-bearing debt was NOK 24.9 billion at December 31, 2006 compared to NOK 19.3 billion at December 31, 2005. The increase is due to a decrease in adjusted liquid assets by NOK 3.7 billion and an increase in adjusted gross interest-bearing debt by NOK 2.0 billion. At December 31, 2004, net interest-bearing debt was NOK 20.2 billion.

For a reconciliation of net interest-bearing debt to gross debt, see —Use and Reconciliation of Non-GAAP Financial Measures—Net debt to capital employed ratio.

Net debt to capital employed ratio, defined as net interest-bearing debt to capital employed, was 16.8 per cent as of December 31, 2006, compared to 15.1 per cent as of December 31, 2005 and 18.9 per cent as of December 31, 2004. The increase in 2006 in the net debt to capital employed ratio was mainly related to an increase in net debt, which was partly offset by an increase in shareholders' equity.

Our methodology of calculating the net debt to capital employed ratio makes certain adjustments outlined below and may therefore be considered to be a Non-GAAP financial measure. The net debt to capital employed ratio without adjustments was 18.1 per cent in 2006, compared to 15.8 per cent in 2005 and 18.3 per cent in 2004. See —Use and Reconciliation of Non-GAAP Financial Measures—Net debt to capital employed ratio.

The group's borrowing needs are mainly covered through short-term and long-term securities issues, including utilization of a U.S. Commercial Paper Program and a Euro Medium Term Note (EMTN) Program (the program limits being USD 2 billion (increased by USD 1 billion in January 2006) and USD 3 billion, respectively), and through draw-downs under committed credit facilities and credit lines. Apart from financial lease described under the section concerning gross interest-bearing debt, no material long-term borrowing took place during 2006.

As of December 31, 2006, our long-term debt totaled NOK 30.3 billion, with a weighted average maturity of approximately 10.1 years and a weighted average interest rate of approximately 5.4 per cent per annum. As of December 31, 2005, our long-term debt portfolio totaled NOK 32.6 billion, with a weighted average maturity of approximately 10.6 years and a weighted average interest rate of approximately 5.4 per cent per annum. As of December 31, 2004, our long-term debt portfolio totaled NOK 31.4 billion, with a weighted average maturity of approximately 11 years and a weighted average interest rate of approximately 5 per cent per annum.

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

Our **financing policies** consider funding sources, maturity profile of long-term debt, interest rate risk management, currency risk and management of liquid assets. Our borrowings are denominated in various currencies and swapped into USD since the most significant part of our net cash flow is USD denominated. In addition we use interest rate derivatives, consisting primarily

of interest rate swaps, to manage the interest rate risk of our long-term debt portfolio.

New long-term borrowings totaled NOK 0.1 billion in 2006, NOK 0.4 billion in 2005 and NOK 4.6 billion in 2004. We repaid approximately NOK 1.4 billion in 2006, approximately NOK 3.2 billion in 2005 and approximately NOK 6.6 billion in 2004. At December 31, 2006, NOK 2.3 billion of our borrowings was due for repayment within one year, NOK 11.5 billion was due for repayment between two and five years and NOK 18.7 billion was due for repayment after five years. This compares to NOK 1.1 billion, NOK 8.7 billion and NOK 24.0 billion, respectively, as of December 31, 2005, and NOK 3.0 billion, NOK 8.9 billion and NOK 22.5 billion, respectively, as of December 31, 2004.

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

Table of Principal Contractual Obligations and Other Commitments

The table below summarizes our principal contractual obligations and other commercial commitments as at December 31, 2006. The table below includes contractual obligations, but excludes derivatives and other hedging instruments. Obligations payable by Statoil to unconsolidated equity affiliates are included gross in the table below. Where Statoil reflects both an ownership interest and transport capacity cost for a pipeline in the consolidated accounts, the amounts in the table include the transport commitments that exceed Statoil's ownership share.

Long-term debt in the table below represents principal payment obligations.

Contractual obligations in respect of capital expenditure amounted to NOK 17.3 billion as at December 31, 2006, of which payments of NOK 11.5 billion are due within one year.

The projected pension benefit obligation of the group was NOK 27.4 billion and the fair value of plan assets amounted to NOK 23.7 billion as at December 31, 2006. Unrecognized actuarial gains and losses and unrecognized prior service cost amounted to NOK 6.1 billion as at December 31, 2006, and is reported as Other Comprehensive Income.

Contractual obligations (in NOK million)	As at December 31, 2006				
	Total	Less than 1 year	Payment due by period		
			1-3 years	4-5 years	After 5 years
Grand total debt outstanding including finance lease obligations	32,596	2,325	6,249	5,287	18,735
Operating lease obligations	29,725	5,976	12,697	7,496	3,556
Transport capacity, terminal capacity and similar obligations	80,372	5,533	11,082	11,475	52,282
Total contractual obligations	142,693	13,834	30,028	24,258	74,573

Impact of Inflation

Our results in recent years have not been substantially affected by inflation. Inflation in Norway as measured by the general consumer price index during the years ended December 31, 2006, 2005 and 2004 was 2.2 per cent, 1.8 per cent and 1.1 per cent, respectively.

Critical Accounting Policies and Estimates

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

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

Proved reserves are used when calculating the unit of production rates used for depreciation, depletion, and amortization. Reserve estimates are also used when testing upstream assets for impairment. Future changes in proved oil and gas reserves, for instance as a result of changes in prices, could have a

material impact on unit of production rates used for depreciation, depletion and amortization and for decommissioning and removal provisions, as well as for the impairment testing of upstream assets, which could have a material adverse effect on operating income as a result of increased depreciation, depletion and amortization or impairment charges.

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

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

To illustrate the size of the applicable balance sheet item (capitalized exploratory drilling expenditures) subject to the judgments described above and the recorded effects of our judgment on amounts capitalized in prior years, we have included on the following table, which provides a summary of capitalized exploratory drilling expenditures on assets in the exploration phase and the amount of previously capitalized exploration costs on assets in the exploration phase that have been expensed during the year. Notably, capitalized exploration costs in suspense itemized below exclude signature bonuses and other acquired exploration rights of NOK 16,578 million, NOK 11,071 million and NOK 609 million as at the end of 2006, 2005 and 2004, respectively.

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

(In NOK million)	2006	2005	2004
Capitalized January 1	3,030	2,277	2,747
Additions	2,454	1,236	935
Reclassified to wells, equipment and facilities based on the determination of proved reserves ⁽¹⁾	(316)	(476)	(1,225)
Expensed, previously capitalized exploration costs ⁽²⁾	(324)	(149)	(61)
Capitalized exploration expenses sold	(178)	(4)	(10)
Foreign currency translation	(141)	146	(109)
Capitalized drilling expenditures at December 31	4,524	3,030	2,277

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

(2) Statoil expensed in 2006 a total of NOK 667 million in previously capitalized exploration expenditures of which NOK 324 million related to capitalized exploration activities and NOK 343 million related to capitalized signature bonuses and other acquired exploration rights.

The following is a summary of certain long-lived assets in our balance sheet at year end and the cost of impairments recorded during the years 2006, 2005 and 2004, respectively:

(in NOK million)	2006	2005	2004
Net book value of property plant and equipment	209,601	180,669	151,993
Net book value of intangible assets	1,837	2,388	2,374
Impairment charged to profit and loss in the period	260	2,211	264

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

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

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

See the table on the previous page for a summary of certain long-lived assets in our balance sheet at year end and the cost of impairments recorded during the years 2006, 2005 and 2004, respectively.

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

It is difficult to estimate the costs of these decommissioning and removal activities, which are based on current regulations and technology. Most of the removal activities are many years into the future and the removal technology and costs are constantly changing. As a result, the initial recognition of the liability and the capitalized cost associated with decommissioning and removal obligations, and the subsequent adjustment of these balance sheet items, involve the application of significant judgment.

The following summary of related assets and liabilities serve to illustrate the balance sheet effects of these estimates and the changes therein:

(in NOK million)	2006	2005	2004
Net book value of retirement assets	11,040	3,606	3,388
Net book value of asset removal obligations	28,971	20,034	18,629



For the year ending December 31, 2006, the asset retirement obligations have increased from NOK 20 billion to NOK 29 billion, mostly due to upward revisions of cost estimates related to removal complexity, rigs, marine operations and heavy lift vessels. The change has material effects on the Net property, plant and equipment and Other liabilities captions in the Consolidated Balance Sheets but only immaterial effects on the Consolidated Statement of Income for the periods presented. The changes are expected however to have a significant impact on future depreciation and accretion charges. The amount of increase in Depreciation is uncertain and will depend on future levels of production. Based on current production forecasts Depreciation is estimated to increase by NOK 1.6 billion in 2007. Accretion is estimated to increase by NOK 0.4 billion per year.

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

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

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

(in NOK million)	2006	2005	2004
Unrecognized net loss (an asset in the balance sheet)	0	3,654	2,685
Amortization of loss (an expense in the period)	102	48	170

Weighted average assumptions for the year ended (balance sheet items)	2006	2005	2004
Weighted average discount rate	5.00%	4.75%	5.50%
Weighted average expected return on assets	5.75%	5.75%	6.50%
Weighted average rate of compensation increase	4.25%	3.00%	3.50%

The application of relevant rules requires extensive judgment and the choice of designation of individual contracts as qualifying hedges can impact the timing of recognition of gains and losses associated with the derivative contracts, which may or may not correspond to changes in the fair value of our corresponding physical positions, contracts and anticipated transactions, which are not required to be recorded at market value in accordance with Statement No. 133. Establishment of non-functional currency swaps in our debt portfolio to match expected underlying cash flows may result in gains or losses in the profit and loss statement as hedge accounting is not allowed, even if the associated economical risk of the transactions is considered.

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

Corporate income taxes. Statoil annually incurs significant amounts of corporate taxes payable to various jurisdictions around the world, and also recognizes significant changes to deferred tax assets and deferred tax liabilities, all according to our current interpretations of applicable laws, regulations and relevant court decisions. The quality of these estimates is

highly dependent upon our ability to properly apply at times very complex sets of rules, to recognize changes in applicable rules and, in the case of certain valuation allowances, our ability to project future earnings from activities that may apply loss carry forward positions against future income taxes.

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

In accordance with Norwegian requirements, Statoil will prepare its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) from January 1, 2007. Effective from that date, Statoil will also adopt IFRS as its primary accounting principles. Consequently, Statoil will from the same point in time reconcile its primary IFRS Financial Statements to US GAAP, representing a change from its current full US GAAP reporting.

Off-Balance Sheet Arrangements

As a condition for being awarded oil and gas exploration and production licenses, participants may be committed to drill a certain number of wells. At the end of 2006, Statoil was committed to participate in 18 wells off Norway and 24 wells outside Norway, with an average ownership interest of approximately 38.4 per cent. Statoil's share of estimated expenditures to drill these wells amounts to approximately NOK 4.4 billion. Additional wells that Statoil may become committed to participating in depending on future discoveries in certain licenses are not included in these numbers.

(in NOK million)	2006	2005	2004
Taxes payable in the balance sheet	30,219	29,752	19,117
Short-term deferred tax assets	1,876	3,733	0
Long-term deferred tax assets	375	372	205
Long-term deferred tax liabilities	44,987	43,314	44,233
Tax expense in the year	80,360	60,036	45,419

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 other forms of transport capacity as well as terminal, processing, storage and entry capacity commitments. The corresponding expense for 2006 was NOK 5.5 billion.

Transport capacity, terminal capacity and other minimum nominal obligations at December 31, 2006 are included in –Liquidity and Capital Resources–Table of Principal Contractual Obligations and Other Commercial Commitments at year end 2006.

Statoil has entered into contractual commitments with the U.S.-based energy company Dominion for terminal capacity at the Cove Point liquefied natural gas terminal in the USA. Such commitments have partly been made on behalf of and for the account and risk of the SDFI (the State's direct financial interest). The –Liquidity and Capital Resources–Table of Principal Contractual Obligations and Other Commercial Commitments at year end 2006 includes 90 per cent of the total Cove Point Expansion additional terminal capacity of an approximate annual 7.7 billion cubic meters of gas for a 20-year period with planned start-up in 2009. Statoil's and the SDFI's respective future shares of this additional terminal capacity and related commitments are subject to further consideration, and the outcome may consequently impact the extent of future commitments assumed and reported by Statoil.

Risk Management

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

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

We divide risk management into insurable risks which are managed by our captive insurance company operating in the Norwegian and international insurance markets, tactical risks, which are short-term trading risks based on underlying exposures and which are managed by line management, and strategic risks, which are long-term fundamental risks and are monitored by

our Corporate Risk Committee, which advises and recommends specific actions to our Executive Committee. To address our tactical and strategic market risks, we have developed policies aimed at managing the volatility inherent in certain of these natural business exposures and in accordance with these policies we enter into various transactions using derivative financial and commodity instruments (derivatives). Derivatives are contracts whose value is derived from one or more underlying financial instruments, indices or prices, which are defined in the contract.

Strategic Market Risks. We are exposed to strategic risks, which we define as long-term risks fundamental to the operation of our business. Strategic market risks are reviewed by our Corporate Risk Committee with the objective of avoiding sub-optimization, reducing the likelihood of experiencing financial distress and supporting the group's ability to finance future growth even under adverse market conditions. Based on these objectives, we have implemented policies and procedures designed to reduce our overall exposure to strategic risks.

Tactical Market Risks. All tactical risk management activities occur within and are continuously monitored against established mandates. Consistent with this, and in order to pursue better margins on our sales of natural gas, we have entered into derivative contracts to hedge approximately 4 per cent of natural gas sales originating from the NCS in periods up to and including the third quarter of 2009.

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

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

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

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

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

Fair market values of financial and commodity derivatives. Fair market values of commodity based futures and exchange traded option contracts are based on quoted market prices obtained from NYMEX or IPE. The fair values of swaps and other commodity OTC arrangements are established based on quoted market prices, estimates obtained from brokers, and other appropriate valuation techniques. Where Statoil records elements of long-term physical delivery commodity contracts at fair market value under the requirements of FAS 133, such fair market value estimates are based on quoted forward prices in the market, underlying indexes in the contracts, and assumptions of forward prices and margins where market prices are not available. Fair market values of interest and currency swaps and other instruments are estimated based on quoted market prices, estimates obtained from brokers, prices of

comparable instruments, and other appropriate valuation techniques. The fair value estimates approximate the gain or loss that would have been realized if the contracts had been closed out at year end, although actual results could vary due to assumptions used.

The following table contains the net fair market value of OTC commodity and financial derivatives as so accounted for under FAS 133, as at December 31, 2006, based on maturity of contracts and the source of determining the fair market value of contracts, respectively.

In the following 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 table below 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, 2006, or December 31, 2005, net of margin calls. Derivatives entered into and subsequently terminated during the course of the year 2006 have not been included in the table.

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	
Commodity based derivatives:					
Prices actively quoted	823	135	9	0	968
Prices provided by other external sources	239	(28)	0	0	211
Prices based on models or other valuation techniques	(2)	0	2	0	0
Total commodity based derivatives	1,060	107	11	0	1,178
Financial derivatives:					
Prices actively quoted	2,143	634	1,490	1,011	5,278
Prices provided by other external sources	0	0	0	0	0
Prices based on models or other valuation techniques	0	0	0	0	0
Total financial derivatives	2,143	634	1,490	1,011	5,278

(in NOK million)	Commodity derivatives	Financial derivatives
Net fair value of derivative contracts outstanding as at December 31, 2005	(1)	1,400
Contracts realized or settled during the period ⁽¹⁾	133	2,150
Fair value of new contracts entered into during the period	1,157	1,638
Changes in fair value attributable to changes in valuation techniques or assumptions	0	90
Other changes in fair values	30	0
Net fair value of derivative contracts outstanding as at December 31, 2006	1,319	5,278

(1) We have realized more than the net opening balances because the net opening balances consisted of relatively large positions of unrealized gains with a short maturity that were more than (commodity derivatives) or in part (financial derivatives) off-set by unrealized losses with a maturity of more than one year.

Derivatives and Credit risk. Futures contracts have little credit risk because organized exchanges are the counterparties. The credit risk from Statoil's OTC commodity-based derivative contracts derives from the counterparty to the transaction. Brent forwards, other forwards, swaps and all other OTC instruments are traded subject to internal assessment of creditworthiness of counter-parties, which are primarily oil and gas companies and trading companies.

Credit risk related to derivative instruments is managed by maintaining, reviewing and updating lists of authorized counterparties by assessing their financial position, by monitoring credit exposure for counter-parties, by establishing internal credit lines for counterparties, and by requiring collateral or guarantees when appropriate under contracts and required by internal policies. Collateral will typically be in the form of cash or bank guarantees from first class international banks. As at year end 2006, we had not called any cash as collateral for unrealized gains on OTC derivatives.

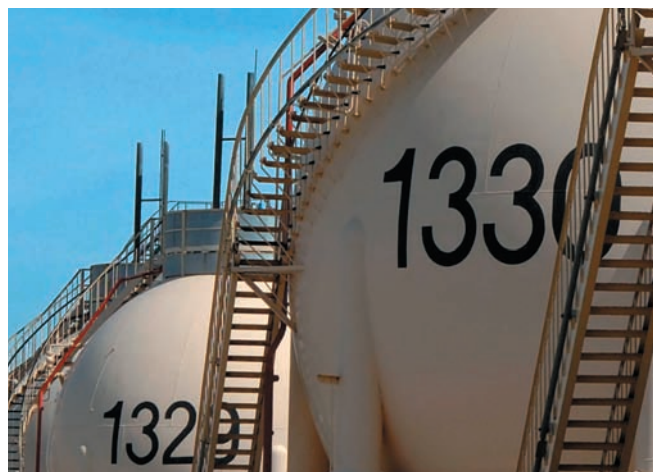
Credit risk from interest rate swaps and currency swaps, which are OTC transactions, derive from the counterparties to these transactions. Counterparties are highly rated financial institutions. The credit ratings are, at a minimum, reviewed annually and counterparty risk is monitored to ensure exposure does not exceed credit lines and complies with internal policies. Non-debt related foreign currency swaps usually have terms of less than one year, and the terms of debt related interest swaps and currency swaps are up to 23 years, in line with that of corresponding hedged or risk managed long-term loans.

Credit rating categories in the table on the below are based on the Statoil group's internal credit rating policies, and do not correspond directly with ratings issued by the major credit rating agencies. Internal ratings are harmonized with external ratings where available, but could occasionally vary somewhat due to internal assessments. Consistent with Statoil policies, commodity derivative counterparties have been assigned credit ratings corresponding to those of their respective parent companies, while there will not necessarily be a parent company guarantee from such parent companies if highly rated.

Operational Risks. We are also exposed to operational risks, including reservoir risk, risk of loss of oil and gas production and offshore catastrophe

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, 2006, split by our assessment of the counterparty's credit risk:

(in NOK million)	Fair market value
Counterparty-rated:	
Investment grade, rated A or above	6,905
Other investment grade	276
Non-investment grade or not rated	358



risk. In addition to our upstream installations which are insured at replacement cost, business interruption is covered for the majority of our production through our captive insurance company, which also has a reinsurance program. Under this reinsurance program, as of December 31, 2006, approximately 64 per cent of the approximately NOK 205 billion total insured amount was reinsured in the international reinsurance markets. Our captive insurance company also works with our corporate risk management department to manage other insurable operational risks.

The group's downstream plants are also covered through our captive insurance company, which reinsures a major part of the risk in the international insurance market. Approximately 29 per cent of the risk is retained.

Like any other licensee, Statoil has unlimited liability for possible compensation claims arising from its offshore operations, including transport systems. Statoil has taken out insurance to cover this liability up to approximately USD 0.8 billion (NOK 4.8 billion) for each incident, including liability for claims arising from pollution damage.

Statoil Forsikring AS is a member of two mutual insurance companies, Oil Insurance Ltd. and sEnergy Insurance Ltd. Membership of these companies means that Statoil Forsikring is liable for its proportionate share of any losses which might arise in connection with the business operations of the companies. Members of the mutual insurance companies have joint and several liability for any losses that arise in connection with the insured operations of the member companies. The members of sEnergy have agreed to dissolve the entity. It is not expected that this will result in any additional charges not yet reflected in Statoil accounts.

Research and Development

In addition to the technology developed through field development projects, a substantial amount of our research is carried out at our research and technology development center in Trondheim, Norway. Our internal research and development is done in close cooperation with Norwegian universities, research institutions, other operators and the supplier industry.

Research expenditures were NOK 1,225 million, NOK 1,066 million and NOK 1,027 million in 2006, 2005 and 2004, respectively.

Corporate Targets

We use corporate targets in order to measure our progress in enhancing production, utilizing capital efficiently and enhancing operational efficiency. This section contains a discussion of those target measures and reports the results of those measures for the years 2006, 2005 and 2004. For a discussion of historical and projected gross investments and the development of the reserves replacement ratio, see — Trend Information below.

The discussion of corporate targets below does not take into account the proposed merger with Norsk Hydro's oil and gas business.

In 2004 the executive committee set forth targets for the fiscal year 2007 for the measures normalized return on average capital employed (normalized ROACE), production and normalized production cost. In 2006 we revised our targets for 2007. We no longer have a quantified target for ROACE, and we revised the targets for production and normalized production unit cost as set forth below.

The following discussion of corporate targets and ROACE, uses two measures which are "Non-GAAP financial measures". Non-GAAP financial measures are defined by the U.S. Securities and Exchange Commission as measures that either exclude or include amounts that are not excluded or included in comparable measures calculated and estimated according to GAAP. These are normalized production cost per barrel and return on average capital employed (ROACE). For more information on these measures and for a reconciliation of these measures to measures calculated in accordance with U.S. GAAP, see — Use and Reconciliation of Non-GAAP Financial Measures below.



Summary of targets 2007

We are targeting:

- a production target of 1,300,000 boe per day, with an indicative split of approximately 1,060,000 boe per day from the NCS and approximately 240,000 boe per day internationally. The target is based on an oil price of USD 60 per bbl for the period 2005-07; and
- regarding operational efficiency; to keep the production unit cost below NOK 27-28 per boe. The production unit cost target is based on an average oil price in 2007 of USD 60 per bbl and will be adjusted for PSA effects. The production unit cost is normalized at an exchange rate of USD/NOK 6.00.

These targets do not take into account the proposed merger with Norsk Hydro's oil and gas business.

Production. Total average daily oil and natural gas production was 1,135,000 boe in 2006, compared to 1,169,000 boe in 2005 and 1,106,000 boe in 2004.

Our expected production growth through 2007 is based on the current characteristics of our reservoirs, our planned investments and development projects. The production target for 2007 is set at 1,300,000 boe per day, adjusted for PSA-effects as described above.

We recognize that this is a challenging and stretched target and that we are more likely to undershoot than overshoot the target. The target is, however, still achievable depending on successful outcome of planned ramp-ups and start up of new projects, positive results from a range of activities initiated on mature fields and normal gas sales.

The forecasted production growth to 2007 is based on the current understanding of our reservoirs, our planned investments and development projects. There are a number of factors that could cause actual results and developments to differ materially from the targets included here, including, but not limited to, levels of industry product supply; demand and pricing; currency exchange rates; political and economic policies of Norway and other oil-producing countries; general economic conditions; political stability and economic growth in relevant areas of the world; global political events and actions, including war, terrorism and sanctions; the timing of bringing new fields on stream; material differences from reserves estimates; inability to find and develop reserves; adverse changes in tax regimes; development and use of new technology; geological or technical difficulties; the actions of competitors; the actions of field partners; natural disasters and other changes to business conditions. One of the main factors which could cause results to differ from our expectations would be possible delays in sanctioned development projects.

The **production unit cost**, both actual and normalized at constant exchange rates, have increased, mainly due to a higher activity level, temporary lower production, and increasing industry cost pressure.

The new 2007 target for production cost per boe is based on an average oil price of USD 60 per bbl. Based on realized oil and gas prices, the estimated PSA effect on production unit cost for 2006 was NOK 0.1 per boe.

For purposes of measuring our performance against our 2007 production unit cost target, we have been assuming a USDNOK exchange rate of 6.00.

Production cost per boe for the last 12 months was USD 4.16 per boe for the year 2006, USD 3.45 per boe for the year 2005 and USD 3.34 per boe for the year 2004. Correspondingly, the production costs in NOK were NOK 26.6 per boe for the year 2006, NOK 22.3 per boe for the year 2005 and NOK 22.4 per boe for the year 2004. Normalized at a USDNOK exchange rate of 6.00 and adjusted for the estimated volume reduction due to PSA effects in 2006, the production cost for the 12 last months was NOK 26.2 per boe for the year 2006, compared to NOK 22.0 per boe for 2005 and NOK 22.1 per boe in 2004.

Return on Average Capital Employed. We report ROACE as a measure of financial performance.

Capital expenditures per segment in the years ended December 31, 2004–2006:

(in million NOK)	2005	% of total	2004	% of total	2003	% of total
E&P Norway	20,921	45	16,257	35	16,776	39
International E&P	19,974	43	25,295	55	18,987	44
Natural Gas	2,335	5	2,542	6	2,368	6
Manufacturing and Marketing	2,501	5	1,630	4	4,162	10
Other	461	1	470	1	551	1
Total	46,192	100	46,194	100	42,844	100

Our business is capital intensive. Furthermore, our capital expenditures include several significant projects that are characterized by lead times of several years and expenditures that individually may involve large amounts. Given this capital intensity, we use return on average capital employed, or ROACE, as a key performance indicator to measure our success in utilizing capital. We aim to allocate capital only to those projects that meet our financial return criteria. We define ROACE as follows:

$$\text{Return on Average Capital Employed} = \frac{\text{Net Income} + \text{Minority Interest} - \text{After Tax Net Financial Items}}{\text{Net Financial Debt} + \text{Shareholders' Equity} + \text{Minority Interest}}$$

Average capital employed reflects an average of capital employed at the beginning and the end of the financial period. In the calculation of average capital employed, Statoil makes certain adjustments to net interest-bearing debt, which makes the figure a Non-GAAP financial measure.

ROACE is a Non-GAAP financial measure. See –Use and Reconciliation of Non-GAAP Financial Measures for our historical reported ROACE and the reconciliation of ROACE to the most comparable GAAP measure.

Our ROACE in any financial period and our ability to meet our target ROACE will be affected by our ability to generate net income. Our level of net income is subject to numerous risks and uncertainties as described above. These risks include, among others, fluctuation in demand, retail margin, changes in our oil and gas production volumes and trends in the international oil industry.

Trend Information

We recognize that the production target for 2007 is a challenging and stretched target and that we are more likely to undershoot than overshoot the target. The target is, however, still achievable depending on successful outcome of planned ramp-ups and start up of new projects, positive results from a range of activities initiated on mature fields and normal gas sales.

Our **investments** have increased due to more complex and challenging projects, expensive inorganic growth and cost increases due to a tight supplier market.

On the previous page are our capital expenditures in our four principal business segments for 2004-2006, including the allocation per segment as a percentage of gross investments.

Capital expenditures are expected to amount to approximately NOK 120 billion over the three year period from 2005-2007. The estimate excludes the acquisition price of the deepwater Gulf of Mexico assets in 2005 and 2006 of NOK 13.3 billion and 4.5 billion, respectively, as well as the Gulf of Mexico acquisition from Anadarko of USD 901 million that was closed in the first quarter of 2007, and other potential inorganic transactions. Follow-up investments related to the acquired assets will be included.

The group had a step-up in **exploration activities** both in 2005 and in 2006. The exploration expenditure in 2006 amounted to NOK 7.5 billion, compared to NOK 4.3 billion in 2005 and NOK 2.5 billion in 2004. The exploration expenditure is expected to increase further to approximately NOK 8 billion in 2007. The group expects to participate in the drilling of 35-40 wells in 2007. However, no guarantees can be given with regards to the number of wells drilled, the cost per well and the results of drilling. Uncertainty related to the results of past and future drilling will influence the amount of exploration expenditure capitalized and expensed. See –Critical Accounting Principles and Estimates–Exploration and leasehold acquisition costs.

Statoil uses the “Successful efforts” method of accounting for oil and natural gas producing activities. Expenditures to drill and equip exploratory wells are capitalized until it is clarified whether there are proved reserves. Expenditures to drill exploratory wells that do not find proved reserves, and geological and geophysical and other exploration expenditure are expensed. Unproved oil and gas properties are assessed quarterly; unsuccessful wells are expensed. Exploratory wells that have found reserves, but classification of those reserves as proved depends on whether a major capital expenditure can be justified, may remain capitalized for more than one year. The main conditions are that either firm plans exist for future drilling in the license or a development decision is planned in the near future.

Production cost per barrel is expected to increase as a result of tail-end production at mature fields on the NCS, PSA effects on production in international areas and continued industry cost pressure.

This section describes our estimated capital expenditure for 2007 in respect of potential capital expenditure requirements for the principal investment opportunities available to us and other capital projects currently under consideration. The figure is based on an organic development of Statoil and excludes possible expenditures related to acquisitions. Therefore, the expenditure estimates and descriptions with respect to investments in the segment descriptions below could differ materially from the actual expenditures.

E&P Norway. A substantial portion of our 2007 capital expenditure is allocated to the ongoing development projects in Snøhvit, Ormen Lange, Volve, Gjøa, Alve, which will be connected to Norne, Gullfaks IOR and the satellites Skinfaks and Rimfaks which will be tied back to Gullfaks C, and Tyrihans, which will be tied to Kristin, as well as the late-life projects at Statfjord and Gullfaks.

International E&P. We currently estimate that a substantial portion of our 2007 capital expenditure will be allocated to the following ongoing and planned development projects: Agbami in Nigeria, Tahiti in the Gulf of Mexico and ACG in Azerbaijan, with planned start-up of production in 2008, Corrib in Ireland with planned production start-up in 2009, and South Pars in Iran.



Natural Gas. In 2006 Statoil finished the southern leg of Langeled and the South Caucasus pipeline related to the Shah Deniz field pipelines. Tampen link and the northern leg of Langeled are the projects expected to require a high share of investment in the segment in 2007. In addition, three LNG vessels were transferred from E&P Norway’s assets to Natural Gas’s assets effective January 1, 2007. We will continue focusing on increasing the capacity and flexibility of our gas transportation and processing infrastructure. This will be done through the expansion of the Kårstø processing plant, the Aldbrough gas storage project on the east coast of England and other investments.

Manufacturing and Marketing. We are focusing our capital expenditure on our retail network and upgrading of our refineries to increase flexibility and increase the value of the refined products. In 2006, Statoil received the final permit to build a combined heat and power plant (CHP plant) at Mongstad. It will be built and operated by the Danish company Dong in a long-term lease agreement, where Statoil can take over after 20 years, free of charge. Statoil and our partners at Mongstad and in Troll will invest NOK 2.7 billion in a gas pipeline from Kollsnes to Mongstad and refinery modifications in connection with the CHP plant. In addition to the CHP project, the main focus at Mongstad the next three years will be infrastructure improvements.

Finally, we may alter the amount, timing or segmental or project allocation of our capital expenditures in anticipation or as a result of a number of factors outside our control including, but not limited to:

- exploration and appraisal results, such as favorable or disappointing seismic data or appraisal wells;
- cost escalation, such as higher exploration, production, plant, pipeline or vessel construction costs;
- government approvals of projects;
- government awards of new production licenses;
- partner approvals;
- development and availability of satisfactory transport infrastructure;
- development of markets for our petroleum and other products including price trends;
- political, regulatory or tax regime risk;
- accidents such as rig blowups or fires, and natural hazards;
- adverse weather conditions;
- environmental problems which could lead to, for instance development restrictions, costs of regulatory compliance or the effects of petroleum discharges or spills; and
- acts of war, terrorism and sabotage.

Reserves replacement ratio. Proved oil and gas reserves were estimated to be 4,185 million boe at the end of 2006, compared to 4,295 million boe at the end of 2005 and 4,289 million boe at the end of 2004.

Proved reserves and changes to proved reserves are estimated in accordance with SEC definitions. The reserves replacement ratio is defined as the sum of proved reserves additions and revisions, divided by produced volumes in any given period.

Changes in proved reserves estimates most commonly originate from revisions of estimates due to observed production performance, extensions of proved areas through drilling activities, or inclusion of proved reserves in new discoveries through sanctioning of development projects. These are sources of proved reserves additions that result from continuous business processes, and could be expected to continue to add reserves at some level in the future.

Proved reserves may also be added or subtracted through acquisitions or disposals of assets.

Changes in proved reserves may also originate from factors outside of management control, such as changes in oil and gas prices. While higher oil and gas prices normally allow more oil and gas to be recovered from the accumulations, Statoil's proved oil and gas reserves under PSAs and similar contracts will generally decrease as a result. This reflects the fact that we will receive smaller quantities of oil and gas under the cost recovery and profit sharing arrangements of these contracts as a result of the increased oil and gas prices. These changes are included in the revisions category in the table below.

Reserves in new discoveries are normally booked only when regulatory approval has been received, or when such approval is imminent. Reserve additions from new discoveries booked in 2006 are expected to be produced in the period from year 2008 to 2025. Reserves from new discoveries, upward revisions of reserves and purchases of proved reserves are expected to contribute to maintaining proved reserves in future years.



Below is a table showing the reserves additions in each change category relating to the reserve replacement ratio for the years 2006, 2005 and 2004.

A total of 304 million boe proved reserves was added during 2006, of which 230 million boe were proved developed reserves. The remaining 74 mmboc were proved undeveloped reserves.

The reserves replacement ratio was 73 per cent in 2006, compared to 102 per cent in 2005 and 106 per cent in 2004. The reduction in the reserve replacement ratio in 2006 compared to previous years was mainly due to few and smaller reserves additions from project sanctions related to new discoveries and no additions from acquisitions. The average replacement rate for the last three years was 94 per cent, including purchases and sales.

The usefulness of this measure is limited by the volatility of oil prices, the influence of oil and gas prices on PSA reserve booking, the sensitivity relating to the timing of project sanctions, and the time lag between exploration expenditure and booking of reserves.

Line Item (million boe)	2006	2005	2004
Revisions and improved recovery	255	141	165
Extensions and discoveries	52	292	46
Purchases of reserves-in-place	0	20	246
Sales of reserves-in-place	(3)	(19)	(29)
Total reserve additions	304	434	428
Production	(415)	(427)	(402)
Net change in proved reserves	(111)	7	26

Reserves replacement ratio (three-year average)	2006	2005	2004
Corporate	0.94	1.02	1.01
E&P Norway	0.78	0.84	0.76
International E&P	1.91	2.46	3.60

At year-end 2006 Statoil held a 15 per cent share in the Sincor joint venture while the partners, Total and the Venezuelan state-owned PDVSA, held 47 and 38 per cent respectively. In the first quarter of 2007, the Venezuelan Government issued a decree of law providing for the transformation of Sincor and all other such Strategic Association Agreements into new incorporated joint ventures with a majority State participation of minimum 60 per cent (known as mixed companies), under the legal framework of the 2002 Organic Hydrocarbons Law. The decree provides that transfer of operations is to be completed by April 30, 2007. There is to be parallel negotiations to agree and subsequently to obtain approval from the National Assembly on the terms and conditions for participation in the new mixed companies. Such agreement must be reached by the end of the second quarter of 2007, while the approval process is to be concluded in the following quarter. The possible migration from partnership to a mixed company and the resulting possible reduction in Statoil share may affect our future recognition of proved reserves. The maximum adverse impact on proved reserves is currently estimated to 171 mmbbl of oil. The specifics and extent of such a transition for Sincor and the level of compensation to be received by Statoil cannot be ascertained at this time.

Use and Reconciliation of Non-GAAP Financial Measures

Statoil is subject to SEC regulations regarding the use of "Non-GAAP financial measures" in public disclosures. Non-GAAP financial measures are defined as numerical measures that either exclude or include amounts that are not excluded or included in the comparable measures calculated and presented in accordance with GAAP.

The following financial measures may be considered Non-GAAP financial measures:

- Return on Average Capital Employed (ROACE).
- Normalized production cost per barrel.
- Net debt to capital employed ratio.



Statoil uses **ROACE** to measure the return on capital employed regardless of whether the financing is through equity or debt. This measure is viewed by the company as providing useful information, both for the company and investors, regarding performance for the period under evaluation. Statoil makes regular use of this measure to evaluate its operations. Statoil's use of ROACE should not be viewed as an alternative to income before financial items, income taxes and minority interest, or to net income, which are the measures calculated in accordance with generally accepted accounting principles or ratios based on these figures.

Our historic ROACE using average capital employed with these adjustments for 2006, 2005 and 2004 was 27.1 per cent, 27.6 per cent and 23.5 per cent and, respectively.

The following table shows our ROACE calculation based on reported figures:

Calculation of nominator and denominator used in ROACE calculations (in NOK million)	2006	2005	2004
Net income for the last 12 months	40,615	30,730	24,916
Minority interest for the last 12 months	720	765	505
After tax net financial items for the last 12 months	(3,943)	887	(1,946)
Net income adjusted for minority interest and after tax net financial items (A1)	37,392	32,382	23,475
Computed average capital employed			
Average capital employed (B1) (1)	139,722	117,221	99,192
Adjusted average capital employed (B2) (1)	138,030	117,143	99,714
ROACE calculation	2006	2005	2004
Calculated ROACE using average capital employed (A1/B1)	26.8%	27.6%	23.7%
Calculated ROACE using adjusted average capital employed (A1/B2)	27.1%	27.6%	23.5%

(1) See Use and Reconciliation of Non-GAAP Financial Measures—Net debt to capital employed below for a reconciliation of average capital employed and adjusted average capital employed. Average capital employed used when calculating ROACE is the average of the opening and closing balance of a year.

Normalized production cost in NOK per boe is used to evaluate the underlying development in the production cost. Statoil's production costs internationally are mainly incurred in USD. In order to exclude currency effects and to reflect the change in the underlying production cost, the USDNOK exchange rate is held constant at 6.00 in the calculations of normalized production cost. The normalized figures for the relevant previous periods have been restated in order to facilitate comparison.

Produced volumes used in the calculation of the normalized production cost per boe have been adjusted for PSA effects. The group's 2007 target for production cost per boe is based on an oil price of USD 60 per bbl. Higher oil price levels affect the production entitlements negatively, and hence the production unit cost.



Production costs per boe	2006	2005	2004
Total production costs last 12 months (in NOK million)	11,040	9,509	9,334
Produced volumes last 12 months (million boe)	414	427	416
Average USDNOK exchange rate	6.41	6.44	6.74
Production cost per boe (USD/boe)	4.16	3.45	3.34
Calculated production cost (NOK/boe)	26.6	22.3	22.4
Normalization of production cost per boe			2006
Total production costs last 12 months (in NOK million)			11,040
Production costs last 12 months International E&P (in USD million)			350
Normalized exchange rate (USDNOK)			6.00
Production costs last 12 months International E&P (in NOK million), normalized at 6.00			2,101
Total production costs last 12 months in NOK million (normalized)			10,899
Produced volumes last 12 months (million boe)			414
Adjustment for estimated loss of production under production sharing agreements			1
Estimated produced volumes			416
Production costs (NOK/boe), normalized at USDNOK 6.00			26.2

The calculated **net debt to capital employed ratio** is viewed by the company as providing a more complete picture of the group's current debt situation than gross interest-bearing debt. The calculation uses balance sheet items related to total debt and adjusts for cash, cash equivalents and short-term investments. Two additional adjustments are made for two different reasons:

- Since different legal entities in the group lend to and borrow from banks, project financing through an external bank or similar will not be netted in the balance sheet, and will over-report the debt stated in the balance sheet compared to the underlying exposure in the group.
- Some interest-bearing elements are classified together with non-interest-bearing elements, and are therefore included when calculating the net interest-bearing debt.

The net interest-bearing debt adjusted for these two items is included in the average capital employed, which is also used in the calculation of ROACE.

The table below reconciles net interest-bearing debt, capital employed and net debt to capital employed ratio to the most directly comparable financial measure or measures calculated in accordance with GAAP.

Calculation of capital employed (in NOK million)	2006	2005	2004
Total shareholders' equity	122,228	106,644	85,030
Minority interest	1,465	1,492	1,616
Total equity and minority interest (A)	123,693	108,136	86,646
Short-term debt	5,515	1,529	4,730
Long-term debt	30,271	32,564	31,351
Gross interest-bearing debt	35,786	34,093	36,081
Cash and cash equivalents	(7,367)	(7,025)	(5,028)
Short-term investments	(1,031)	(6,841)	(11,621)
Cash, cash equivalents and short-term investments	(8,398)	(13,866)	(16,649)
Net interest-bearing debt (B1)	27,388	20,227	19,432
Capital employed (A+B1)	151,081	128,363	106,078
Average capital employed	139,722	117,221	99,192
Net debt to capital employed (B1/(A+B1))	18.1%	15.8%	18.3%
Calculation of adjusted net interest-bearing debt			
Adjustment of net interest-bearing debt for project loan ⁽¹⁾	(2,443)	(2,723)	(2,209)
Adjustment of net interest-bearing debt for other items ⁽²⁾	0	1,783	2,995
Net interest-bearing debt after adjustments (B2)	24,945	19,287	20,218
Calculation of adjusted capital employed			
Adjusted capital employed (A+B2)	148,638	127,423	106,864
Average adjusted capital employed	138,030	117,143	99,714
Net debt to capital employed (B2/(A+B2))	16.8%	15.1%	18.9%

(1) Adjustment for inter-company project financing through an external bank.

(2) Adjustment made for deposits received for financial derivatives. Although these deposits are classified as liquid assets, they are interest-bearing and are therefore not excluded from gross interest-bearing debt when calculating our net interest-bearing debt.

Forward-Looking Statements

This Annual Report contains forward-looking statements that involve risks and uncertainties. In some cases, we use words such as “believe”, “intend”, “expect”, “anticipate”, “plan”, “target” and similar expressions to identify forward-looking statements. All statements other than statements of historical facts, including, among others, statements regarding our future financial position, business strategy, expectations for the proposed merger with Norsk Hydro’s oil and gas business, budgets, reserve information, reserve replacement rates, reserve recovery factors, projected levels of capacity, oil and gas production forecasts, production growth, projected operating costs, exploration expenditure, estimates of capital expenditure, expected exploration and development activities and plans, start-up dates for upstream and downstream activities, HSE goals and objectives of management for future operations, are forward-looking statements. You should not place undue reliance on these forward-looking statements.

These forward-looking statements reflect current views with respect to future events and are, by their nature, subject to significant risks and uncertainties because they relate to events and depend on circumstances that will occur in the future.

There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including levels of industry product supply, demand and pricing; currency exchange rates; political and economic policies of Norway and other oil-producing countries; general economic conditions; political stability and economic growth in relevant areas of the world; global political events and actions, including war, terrorism and sanctions; the timing of bringing new fields on stream; material differences from reserves estimates; inability to find and develop reserves; adverse changes in tax regimes; development and use of new technology; geological or technical difficulties; the actions of competitors; the actions of field partners; natural disasters and other changes to business conditions; and other factors discussed elsewhere in this report.

Additional information, including information on factors which may affect our business, is contained in our Registration Statement on Form F-1 filed with the US Securities and Exchange Commission and will be contained in our Annual Report on Form 20F expected to be filed with the US Securities and Exchange Commission in March 2007.

Statoil group – USGAAP

CONSOLIDATED STATEMENTS OF INCOME – USGAAP

(in NOK million)	For the year ended December 31,		
	2006	2005	2004
REVENUES			
Sales	423,528	384,653	299,015
Equity in net income of affiliates	410	1,090	1,209
Other income	1,228	1,668	1,219
Total revenues	425,166	387,411	301,443
EXPENSES			
Cost of goods sold	(239,544)	(230,721)	(184,234)
Operating expenses	(34,320)	(30,243)	(27,258)
Selling, general and administrative expenses	(6,990)	(7,189)	(5,720)
Depreciation, depletion and amortization	(21,767)	(20,962)	(17,318)
Exploration expenses	(5,664)	(3,253)	(1,828)
Total expenses before financial items	(308,285)	(292,368)	(236,358)
Income before financial items, income taxes and minority interest	116,881	95,043	65,085
Net financial items	4,814	(3,512)	5,755
Income before income taxes and minority interest	121,695	91,531	70,840
Income taxes	(80,360)	(60,036)	(45,419)
Minority interest	(720)	(765)	(505)
Net income	40,615	30,730	24,916
Ordinary and diluted earnings per share	18.79	14.19	11.50
Weighted average number of ordinary shares outstanding	2,161,028,202	2,165,740,054	2,166,142,636

Revenues are net of excise tax of NOK 20,198, NOK 18,993 and NOK 18,773 million in 2006, 2005 and 2004, respectively.

See notes to the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS - USGAAP

(in NOK million)	At December 31,	
	2006	2005
ASSETS		
Cash and cash equivalents	7,367	7,025
Short-term investments	1,031	6,841
Cash, cash equivalents and short-term investments	8,398	13,866
Accounts receivable	41,273	42,816
Inventories	11,872	8,369
Prepaid expenses and other current assets	15,538	12,815
Total current assets	77,081	77,866
Investments in affiliates	4,917	4,352
Long-term receivables	6,855	9,618
Net property, plant and equipment	209,601	180,669
Other assets	17,014	16,474
TOTAL ASSETS	315,468	288,979
LIABILITIES AND SHAREHOLDERS' EQUITY		
Short-term debt	5,515	1,529
Accounts payable	22,373	22,518
Accounts payable - related parties	7,551	9,766
Accrued liabilities	12,148	14,030
Income taxes payable	30,219	29,752
Total current liabilities	77,806	77,595
Long-term debt	30,271	32,564
Deferred income taxes	44,987	43,314
Other liabilities	38,711	27,370
Total liabilities	191,775	180,843
Minority interest	1,465	1,492
Common stock (NOK 2.50 nominal value), 2,166,143,715 and 2,189,585,600 shares, authorized and issued	5,415	5,474
Treasury shares, 21,399,616 shares and 24,208,212 shares	(54)	(60)
Additional paid-in capital	37,366	37,305
Additional paid-in capital related to Treasury shares	(3,605)	(96)
Retained earnings	88,262	65,401
Accumulated other comprehensive income (loss)	(5,156)	(1,380)
Total shareholders' equity	122,228	106,644
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	315,468	288,979

See notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY - USGAAP

(in NOK million, except share data)	Number of shares issued	Share capital	Treasury shares nominal value	Treasury shares above nominal value	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Total
At January 1, 2004	2,189,585,600	5,474	(59)		37,728	27,627	(596)	70,174
Net income						24,916		24,916
Translation adjustment and other comprehensive income							(3 214)	(3,214)
Total comprehensive income								21,702
Settlement with the Norwegian State (see note 1)					(458)			(458)
Value of stock compensation plan					3			3
Treasury shares acquired			(1)					(1)
Dividend paid						(6,390)		(6,390)
At December 31, 2004	2,189,585,600	5,474	(60)		37,273	46,153	(3,810)	85,030
Net income						30,730		30,730
Translation adjustment and other comprehensive income							2,430	2,430
Total comprehensive income								33,160
Value of stock compensation plan					31			31
Treasury shares acquired				(96)				(96)
Dividend paid						(11,481)		(11,481)
At December 31, 2005	2,189,585,600	5,474	(60)	(96)	37,304	65,402	(1,380)	106,644
Net income						40,615		40,615
Translation adjustment							(2,008)	(2,008)
Change in pensions due to implementation of FAS 158							(1,881)	(1,881)
Fair value adjustment of available for sale securities							113	113
Total comprehensive income								36,839
Value of stock compensation plan					59			59
Treasury shares acquired			(50)	(3,508)				(3,558)
Annulment of treasury shares	(23,441,885)	(59)	59					0
Dividend paid						(17,756)		(17,756)
At December 31, 2006	2,166,143,715	5,415	(54)	(3,605)	37,366	88,262	(5,156)	122,228

Other comprehensive income amounts are net of income tax benefit of NOK 3,681, NOK 161 and NOK 38 million at December 31, 2006, 2005 and 2004, respectively.

Dividends paid per share were NOK 8.20, NOK 5.30 and NOK 2.95 in 2006, 2005 and 2004, respectively.

See notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS - USGAAP

(in NOK million)	For the year ended December 31,		
	2006	2005	2004
OPERATING ACTIVITIES			
Consolidated net income	40,615	30,730	24,916
<u>Adjustments to reconcile net income to net cash flows provided by operating activities:</u>			
Minority interest in income	720	765	505
Depreciation, depletion and amortization	21,767	21,097	17,456
Exploration expenditures written off	667	158	110
(Gains) losses on foreign currency transactions	157	1,330	(1,919)
Deferred taxes	5,420	(5,078)	5,006
(Gains) losses on sales of assets and other items	(710)	(1,605)	(1,531)
<u>Changes in working capital (other than cash and cash equivalents):</u>			
• (Increase) decrease in inventories	(3,441)	(1,664)	(1,645)
• (Increase) decrease in accounts receivable	1,708	(11,625)	(1,149)
• (Increase) decrease in prepaid expenses and other current assets	(3,669)	(1,842)	(4,590)
• (Increase) decrease in short-term investments	5,810	4,780	(2,307)
• Increase (decrease) in accounts payable	(3,454)	7,923	(147)
• Increase (decrease) in other payables	(4,209)	282	1,449
• Increase (decrease) in taxes payable	626	10,522	1,387
(Increase) decrease in non-current items related to operating activities	(1,094)	477	1,266
Cash flows provided by operating activities	60,913	56,250	38,807
INVESTING ACTIVITIES			
Acquisitions, net of cash acquired	0	(13,154)	0
Additions to property, plant and equipment	(39,486)	(31,389)	(31,800)
Exploration expenditures capitalized	(2,454)	(1,242)	(748)
Change in long-term loans granted and other long-term items	(154)	(734)	(2,650)
Proceeds from sale of business	0	7,802	0
Proceeds from sale of assets	2,010	1,053	3,239
Cash flows used in investing activities	(40,084)	(37,664)	(31,959)

CONSOLIDATED STATEMENTS OF CASH FLOWS - USGAAP

(in NOK million)	For the year ended December 31,		
	2006	2005	2004
FINANCING ACTIVITIES			
New long-term borrowings	97	422	4,599
Repayment of long-term borrowings	(1,428)	(3,187)	(6,574)
Distribution to minority shareholders	(741)	(910)	(559)
Dividends paid	(17,756)	(11,481)	(6,390)
Treasury shares purchased	(1,012)	0	0
Net short-term borrowings, bank overdrafts and other	304	(1,358)	(131)
Cash flows used in financing activities	(20,536)	(16,514)	(9,055)
Net increase (decrease) in cash and cash equivalents	293	2,072	(2,207)
Effect of exchange rate changes on cash and cash equivalents	49	(75)	(81)
Cash and cash equivalents at the beginning of the year	7,025	5,028	7,316
Cash and cash equivalents at the end of the year	7,367	7,025	5,028
Interest paid	2,913	2,004	1,179
Taxes paid	74,408	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.

Changes in working capital items resulting from the disposal of Statoil Ireland in 2006 are excluded from Cash flows provided by operating activities and classified as Proceeds from sale of assets. These cash flows are insignificant.

See notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – USGAAP

1. ORGANIZATION AND BASIS OF PRESENTATION

Statoil ASA was founded in 1972 as a 100 per cent Norwegian State-owned company. Statoil's business consists principally of the exploration, production, transportation, refining and marketing of petroleum and petroleum-derived products. In 1985, the Norwegian State transferred certain properties from Statoil to the State's direct financial interest (SDFI), which is also 100 per cent owned by the Norwegian State.

In conjunction with a partial privatization of Statoil in June 2001, the Norwegian State restructured its holdings in oil and gas properties on the Norwegian Continental Shelf. In this restructuring, the Norwegian State transferred to Statoil certain SDFI properties with a book value of approximately NOK 30 billion, in consideration for which NOK 38.6 billion in cash plus interest and currency fluctuation from the valuation date of NOK 2.2 billion (NOK 0.7 billion after tax), and certain pipelines and other assets with a net book value of NOK 1.5 billion were transferred to the Norwegian State. The transaction was completed June 1, 2001 with a valuation date of January 1, 2001 with the exception of the sale of an interest in the Mongstad terminal which had a valuation date of June 1, 2001.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of Statoil ASA and its subsidiaries (the Company or the group) are prepared in accordance with United States generally accepted accounting principles (USGAAP).

Consolidation

The consolidated financial statements include the accounts of Statoil ASA and subsidiary companies owned directly or indirectly more than 50 per cent. Intercompany 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.

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.

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.

Assets held for sale and discontinuing operations

Assets held for sale are classified as short-term if the applicable accounting criteria are met. The main criteria are that management with the authority to do so commits to a plan to sell the assets and expects to record the transfer of the assets as a completed sale within one year. Assets held for sale are measured at the lower of their carrying amount or fair value less costs to sell.

Results of operations and any gain or loss from Assets held for sale or disposed are excluded from Continuing operations and reported separately. Prior period's assets, liabilities and results of operations are reclassified to be comparable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – USGAAP

Revenue recognition

Revenues associated with sale and transportation of crude oil, natural gas, petroleum and chemical products and other merchandises are recognized when title passes to the customer at the point of delivery of the goods based on the contractual terms of the agreements. Revenue is presented 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 presented net and included in Sales.

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

Transactions with the Norwegian State

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

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 expenditures refunded by the State, are recorded net in Statoil's financial statements. Such refundable expenditures relate to activities incurred to secure market access, transportation, processing capacity and investments made to maximize profitability from the sale of natural gas.

Statoil as operator of joint ventures

Indirect operating costs such as personnel costs are accumulated in cost pools. These costs are allocated to business areas and Statoil operated joint ventures on an hours incurred basis.

Only Statoil's share of profit and loss and balance sheet item related to Statoil operated unincorporated joint ventures are reflected in the consolidated statement of income and balance sheet.

Derivative financial instruments and hedging activities

Statoil operates in the worldwide crude oil, refined products, and natural gas markets and is exposed to fluctuations in hydrocarbon prices, foreign currency rates and interest rates that can affect the revenues and cost of operating, investing and financing. Statoil's management has used and intends to use financial and commodity-based derivative contracts to reduce the risks in overall earnings and cash flows. Statoil applies hedge accounting in certain circumstances as allowed by FAS 133, and enters into derivatives which economically hedge certain of its risks even though hedge accounting is not allowed by the Statement or is not applied by Statoil.

For derivatives where hedge accounting is used, Statoil formally designates the derivative as either a fair value hedge of a recognized asset or liability or unrecognized firm commitment, or a cash flow hedge of an anticipated transaction. Statoil documents the designated hedging relationship upon entering into the derivative, including identification of the hedging instrument and the hedged item or transaction, strategy and risk management objective for undertaking the hedge, and the nature of the risk being hedged. Furthermore, each derivative is assessed for hedge effectiveness both at the inception of the hedging relationship and on a quarterly basis, for as long as the derivative is outstanding. Hedge accounting is only applied when the derivative is deemed to be highly effective at offsetting changes in fair values or anticipated cash flows of the hedged item or transaction. For hedged forecasted transactions, hedge accounting is discontinued if the forecasted transaction is no longer probable of occurring. Any previously deferred hedging gains or losses would be recorded to earnings when the transaction is considered to be probable of not occurring. Earnings impacts for all designated hedges are recorded in the Consolidated Statement of Income generally on the same line item as the gain or loss on the item being hedged.

Statoil records all derivatives that do not qualify for the normal purchase and normal sales exemption at fair value as assets or liabilities in the Consolidated Balance Sheets. For fair value hedges, the effective and ineffective portions of the change in fair value of the derivative, along with the gain or loss on the hedged item attributable to the risk being hedged, are recorded in earnings as incurred. For cash flow hedges, the effective portion of the change in fair value of the derivative is deferred in accumulated Other comprehensive income in the Consolidated Balance Sheets until the transaction is reflected in the Consolidated Statements of Income, at which time any deferred hedging gains or losses are recorded in earnings. The ineffective portion of the change in the fair value of a derivative used as a cash flow hedge is recorded in earnings in Sales or Cost of goods sold as incurred.

Stock based compensation

Compensation expense related to bonus shares is measured at fair value at the grant date based on the estimated fair 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).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – USGAAP

Research and development

Research and development expenditures are expensed as incurred.

Impairment of long-lived assets

Tangible assets, identifiable intangible assets and goodwill are tested for impairment when events or a change in circumstances during the year indicate that their carrying amount may not be recoverable. Goodwill is tested for impairment every year. Impairment of long lived assets is determined for each autonomous group of assets (oil and gas fields or licenses, or independent operating units) by comparing their carrying value with the undiscounted cash flows they are expected to generate based upon management's expectations of future economic and operating conditions. Should this comparison indicate that an asset is impaired, the asset is written down to fair value, generally determined based on expected discounted cash flows.

Goodwill is tested for impairment at the reporting unit level by comparing the reporting unit's carrying value (including goodwill) with its estimated fair value, generally determined based on expected discounted cash flows.

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 costs 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.

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.

Investments

Short-term investments include marketable equity, bank deposits, other monetary instruments and debt securities with a maturity of between three and twelve months at the date of purchase.

Most 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.

Changes in fair value of available-for-sale securities are recorded against Other Comprehensive Income. Available-for-sale securities where a market value is not readily observable are measured at cost.

Inventories

Inventories are valued at the lower of cost or market. Costs of crude oil held at refineries and the majority of refined products are determined under the last-in, first-out (LIFO) method. Certain inventories of crude oil, refined products and non-petroleum products are determined under the first-in, first-out (FIFO) method. Cost includes raw material, freight, and direct production costs together with a share of indirect costs.

Property, plant and equipment

Property, plant and equipment are carried at historical cost less accumulated depreciation, depletion and amortization. Interest is capitalized as part of the historical cost of qualifying assets. 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – USGAAP

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

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.

Intangible assets and Goodwill

Intangible assets acquired individually or as a group of assets are recorded at fair value when acquired. Intangible assets with finite useful lives are amortized systematically over their estimated economic life.

Goodwill is recorded at the reporting unit level which is either the operating segment or one level below.

Asset retirement obligation

Legal obligations associated with the retirement of long-lived assets are recognized at their fair value at the time that the obligations are incurred. Upon initial recognition of a liability, the costs are capitalized as part of the related long-lived asset and allocated to expense over the useful life of the asset. Changes in asset retirement obligation estimates are capitalized as part of the long-lived asset and charged to income prospectively over the remaining useful life of the asset. The discount rate used when estimating the fair value of the asset retirement obligation is a credit-adjusted risk-free interest rate with the same expected maturity as the removal obligation.

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

Contingencies and guarantees

Liabilities assumed from issuing third party guarantees are recognized at fair value.

Contingencies are recognized if they are probable of occurring.

Employee retirement plans

Defined benefit plans where the employees have the right to 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 similarly to contribution plans.

Reclassifications

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

New Accounting Standards

As of January 1, 2005, Statoil adopted Financial Accounting Standard Board (FASB) Staff Position FSP FAS 19-1, Accounting for Suspended Well Costs. Upon adoption of the FSP, the Company evaluated all existing capitalized exploratory well expenditures under the provisions of the FSP. The adoption did not have any effects on Statoil's Consolidated Statements of Income and financial position.

As of July 1, 2005 Statoil adopted Financial Accounting Standard (FAS) No. 153 Exchanges of Non-monetary Assets. Before adoption of FAS 153 Statoil recognized some exchanges at book value. After the adoption of FAS 153 only exchanges which lack commercial substance will be recognized at book value. The pronouncement is only required to be recognized prospectively and therefore no cumulative effect is recognized.

As of December 31, 2005 Statoil adopted Interpretation No. 47, Accounting for Conditional Asset Retirement Obligations (FIN 47). FIN 47 clarifies the requirement to record liabilities stemming from a legal obligation to retire assets, when a retirement depends on a future event. Application of the new

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – USGAAP

interpretation resulted in an increase in net property, plant and equipment of NOK 35 million, an increase in accrued asset retirement obligation of NOK 95 million and a reduction in deferred tax of NOK 17 million. The increase represents the removal costs of retail stations. We consider that refining and processing plants that are not limited by an expected license period have indefinite lives and that there is no measurable asset retirement obligation. The implementation effect of NOK 43 million after tax is recorded as Operating expenses in the segment Other and eliminations. If the standard had been applied as of January 1, 2004 the impact to the results and equity for the years 2004 and 2005 would have been immaterial.

As of January 1, 2006 Statoil adopted FAS 154 Accounting Changes and Error corrections as a replacement of APB Opinion No. 20 and FASB Statement No. 3. APB 20 required that most voluntary changes in accounting principle should be recognized in net income of the period of the change. The recognized effect should be the cumulative effect of changing to the new accounting principle. FAS 154, on the other hand, in general requires retrospective application to prior periods' financial statements of changes in accounting principles. This Statement also requires that a change in depreciation, amortization or depletion method for long-lived, non-financial assets be accounted for as a change in accounting estimate effected by a change in accounting principle.

In June 2006 FASB issued FIN 48 Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109. This Interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. FIN 48 is effective for fiscal years beginning after December 15, 2006. Statoil will adopt FIN 48 in the first quarter of 2007. The effect on shareholders' equity of implementation of this Interpretation is not expected to be significant.

On September 8, 2006 FASB issued FASB Staff Position (FSP) AUG AIR-1, Accounting for Planned Major Maintenance Activities. This FSP eliminates the accrue-in-advance method of accounting for planned major maintenance activities. This method of accounting for planned major maintenance activities was eliminated due to the FASB's belief that the resulting liability does not meet the definition of a liability in FASB Concepts Statement No. 6, Elements of Financial Statements. Statoil is using the accrue-in-advance method. As a result of the elimination of the accrue-in-advance method, the Airline Guide currently permits the use of one of the following three remaining methods: (1) direct expensing, (2) built-in overhaul, and (3) deferral. Statoil has elected the built-in overhaul method. The effective date of this FSP is an entity's first fiscal year beginning after December 15, 2006. Statoil will adopt the FSP on January 1, 2007. The effect of implementing the Staff Position is not expected to be significant.

On September 15, 2006 the FASB issued FAS 157 on fair value measurement. The Standard provides guidance for using fair value to measure assets and liabilities. The Standard also responds to investors' requests for expanded information about the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value, and the effect of fair value measurements on earnings. The Standard applies whenever other standards require (or permit) assets or liabilities to be measured at fair value. The Standard does not expand the use of fair value in any new circumstances. Statement 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Early adoption is permitted. Statoil has not yet estimated the impact, if any, of the new standard.

On September 29, 2006 FASB issued FAS 158 Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans an Amendment of FASB Statements No. 87, 88, 106 and 132 (R). FAS 158 requires an employer to recognize the funded status of a defined benefit pension plan (other than a multiemployer plan) as an asset or liability in its statement of financial position with an offsetting amount to accumulated other comprehensive income and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. Statoil previously deferred actuarial gains and losses and applied the corridor approach. Statoil is required to initially recognize the funded status of a defined benefit pension plan and to provide the required disclosures as of the end of the fiscal year ending December 31, 2006 and therefore adopted FAS 158 in December 31, 2006. The effect of adoption of FAS 158 is shown in footnote 17. The Standard also requires Statoil to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions, as of December 31, 2008. However, since the Company already uses a measurement date of December 31 for its pension plans this requirement will have no impact.

In February 2007 FASB issued FAS No. 159 The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115. The statement provides companies with an option to report selected financial assets and liabilities at fair value. This Statement is effective as of the beginning of an entity's first fiscal year beginning after November 15, 2007. Early adoption is permitted as of the beginning of the previous fiscal year provided that the entity makes that choice in the first 120 days of that fiscal year and also elects to apply the provisions of Statement 157. Statoil has not yet estimated the impact, if any, of the new standard.

In accordance with Norwegian requirements, Statoil will prepare its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) from January 1, 2007. Effective from that date, Statoil will also adopt IFRS as its primary accounting principles. Consequently, Statoil will from the same point in time reconcile its primary IFRS Financial Statements to USGAAP, representing a change from its current full USGAAP reporting.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – USGAAP

3. SEGMENTS

Statoil divides its operations into four segments; Exploration and Production Norway, International Exploration and Production, Natural Gas and Manufacturing and Marketing. 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 and sale of crude oil and refined petroleum products except gas.

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.

Inter-segment revenues are sales to other business segments within Statoil and are at estimated market prices. These inter-company transactions are eliminated for consolidation purposes.

Segment data for the years ended December 31, 2006, 2005 and 2004 is presented below:

(in NOK million)	Exploration and Production Norway	International Exploration and Production	Natural Gas	Manufacturing and Marketing	Other and eliminations	Total
Year ended December 31, 2006						
Revenues third party	3,814	6,953	60,264	353,294	431	424,756
Revenues inter-segment	113,075	17,690	652	597	(132,014)	0
Income (loss) from equity investments	78	0	218	133	(19)	410
Total revenues	116,967	24,643	61,134	354,024	(131,602)	425,166
Depreciation, depletion and amortization	12,913	5,697	870	1,919	368	21,767
Income before financial items,						
income taxes and minority interest	89,389	10,928	10,009	6,998	(443)	116,881
Imputed segment income taxes	(67,269)	(5,242)	(6,704)	(1,875)	0	(81,090)
Segment net income	22,120	5,686	3,305	5,123	(443)	35,791
Year ended December 31, 2005						
Revenues third party	2,114	6,366	44,973	332,431	437	386,321
Revenues inter-segment	95,417	13,197	586	236	(109,436)	0
Income (loss) from equity investments	92	0	264	826	(92)	1,090
Total revenues	97,623	19,563	45,823	333,493	(109,091)	387,411
Depreciation, depletion and amortization	11,450	6,273	775	2,072	392	20,962
Income before financial items,						
income taxes and minority interest	74,132	8,364	5,901	7,593	(947)	95,043
Imputed segment income taxes	(56,030)	(3,027)	(4,013)	(1,288)	0	(64,358)
Segment net income	18,102	5,337	1,888	6,305	(947)	30,685

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – USGAAP

(in NOK million)	Exploration and Production Norway	International Exploration and Production	Natural Gas	Manufacturing and Marketing	Other and eliminations	Total
Year ended December 31, 2004						
Revenues third party	1,570	3,261	32,657	261,407	1,339	300,234
Revenues inter-segment	72,403	6,504	447	58	(79,412)	0
Income (loss) from equity investments	77	0	222	937	(27)	1,209
Total revenues	74,050	9,765	33,326	262,402	(78,100)	301,443
Depreciation, depletion and amortization	12,381	2,215	652	1,581	489	17,318
Income before financial items, income taxes and minority interest	51,029	4,188	6,784	3,899	(815)	65,085
Imputed segment income taxes	(37,904)	(1,429)	(4,381)	(845)	0	(44,559)
Segment net income	13,125	2,759	2,403	3,054	(815)	20,526

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

(in NOK million)	2006	For the year ended December 31,	
		2005	2004
Segment net income	35,791	30,685	20,526
Net financial items	4,814	(3,512)	5,755
Tax on financial items and other tax adjustments	730	4,322	(860)
Minority interest	(720)	(765)	(505)
Net income	40,615	30,730	24,916
Imputed segment income taxes	81,090	64,358	44,559
Tax on financial items and other tax adjustments	(730)	(4,322)	860
Income taxes	80,360	60,036	45,419

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – USGAAP

Long-term deferred tax assets, included in Other long-term assets, are not allocated to business segments, but are included in the segment Other.

(in NOK million)	Addition to long-lived assets	Investments in affiliates	Other long- term assets
Year ended December 31, 2006			
Exploration and Production Norway	20,921	231	103,101
International Exploration and Production	19,974	0	70,665
Natural Gas	2,335	3,755	16,862
Manufacturing and Marketing	2,501	736	22,434
Other	461	195	20,408
Total	46,192	4,917	233,470

Year ended December 31, 2005			
Exploration and Production Norway	16,257	252	86,134
International Exploration and Production	25,295	0	62,163
Natural Gas	2,542	3,261	15,976
Manufacturing and Marketing	1,595	719	21,429
Other	470	120	21,059
Total	46,159	4,352	206,761

Year ended December 31, 2004			
Exploration and Production Norway	16,776	258	81,371
International Exploration and Production	18,987	0	37,956
Natural Gas	2,368	2,984	14,551
Manufacturing and Marketing	3,923	6,941	21,959
Other	551	75	15,924
Total	42,605	10,258	171,761

Revenues by geographic areas

(in NOK million)	For the year ended December 31,		
	2006	2005	2004
Norway	318,699	290,708	224,361
Europe (excluding Norway)	48,302	42,302	39,690
United States	42,779	35,106	26,974
Other areas	14,976	18,205	9,209
Total revenues (excluding equity in net income (loss) of affiliates)	424,756	386,321	300,234

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – USGAAP

Long-lived assets by geographic areas

(in NOK million)	For the year ended December 31,		
	2006	2005	2004
Norway	150,149	132,828	121,511
Europe (excluding Norway)	37,116	33,026	34,735
United States	20,704	15,490	678
Other areas	30,043	29,397	24,890
Total long-lived assets (excludes long-term deferred tax assets)	238,012	210,741	181,814

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. The field is included in Property, plant and equipment and recorded in the segment Exploration and Production Norway.

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

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

In October 2004 Statoil sold its 50 per cent interest in the joint venture "Partrederiet West Navigator DA", which owned 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, 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.

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.

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. As a result of the agreement, Statoil increased its share to a 75 per cent interest in the license. Several discoveries have been made in this area, including the Luva discovery. The transaction was completed in the second quarter of 2006 and was recorded in the segment Exploration and Production Norway.

On September 15, 2006 Statoil entered into an agreement to acquire working interests in two US Gulf of Mexico deepwater discoveries and one exploration prospect at a cost of USD 700 million. The new assets are located in the Greater Tahiti and Walker Ridge areas. As a result of the agreement, Statoil has a 17.5 per cent working interest in the Caesar discovery, a 12.5 per cent working interest in the Big Foot discovery and a 12.5 per cent working interest in the Big Foot North prospect. The transaction was completed in the fourth quarter of 2006 and was recorded in the segment International Exploration and Production.

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On November 3, 2006 Statoil entered into an agreement with Anadarko Petroleum Corporation to acquire two of Anadarko's US Gulf of Mexico discoveries and one prospect at a cost of USD 901 million. The new assets are located in the Greater Tahiti and Walker Ridge areas. As a result of the agreement Statoil has a 27.5 per cent working interest in the Big Foot discovery and a 27.5 per cent working interest in the Big Foot North prospect, including the additions from the agreement mentioned above. In addition Statoil has a 25 per cent working interest in the Knotty Head discovery. The transaction was completed in the first quarter of 2007 and will be recorded in the segment International Exploration and Production.

Assets held for sale and discontinuing operation

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 resulted from a review of the Retail Business Portfolio and the intention to accelerate strategic commitment to Scandinavian and Eastern European markets.

On June 21, 2006 Statoil entered into an agreement to sell Statoil Ireland to Topaz, a financial consortium lead by Ion Equity. The transaction was completed on October 31, 2006. The gain from the transaction was NOK 0.6 billion before tax.

The result of the operations and the gain from the transaction are treated as discontinued operation for all periods presented and is included in the Manufacturing and Marketing segment. The net result is insignificant and is included in Selling, general and administrative expenses.

Revenues are reduced by NOK 6.4, NOK 5.9 and NOK 4.8 billion for the years ended December 31, 2006, December 31, 2005 and December 31, 2004, respectively.

All assets held for sale were included in the Prepaid expenses and other current assets caption in the Consolidated Balance Sheets until the transaction was completed, and amounted to NOK 1.9 and NOK 2.1 billion as at December 31, 2005 and December 31, 2004, respectively.

All liabilities held for sale were included in the Accrued liabilities caption in the Consolidated Balance Sheets until the transaction was completed, and amounted to NOK 0.9 and NOK 0.9 billion as at December 31, 2005 and December 31, 2004, respectively.

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 was 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, excluding VAT)	Audit fee	Audit related fee	Tax fees	Total
2006				
Ernst & Young - Norway	15.9	4.2	0	20.1
Ernst & Young - abroad	19.9	2.4	0	22.3
Total	35.8	6.6	0	42.4
2005				
Ernst & Young - Norway	11.8	10.2	0.1	22.1
Ernst & Young - abroad	13.2	1.2	0	14.4
Total	25.0	11.4	0.1	36.5

In addition audit fee related to Statoil-operated licences amounts to NOK 4.0 and NOK 3.8 million for 2006 and 2005, respectively.

The changes in audit fee and audit related fee from 2005 to 2006 are mainly due to implementation of Sarbanes Oxley Act 404 (SOX) and IFRS.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – USGAAP

7. INVENTORIES

Inventories are valued at the lower of cost or market. Costs of crude oil held at refineries and the majority of refined products are determined under the last-in, first-out (LIFO) method. Certain inventories of crude oil, refined products and non-petroleum products are determined under the first-in, first-out (FIFO) method. There have been no liquidations of LIFO layers which resulted in a material impact to Net income for the reported years.

(in NOK million)	At December 31,	
	2006	2005
Crude oil	7,231	4,383
Petroleum products	5,566	5,682
Other	1,574	1,124
Total - inventories valued on a FIFO basis	14,371	11,189
Excess of current cost over LIFO value	(2,499)	(2,820)
Total	11,872	8,369

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.

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 year 2004.

Statoil received a dividend amounting to NOK 100 million from SDS in 2004.

Equity method affiliates - detailed information at December 31, 2006

	Currency	(in million)		Ownership	(in NOK million)	
		Par value	Total share capital		Book value	Profit share
South Caucasus Pipeline Company Limited	USD	329	1,317	25.5%	2,097	0
Other companies		-	-	-	2,820	410
Total					4,917	410

Ownership corresponds to voting rights.

South Caucasus Pipeline Company Limited owns a gas pipeline from Baku in Azerbaijan to the border of Turkey. The construction of the pipeline was completed at the end of 2006.

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9. INVESTMENTS

Short-term investments

(in NOK million)	At December 31,	
	2006	2005
Short-term deposits	0	12
Commercial papers	825	6,621
Available for sale equity securities	119	0
Liquidity funds	78	47
Other	9	161
Total short-term investments	1,031	6,841

All short-term investments are recorded at fair value. As per December 31, 2006, NOK 912 million are considered to be trading securities where unrealized gains and losses are included in income. NOK 119 million are considered to be Available for sale equities where unrealized gains and losses are included in Other comprehensive income.

The cost price for trading securities for the years ended December 31, 2006 and 2005 was NOK 912 and NOK 6,795 million respectively. The cost price for Available for sale equity securities was NOK 6 million at year-end 2006.

Long-term investments included in Other assets

(in NOK million)	At December 31,	
	2006	2005
Shares in other companies (cost method)	3,052	2,890
Commercial papers	1,365	1,408
Bonds	5,785	5,422
Marketable equity securities	4,600	3,994
Total long-term investments	14,802	13,714

Included in Shares in other companies is Statoil BTC Caspian AS' investment of 8.71 per cent of the shares in the BTC Pipeline Company. The investment has a book value of NOK 2,382 and NOK 2,272 million as at December 31, 2006 and 2005, respectively.

10. PROPERTY, PLANT AND EQUIPMENT

(in NOK million)	Machinery, equipment and transportation equipment	Production plants oil and gas, incl. pipelines	Production plants onshore	Buildings and land	Vessels	Construction in progress	Capitalized exploration expenditures**	Total
Cost as at January 1, 2006	11,151	278,739	40,856	12,980	199	41,835	14,101	399,861
Accumulated depreciation, depletion and amortization at January 1	(7,552)	(182,046)	(23,027)	(4,163)	(125)	(2,279)	0	(219,192)
Additions and transfers	622	36,648	943	866	2,163	5,095	8,910	55,247
Disposal at booked value	0	(103)	(18)	(75)	0	(5)	(211)	(412)
Expensed exploration expenditures capitalized earlier years	0	0	0	0	0	0	(667)	(667)
Depreciation, depletion and amortization for the year	(699)	(18,160)	(1,856)	(656)	(79)	0	0	(21,450)
Foreign currency translation	139	(1,031)	(506)	87	0	(1,444)	(1,031)	(3,786)
Balance specified at December 31, 2006	3,661	114,047	16,392	9,039	2,158	43,202	21,102	209,601
Estimated useful life (years)	3 - 10	*	15 - 20	20 - 33	20 - 25			

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Goodwill and intangible assets amounts to NOK 1.8 billion and are included in Other assets in the Consolidated Balance Sheets. Intangible assets are depreciated over 10–20 years.

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

** Capitalized exploration expenditures include signature bonuses and other acquired exploration rights of NOK 16,578 and NOK 11,071 million as at December 31, 2006 and 2005, respectively.

In 2006, 2005 and 2004, capitalized interests amounted to NOK 2,076, NOK 1,672 and NOK 829 million, respectively. In addition to depreciation, depletion and amortization specified above intangible assets have been amortized by NOK 317 million in 2006.

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

(in NOK million)	2006	2005	2004
Capitalized expenditures at January 1	3,030	2,277	2,747
Additions	2,454	1,236	935
Reclassified to Production plants oil and gas, including pipelines based on the booking of proved reserves	(316)	(476)	(1,225)
Expensed, previously capitalized exploration expenditures (1)	(324)	(149)	(61)
Capitalised exploration expenses sold	(178)	(4)	(10)
Foreign currency translation	(141)	146	(109)
Capitalized expenditures at December 31	4,524	3,030	2,277

(1) Statoil expensed in 2006 a total of NOK 667 million in previously capitalized exploration expenditures of which NOK 324 million related to capitalized exploration activities and NOK 343 million related to capitalized signature bonuses and other acquired exploration rights.

In addition to capitalized signature bonuses and other acquired exploration rights of NOK 16,578 million, capitalized exploratory drilling expenditures at year-end 2006 consisted of the following capitalized exploratory drilling expenditures that are pending the determination of proved reserves:

	NOK million	Number of wells
Exploratory well expenditures that have been capitalized for a period of one year or less (A)	2,577	25
Exploratory well expenditures that have been capitalized for a period greater than one year, aged (B)		
- Completed in 2005	671	12
- Completed in 2004	278	4
- Completed in 2003	266	11
- Completed in 2002	174	5
- Completed in 2001	330	3
- Completed in 2000	50	1
- Completed in 1999	65	2
- Completed in 1998	112	2
Total	1,947	40
Exploratory well expenditures that have been capitalized for a period greater than one year, by category (B)		
- Wells where additional drilling efforts are underway or firmly planned in the near future	451	6
- Wells with economic reserves, development decision planned in the near future	1,025	28
- Wells with economic reserves, development decision planned in the near future, subject to negotiations	471	6
Total	1,947	40
Total of capitalized exploratory drilling expenditures (A+B)	4,524	65

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11. PROVISIONS

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

(in NOK million)	Balance at January 1,	Foreign currency translation	Expense	Recovery	Write-off	Other 1)	Balance at December 31,
Year 2006							
Provisions against other long-term assets	4	0	0	0	(4)	0	0
Provisions against accounts receivable	259	8	9	(23)	(25)	(23)	205
Year 2005							
Provisions against other long-term assets	0	0	4	0	0	0	4
Provisions against accounts receivable	255	(4)	54	(9)	(75)	38	259
Year 2004							
Provisions against other long-term assets	0	0	0	0	0	0	0
Provisions against accounts receivable	275	0	29	(39)	(22)	12	255

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

12. FINANCIAL ITEMS

(in NOK million)	For the year ended December 31,		
	2006	2005	2004
Interest and other financial income	1,629	738	775
Currency exchange adjustments, net	3,286	(5,835)	5,031
Interest and other financial expenses	(1,262)	(539)	(301)
Dividends received	522	700	271
Gain (loss) on sale of securities	549	755	286
Unrealized gain (loss) on securities	90	669	(307)
Net financial items	4,814	(3,512)	5,755

13. INCOME TAXES

Income before income taxes and minority interest consists of:

(in NOK million)	For the year ended December 31,		
	2006	2005	2004
Norway			
Offshore	98,599	75,414	55,709
Onshore	5,728	(208)	7,532
Other countries	17,368	16,325	7,599
Total	121,695	91,531	70,840

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Significant components of income tax expense were as follows:

(in NOK million)	For the year ended December 31,		
	2006	2005	2004
Norway			
Offshore	70,864	63,120	40,548
Onshore	971	4	133
Other countries 1)	5,676	4,122	1,635
Uplift benefit	(2,438)	(2,129)	(1,897)
Current income tax expense	75,073	65,117	40,419
Norway			
Offshore	3,898	(4,287)	3,512
Onshore	812	(188)	722
Other countries 1)	577	(606)	766
Deferred tax expense	5,287	(5,081)	5,000
Total income tax expense	80,360	60,036	45,419

1) Includes taxes liable to Norway on income in other countries.

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

(in NOK million)	At December 31,	
	2006	2005
Deferred tax assets		
Inventory	2,469	2,930
Other short-term items	491	1,665
Net operating loss carry-forwards	3,579	1,278
Property, plant and equipment	4,563	3,930
Decommissioning and asset retirement obligation	20,816	13,107
Other long-term items	7,254	1,462
Valuation allowance	(4,307)	(2,592)
Total deferred tax assets	34,867	21,780
Deferred tax liabilities		
Other short-term assets	1,058	864
Property, plant and equipment	59,736	46,714
Capitalized exploration expenditures and interest	10,283	8,002
Other long-term items	6,526	5,409
Total deferred tax liabilities	77,603	60,989
Net deferred tax liability	42,736	39,209

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – USGAAP

Analysis of movements during the year

(in NOK million)	2006	2005
Net deferred tax liability at January 1	39,209	44,065
Charged to the income statement	5,287	(5,081)
Effect of applying FAS 158 (see note 17)	(3,641)	0
Deferred tax on acquired assets	1,792	0
Exchange differences and other movements	89	225
Net deferred tax liability at December 31	42,736	39,209

Deferred taxes are classified as follows:

(in NOK million)	At December 31,	
	2006	2005
Short-term deferred tax asset	(1,876)	(3,733)
Long-term deferred tax asset	(375)	(372)
Long-term deferred tax liability	44,987	43,314
Net deferred tax liability	42,736	39,209

A valuation allowance has been provided as Statoil believes that available evidence creates uncertainty as to the realizability of certain deferred tax assets. Statoil will continue to assess the valuation allowance and to the extent it is determined that such allowance is no longer required, the tax benefit of the remaining net deferred tax assets will be recognized in the future.

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

(in NOK million)	For the year ended December 31,		
	2006	2005	2004
Calculated income taxes at statutory rate	34,075	25,630	19,837
Petroleum surtax at statutory rate	49,299	37,707	27,854
Uplift benefit	(2,438)	(2,129)	(1,897)
Other, net	(576)	(1,172)	(376)
Income tax expense	80,360	60,036	45,419

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. The main rule is that for investments made prior to 2005 uplift is deducted by 5 per cent per year over a period of six years, while for investments made in 2005 and after uplift is deducted by 7,5 per cent per year for four years, as from year of investment. Unrecognized uplift credits of NOK 11,6 billion as at December 31, 2006 will be recognized over a period of four years.

At the end of 2006, Statoil had tax losses carry-forwards of NOK 12,1 billion, primarily in Azerbaijan, USA, and Ireland. Only a minor part of the losses carry-forward expires before 2018.

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14. SHORT-TERM INTEREST-BEARING DEBT

(in NOK million)	At December 31,	
	2006	2005
Bank loans and overdraft facilities	596	288
Current portion of long-term debt	2,325	1,131
Short-term debt to Norwegian State (share buy-back program)	2,465	0
Other	129	110
Total	5,515	1,529
Weighted average interest rate	5.04%	4.81%

15. LONG-TERM INTEREST-BEARING DEBT

	Weighted average interest rate		Balance in NOK million at December 31,	
	2006	2005	2006	2005
Unsecured debentures bonds				
US dollar (USD)	6.18%	6.25%	12,593	14,609
Norwegian kroner (NOK)	4.00%	2.69%	500	500
Euro (EUR)	5.15%	5.06%	6,035	5,891
Swiss franc (CHF)	4.01%	4.01%	1,089	1,128
Japanese yen (JPY)	1.09%	0.91%	1,731	2,469
Great British pounds (GBP)	6.13%	6.13%	3,095	3,069
Total			25,043	27,666
Unsecured bank loans				
US dollar (USD)	5.25%	4.40%	1,288	1,391
Secured bank loans				
US dollar (USD)	7.29%	5.21%	3,335	3,899
Other currencies	4.60%	3.51%	332	306
Other debt*			2,598	433
Grand total debt outstanding			32,596	33,695
Less current portion			2,325	1,131
Total long-term debt			30,271	32,564

* As at December 31, 2006, Other debt includes financial lease obligation (see note 20) of NOK 2,366 million.

The table above contains market values of loans per currency and loan type, and does therefore not illustrate the economic effects of agreements entered into to swap the various currencies to USD.

Statoil has an unsecured debenture bond agreement for USD 500 million with a fixed interest rate of 6.5 per cent, maturing in 2028. At December 31, 2006 and 2005, NOK 3,091 and NOK 3,343 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, 2006 and 2005, NOK 3,125 and NOK 3,382 million were outstanding, respectively. The interest rate of the bond has been swapped to a LIBOR-based floating interest rate.

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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, 2006 and 2005, NOK 4,092 and NOK 3,961 million were outstanding, respectively. EUR 200 million of the bond has been swapped through an interest rate swap agreement to a 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, 2006 and 2005, NOK 2,760 and NOK 2,622 million were outstanding, respectively. The bond has been swapped through cross currency interest rate swap agreements to a 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, 2006 and 2005, NOK 2,339 and NOK 2,528 million were outstanding, respectively. Net after buyback this amounts to NOK 2,035 and NOK 2,197 million at year-end exchange rates.

In addition to the unsecured debentures bond debt of NOK 12,593 million, denominated in US dollars, Statoil utilizes foreign currency swaps to manage foreign exchange risk on its long-term debt. As a result, an additional NOK 12,450 million of Statoil's unsecured debentures bond debt has been swapped to US dollars. The foreign currency swaps are not reflected in the table above as the swaps are separate legal agreements. The foreign currency swaps do not qualify as hedges according to FAS 133 as the swaps are not to functional currency, although they represent economic hedges. The stated interest rate on the majority of the long-term debt is fixed. Interest rate swaps are utilized to manage interest rate exposure.

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

Statoil's secured bankloans in USD have been secured by guarantee commitments amounting to USD 77 million, mortgage in shares in a subsidiary and investments in other companies with a combined book value of NOK 3,846 million, a bank deposit with a book value of NOK 1,310 million, and Statoil's pro-rata share of income from certain applicable projects.

Statoil has 18 debenture bond agreements outstanding, which contain provisions allowing Statoil to call the debt prior to its final redemption at par if there are changes to the Norwegian tax laws or at certain specified premiums. The agreements are, net after buyback, valued at NOK 22,172 million at the December 31, 2006 closing rate.

Long-term debt falls due as follows:

<u>(in NOK million)</u>	
2007	2,325
2008	2,432
2009	3,817
2010	550
2011	4,737
Thereafter	18,735
<u>Total</u>	<u>32,596</u>

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, 2006 and 2005 respectively, Statoil had no committed short-term credit facilities available or drawn.

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16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Statoil uses derivative financial instruments to manage risks resulting from fluctuations in underlying interest rates, foreign currency exchange rates and commodity (such as oil, natural gas and refined petroleum products) prices. Because Statoil operates in the international oil and gas markets and has significant financing requirements, it has exposure to these risks, which can affect the cost of operating, investing and financing. Statoil has used and intends to use financial and commodity-based derivative contracts to reduce the risks in overall earnings and cash flows. Derivative instruments creating essentially equal and offsetting market exposures are used to help manage certain of these risks. Management also uses derivatives to establish certain positions based on market movements although this activity is immaterial to the consolidated financial statements.

Interest and currency risks constitute significant financial risks for the Statoil group. Total exposure is managed at portfolio level in accordance with the strategies and mandates issued by the Enterprise-Wide Risk Management Program and monitored by the Corporate Risk Committee. Statoil's interest rate exposure is mainly associated with the group's debt obligations and management of the assets in Statoil Forsikring AS. Statoil mainly employs interest rate swap and currency swap agreements to manage interest rate and currency exposure.

Statoil uses swaps, options, futures, and forwards to manage its exposure to changes in the value of future cash flows from future purchases and sales of crude oil and refined oil products. The term of the oil and refined oil products derivatives is usually less than one year. Natural gas and electricity swaps, options, forwards, and futures are likewise utilized to manage Statoil's exposure to changes in the value of future sales of natural gas and electricity. These derivatives usually have terms of approximately three years or less. Most of the derivative transactions are made in the over-the-counter (OTC) market.

Cash Flow Hedges

Statoil has not applied hedge accounting for any past or current cash flow hedge relationships in the year ended December 31, 2006.

Fair Value Hedges

Statoil has designated certain derivative instruments as fair value hedges to hedge against changes in the value of financial liabilities. There was no gain or loss component of a derivative instrument excluded from the assessment of hedge effectiveness related to fair value hedges during the year ended December 31, 2006. The net gain recognized in earnings in Income before income taxes and minority interest during the year for ineffectiveness of fair value hedges was NOK 20 million.

Fair Value of Financial Instruments

Except for the recorded amount of fixed interest long-term debt, the recorded amounts of cash and cash equivalents, receivables, bank loans, other interest-bearing short-term debt, and other liabilities approximate their fair values. Marketable equity and debt securities are also recorded at their fair values. Changes in fair value of commodity-based derivatives classified as held for trading are recorded as Sales.

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

(in NOK million)	Fair market value of assets	Fair market value of liabilities	Net carrying amount
At December 31, 2006			
Debt-related instruments	3,564	(5)	3,559
Non-debt-related instruments	1,726	(7)	1,719
Long-term fixed interest debt	0	(25,487)	(24,085)
Crude oil and Refined products	625	(292)	333
Gas and Electricity	116	(232)	(116)
At December 31, 2005			
Debt-related instruments	3,443	(18)	3,425
Non-debt-related instruments	8	(2,033)	(2,025)
Long-term fixed interest debt	0	(28,498)	(26,570)
Crude oil and Refined products	681	(755)	(74)
Gas and Electricity	230	(83)	147

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.

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Credit risk management

Statoil manages credit risk concentration with respect to financial instruments by holding only investment grade securities distributed among a variety of selected issuers. A list of authorized investment limits by commercial issuer is maintained and reviewed regularly along with guidelines which include an assessment of the financial position of counter-parties as well as requirements for collateral.

Credit risk from interest rate swaps and currency swaps, which are over-the-counter (OTC) transactions, derive from the counter-parties to these transactions. Counter-parties are highly rated financial institutions. The credit ratings are reviewed minimum annually and counter-party exposure is monitored on a continuous basis to ensure exposure does not exceed credit lines and complies with internal policies. Non-debt-related foreign currency swaps usually have terms of less than one year, and the terms of debt-related-interest swaps and currency swaps are up to 23 years, in line with that of corresponding hedged or risk managed long-term loans.

Credit risk related to commodity-based instruments is managed by maintaining, reviewing and updating lists of authorized counter-parties by assessing their financial position, by frequently monitoring credit exposure for counter-parties, by establishing internal credit lines for counterparties, and by requiring collateral or guarantees when appropriate under contracts and required in internal policies. Statoil also enters into master netting agreements and ISDA agreements with major trading partners to enable netting of positions where applicable. Collateral will typically be in the form of cash or bank guarantees from first class international banks.

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

17. EMPLOYEE RETIREMENT PLANS

Statoil is required to have an occupational pension scheme in accordance with the Norwegian law on required occupational pension. Statoil's pension scheme meets the requirements of that law.

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 companies in the group have defined contribution plans and multi-employer plans.

On December 31, 2006, Statoil adopted FASB Statement 158. Statement 158 required Statoil to recognize the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligation) of its pension plan in the December 31, 2006 Consolidated Balance Sheets, with a corresponding adjustment to Accumulated other comprehensive income, net of tax.

The adjustment to Accumulated other comprehensive income at adoption represents the net unrecognized actuarial gains and losses and unrecognized prior service cost, all of which were previously netted against the plan's funded status in Statoil's statement of financial position pursuant to the provisions of Statement 87. These amounts will be subsequently recognized as net periodic pension cost pursuant to Statoil's historical accounting policy for amortizing such amounts. Further, actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic pension cost in the same periods will be recognized as a component of other comprehensive income. Those amounts will be subsequently recognized as a component of net periodic pension cost on the same basis as the amounts recognized in Accumulated other comprehensive income at adoption of Statement 158.

The incremental effects of adopting the provisions of Statement 158 on Statoil's Consolidated Balance Sheets at December 31, 2006 are presented in the following table. The adoption of Statement 158 had no effect on the Consolidated Statements of Income for the year ended December 31, 2006, or for any prior periods presented, and it will not effect the operating results in future periods. Had Statoil not been required to adopt Statement 158 at December 31, 2006, it would have recognized an additional liability pursuant to the provisions of Statement 87. The effect of recognizing the additional minimum liability is included in table below called "Prior to Adopting Statement 158".

Incremental effect of applying FAS 158

(in NOK million)	Prior to Adopting Statement 158	Effect of Adopting Statement 158	As Reported at December 31, 2006
Intangible asset (pension)	199	(199)	0
Net pension asset/(accrued pension liability)	2,410	(6,136)	(3,726)
Accrued additional minimum liability	(947)	947	0
Deferred income taxes	41,506	3,481	44,987
Accumulated other comprehensive income (loss)	(3,249)	(1,907)	(5,156)

Included in Accumulated other comprehensive income at December 31, 2006 are the following amounts that have not yet been recognized in net periodic pension cost: Unrecognized prior service cost of NOK 219 million (NOK 77 million after tax) and unrecognized actuarial losses NOK 5,917 million (NOK 2,069 million after tax). The prior service cost and actuarial loss included in Accumulated other comprehensive income and expected to be recognized in net periodic pension cost during the fiscal year ending December 31, 2007 is NOK 37 million (NOK 13 million after tax) and NOK 205 million (NOK 74 million after tax), respectively.

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Net periodic pension cost

(in NOK million)	For the year ended December 31,		
	2006	2005	2004
Benefits earned during the year	1,359	1,066	1,050
Interest cost on prior years' benefit obligation	1,026	1,001	914
Expected return on plan assets	(1,104)	(1,094)	(872)
Amortization of loss	102	48	170
Amortization of prior service cost	34	37	34
Defined benefit plans	1,417	1,058	1,296
Defined contribution plans	157	47	34
Multi-employer plans	44	26	21
Total net pension cost	1,618	1,131	1,351

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

Change in projected benefit obligation (PBO)

(in NOK million)	2006	2005
Projected benefit obligation at January 1	21,893	18,484
Benefits earned during the year	1,360	1,065
Interest cost on prior years' benefit obligation	1,026	1,000
Actuarial loss (gain)	3,526	1,708
Benefits paid	(419)	(339)
Sale of business, curtailments and settlements	(63)	0
Acquisitions	0	14
Foreign currency translation	61	(39)
Projected benefit obligation at December 31	27,384	21,893

Change in pension plan assets

(in NOK million)	2006	2005
Fair value of plan assets at January 1	19,828	16,872
Actual return on plan assets	2,272	1,712
Company contributions	1,786	1,478
Benefits paid	(241)	(200)
Acquisitions	0	10
Sale of business, settlements	(35)	0
Foreign currency translation	48	(44)
Fair value of plan assets at December 31	23,658	19,828

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Status of pension plans reconciled to Consolidated Balance Sheets

(in NOK million)	2006	2005
Funded status of the plans at December 31	(3,726)	(2,064)
Unrecognized net loss	0	3,654
Unrecognized prior service cost	0	256
Total net prepaid pension recognized at December 31	(3,726)	1,846

Amounts recognized in the Consolidated Balance Sheets:

(in NOK million)	2006	2005
Overfunded pension plans	3,314	5,538
Current portion of underfunded pension plans	(164)	0
Non-current portion of underfunded pension plans	(6,876)	(4,564)
Intangible assets	0	258
Other comprehensive income	0	614
Net amount recognized at December 31	(3,726)	1,846

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

(in per cent)	2006	2005
Discount rate	4.75	5.50
Expected return on plan assets	5.75	6.50
Expected rate of compensation increase	3.00	3.50

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

(in per cent)	2006	2005
Discount rate	5.00	4.75
Expected return on plan assets	5.75	5.75
Expected rate of compensation increase	4.25	3.00

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

(in NOK million)	At December 31,	
	2006	2005
Projected benefit obligation	5,299	5,754
Accumulated benefit obligation	7,195	4,557
Fair value on plan assets	547	470

The total accumulated benefit obligation (ABO) for all pension plans was NOK 20 billion at December 31, 2006.

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Benefits expected to be paid

(in NOK million)	
2007	418
2008	443
2009	474
2010	512
2011	555
2012–2016	3,898
Total payments expected during the next 10 years	6,300

Pension assets allocated on respective investment classes

(in per cent)	At December 31,	
	2006	2005
Equity securities	36	30
Debt securities	44	46
Commercial papers	11	10
Real estate	5	5
Other assets	4	9
Total	100	100

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

Statoil's pension funds invest in both financial assets and real estate. The expected rate of return on real estate is expected to be something between the rate of return on equity securities and debt securities. The table below presents the portfolio weight and expected rate of return of the finance portfolio, as approved by the board of the Statoil pension funds for 2007.

Finance portfolio Statoils pension funds	Portfolio weight 1)		Expected rate of return
Equity securities	35.0%	(+/- 5.0)	X + 4.0%
Debt securities	64.5%	(+/- 5.0)	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) in percentage points.

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. On December 31, 2006, the pension premium fund amounts to NOK 3.8 billion. The decision whether to pay in cash or deduct from the pension premium fund is made on an annual basis. The company contribution in 2006 was due to a payment of NOK 1.8 billion, of which NOK 0.3 billion was a voluntary payment to the premium fund.

The expected company contribution for the next five years will be approximately NOK 1.4 billion annually. No plan assets are expected to be returned to the employer during the next fiscal year.

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18. DECOMMISSIONING AND REMOVAL LIABILITIES

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

(in NOK million)	2006	2005
Asset retirement obligation at January 1	20,034	18,602
Liabilities incurred/revision in estimates	8,370	796
Accretion expense	907	840
Disposals	(127)	(69)
Incurred removal cost	(182)	(212)
Currency exchange adjustments	(31)	77
Asset retirement obligation at December 31	28,971	20,034
Long-lived assets related to ARO at January 1	3,606	3,388
Net assets incurred/revision in estimates	8,268	615
Depreciation	(809)	(437)
Currency exchange adjustments	(24)	40
Long-lived assets related to ARO at December 31	11,040	3,606

The asset retirement obligations have increased from NOK 20 billion to NOK 29 billion, mostly due to upward revisions of cost estimates related to removal complexity, rigs, marine operations and heavy lift vessels. The change has material effects on the Net property, plant and equipment and Other liabilities captions in the Consolidated Balance Sheets but only immaterial effects on the Consolidated statement of income for the years presented. The changes are expected however to have a significant impact on future depreciation and accretion charges. The amount of increase in Depreciation is uncertain and will depend on future levels of production. Based on current production forecasts Depreciation is estimated to increase by NOK 1.6 billion in 2007. Accretion is estimated to increase by NOK 0.4 billion per year. These increases will mainly affect the Total expenses before financial items in the Exploration and Production Norway segment.

19. RESEARCH AND DEVELOPMENT EXPENDITURES

Research and Development (R&D) expenditures were NOK 1,225, NOK 1,066 and NOK 1,027 million in 2006, 2005 and 2004, respectively. R&D expenditures are partly financed by partners of Statoil-operated activities.

20. LEASES

Statoil leases certain assets, notably vessels and drilling rigs.

Statoil has entered into certain operational lease contracts for a number of drilling rigs as of December 31, 2006. The remaining contract terms range from 24 to 56 months. Certain contracts contain renewal options. Rig lease agreements are normally and for the most part based on fixed day rates. Statoil's rig leases have partly been entered into in order to ensure drilling capacity for sanctioned projects and planned wells, and partly in order to secure long term strategic capacity for future exploration and production drilling. Certain rigs have been subleased in whole or for parts of the lease term to Statoil-operated licenses on the Norwegian Continental Shelf (NCS). These matters are shown gross as operating leases in the table below. However, for rig leases where the joint venture is the original lessee, Statoil only includes its proportional share of the rig lease.

Statoil has also 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 run 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.

In 2006, net rental expense was NOK 3,778 million of which minimum lease payments were NOK 3,345 million, sublease payments received were NOK 1,002 million and contingent rentals were NOK 1,434 million. In 2005 and 2004 gross rental expenses were NOK 4,502 and NOK 4,367 million, respectively. Sublease payments in 2005 and 2004 were NOK 833 and NOK 582 million, respectively.

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The information in the table below shows future minimum lease payments under non-cancelable leases at December 31, 2006. In addition, Statoil has entered into partly offsetting subleases of certain assets amounting to a total future rental income of NOK 2,397 million, of which NOK 496 million in 2007.

Amounts related to capital leases include future minimum lease payments for assets in the financial statements at year-end 2006.

(in NOK million)	Operating leases	Capital leases		
		Minimum lease payments	Interest	Principal
2007	5,976	231	14	217
2008	6,352	210	20	190
2009	6,345	207	27	179
2010	4,518	204	35	170
2011	2,978	201	41	159
Thereafter	3,556	2,457	1,008	1,450
Total future minimum lease payments	29,725	3,510	1,145	2,365

Property, plant and equipment include the following amounts for leases that have been capitalized at December 31, 2006 and 2005.

(in NOK million)	2006	2005
Vessels and equipment	2,727	203
Accumulated depreciation	(268)	(129)
Capitalized amounts	2,459	74

21. OTHER COMMITMENTS AND CONTINGENT LIABILITIES

Contractual commitments

(in NOK million)	2007	2008	Thereafter	Total
Contractual commitments related to investments and property, plant and equipment	11,531	3,488	2,322	17,341

At December 31, 2006, 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 other forms of transport capacity as well as terminal, processing, storage and entry capacity commitments. The following table outlines nominal minimum obligations for future years. Corresponding expenses for 2006, 2005 and 2004 were NOK 5,549, NOK 4,460 and NOK 3,701 million, respectively. 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.

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Transport capacity and other obligations at December 31, 2006:

(in NOK million)	
2007	5,533
2008	5,102
2009	5,980
2010	6,169
2011	5,306
Thereafter	52,282
Total	80,372

Statoil has entered into contractual commitments with the U.S.-based energy company Dominion for terminal capacity at the Cove Point liquefied natural gas terminal in the USA. Such commitments have partly been made on behalf of and for the account and risk of the SDFI (the State's direct financial interest). Included in the above table is 90 per cent of the total Cove Point Expansion additional terminal capacity of an approximate annual 7.7 billion cubic meters of gas for a 20-year period with planned start-up in 2009. Statoil's and the SDFI's respective future shares of this additional terminal capacity and related commitments are subject to further consideration, and the outcome may consequently impact the extent of future commitments assumed and reported by Statoil.

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, 2006 the maximum potential future amount of payment under these guarantee commitments amounts to USD 110 million (NOK 0.7 billion), and is subject to measurement requirements of FIN 45. The expected fair value of the guarantee has been recognized as an immaterial current liability in the Consolidated Balance Sheet and the cost has been recorded as other financial expenses.

Statoil Detaljhandel has issued guarantees amounting to a total of SEK 1.1 billion (NOK 1.0 billion), the main part of which relates to guarantee commitments to retailers. The liability recognized under FIN 45 in the Consolidated Balance Sheet related to these guarantee commitments is immaterial at period-end.

Contingent liabilities and insurance

Like any other licensee, Statoil has unlimited liability for possible compensation claims arising from its offshore operations, including transport systems. The Company has taken out insurance to cover this liability up to about USD 0.8 billion (NOK 5 billion) for each incident, including liability for claims arising from pollution damage. Most of the group's production installations are covered through Statoil Forsikring AS, which reinsures a major part of the risk in the international insurance market. The Company retains about 43 per cent.

Statoil Forsikring AS is a member of two mutual insurance companies, Oil Insurance Ltd and sEnergy Insurance Ltd. sEnergy ceased operations on May 15, 2006 and the company is in the wind-up phase. 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 contingent liabilities

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 2006, Statoil was committed to participate in 18 wells off Norway and 24 wells outside Norway, with an average ownership interest of approximately 38.4 per cent. Statoil's share of estimated expenditures to drill these wells amounts to approximately NOK 4.4 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 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 administrative appeals to annul the demand for such payments.

At year-end 2006 Statoil held a 15 per cent share in the Sincor joint venture while the partners, Total and the Venezuelan state-owned PDVSA, held 47 and 38 per cent respectively. On February 26, 2007 the Venezuelan Government issued a law decree providing for the transformation of Sincor and all other such Strategic Association Agreements into new incorporated joint ventures with a minimum majority State participation of 60 per cent (known as mixed companies), under the legal framework of the 2002 Organic Hydrocarbons Law. The law decree provides that transfer of operations is to be completed by April 30, 2007. The law decree grants a period of four months to agree on the terms and conditions for participation in the new mixed companies, while two additional months are provided to submit such terms for approval to the National Assembly. The specifics and extent of such a transition for Sincor and the level of compensation to be received by Statoil cannot be ascertained at this time.

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A group of Norwegian pensioners has brought legal proceedings against Statoil ASA over certain changes made to the pension fund articles of association in 2002, relating to the basis for adjustment of pension payments after that date. Stavanger District Court ruled in favor of Statoil in the first quarter of 2007. The verdict has been appealed. Depending on the final outcome of this case, the issue might impact certain assumptions used in the computation of Statoil's pension obligations as reflected in the Consolidated Financial Statements.

Statoil ASA issued a declaration to the Norwegian Ministry of Petroleum and Energy (MPE) in 1999 in connection with a dispute between four Åsgard partners and Statoil related to the construction of new facilities for the Åsgard development at the Kårstø Terminal. The declaration confirmed the MPE similar treatment as the four Åsgard partners with respect to the disputed issues, which had been resolved by 2004. The MPE has indicated that a claim will be presented based on the declaration.

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 judgement. Statoil does not expect that the financial position, results of operations or 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) conducted an investigation concerning an agreement which Statoil entered into in 2002 with Horton Investments Ltd for consultancy services in Iran. In June 2004, Økokrim informed Statoil that it had concluded that Statoil had violated the Norwegian Penal Code's prohibitions on trading in influence, which became effective on July 4, 2003, and imposed a penalty of NOK 20 million (USD 3 million). In October 2004, Statoil agreed to accept the penalty without admitting or denying the charges by Økokrim.

On October 13, 2006, Statoil announced that it had reached agreements with the U.S. Securities and Exchange Commission (SEC), the U.S. Department of Justice (DOJ), and the United States Attorney's Office for the Southern District of New York (USAO). Statoil has, in the agreement with the DOJ and USAO, accepted a penalty of USD 10.5 million for having violated the U.S. Foreign Corrupt Practices Act (FCPA), as well as accepting responsibility for bribery in connection with the payments under the consultancy services contract with Horton Investments Ltd, for accounting for those payments improperly in its books and records, and for having insufficient internal controls in place to prevent the payments. The NOK 20 million (USD 3 million) fine paid to Økokrim has been deducted, so that the fine actually paid by Statoil under this agreement is USD 7.5 million. Statoil has, in the agreement with the SEC, neither admitted nor denied the charges, but agreed to pay USD 10.5 million as disgorgement.

The settlement takes the form of a three-year deferred prosecution agreement with the DOJ and USAO and a Cease and Desist Order with the SEC. In the deferred prosecution agreement, Statoil has consented to the filing with the United States Court for the Southern District of New York of a criminal information charging violations of the anti-bribery and books and records provisions of the FCPA. If Statoil fulfills its obligations under the deferred prosecution agreement for three years the criminal charges will be dismissed and the Horton case will be closed.

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

The Norwegian State is the majority shareholder of Statoil and also holds major investments in other entities. This ownership structure means that Statoil participates in transactions with many parties that are under a common ownership structure and therefore meet the definition of a related party. All transactions are considered to be on a normal arms-length basis.

The ownership interests of the Norwegian State in Statoil are held by the Norwegian Ministry of Petroleum and Energy (MPE). The following transactions were made between Statoil and MPE for the years presented:

Total purchases of oil and natural gas liquid from the Norwegian State amounted to NOK 104,628 million (254 million barrels oil equivalents), NOK 97,078 million (282 million barrels oil equivalents) and NOK 81,487 million (319 million barrels oil equivalents), in 2006, 2005 and 2004, respectively. Purchases of natural gas from the Norwegian State amounted to NOK 293 million, NOK 262 million and NOK 237 million in 2006, 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 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 expenditures incurred by Statoil are refunded by the State and recorded net in Statoil's financial statements. Such refundable expenditures relate to activities incurred to secure market access, transportation, processing capacity and investments made to maximize profitability from the sale of natural gas.

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In relation to its ordinary business operations such as pipeline transport, gas storage and processing of petroleum products, Statoil also has regular transactions with certain unconsolidated affiliated entities. Such transactions are carried out at arm's length basis, and are included within the applicable captions in the Consolidated Statements of Income.

23. SHAREHOLDERS' EQUITY

The common stock was in 2005 2,189,585,600 shares at nominal value NOK 2.50. On May 10, 2006 the annual General Meeting resolved to reduce the Company's Share capital by a total of NOK 58,604,712.50 through the annulment of 23,441,885 own shares. After the annulment Statoil's Share capital of NOK 5,415,359,287.50 comprises of 2,166,143,715 shares.

In 2001, 25,000,000 treasury shares were issued. During 2002 and 2003 a total of 1,558,115 of the treasury shares were distributed as bonus shares in favor of retail investors in the initial public offering in 2001. The remaining 23,441,885 treasury shares were annulled in 2006.

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

The board of directors is authorized on behalf of the company to acquire Statoil shares in the market. The authorization may be used to acquire Statoil shares with an overall nominal value of up to NOK 10 million. The board decides 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 saving plan approved by the board. The lowest amount which may be paid per share is NOK 50; the highest amount which may be paid per share is a maximum NOK 500. The authorization is valid until the next ordinary general meeting. Statoil has per December 31, 2006, 1,240,768 shares according to this authorization.

The annual General Meeting in 2006 also authorized the Board of Directors to acquire own shares for subsequent annulment. The authorization is valid until the next ordinary General Meeting, and applies to the acquisition of up to 50,000,000 shares in the market, at a price of between NOK 50 and NOK 500 per share. Under an agreement with the Norwegian state, which currently has an ownership interest in Statoil of 70.9 per cent, a proportion of the state's shares will later be redeemed and annulled, so that the state's owner interest remains unchanged. The total annulment could thus involve up to 171,798,603 shares, or approximately 7.9 per cent of the company's Share capital. The resolution to annul shares will be made by a later General Meeting, and requires a two-thirds majority vote of the aggregate number of votes cast, as well as a two-thirds majority of the Share capital represented at the General Meeting. Under its agreement with Statoil, the Norwegian state has also agreed to vote in favour of the annulment resolution. As of December 31, 2006 Statoil has acquired 5,867,000 shares in the open market according to this authorization. In addition Statoil is obligated to acquire 14,291,848 shares from the Norwegian state. Both the acquired shares and the firm obligation are included in Treasury shares.

Retained earnings available for distribution of dividends at December 31, 2006 is limited to the retained earnings of the parent company based on Norwegian accounting principles and legal regulations and amounts to NOK 96,826 million (before provisions for proposed dividend for the year ended December 31, 2006 of NOK 19,690 million). This differs from retained earnings in the financial statements of NOK 88,262 million mainly due to the impact of the transfer of the SDFI properties to Statoil, which is not reflected in the Norwegian GAAP accounts until the second quarter of 2001. Distribution of dividends is not allowed to reduce the shareholders' equity of the parent company below 10 per cent of total assets.

24. SHARE-BASED COMPENSATION

Statoil has 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, terms may vary between participating entities in the 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.

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. With effect for the 2007 program and the future yearly programs it is planned that the employees will be allocated one bonus share for each share they have bought. The planned change requires a resolution by the annual General Meeting in 2007.

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

Significant assumptions for 2006 used in connection with estimating the fair value are shown in the table below.

Risk free interest rate	4.4%
Risk premium	5.5%
Beta	1.0
<u>Expected return/discount rate</u>	<u>9.9%</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 2005, 2006 and 2007 programs (granted in 2006), this amounts to NOK 121, NOK 162 and NOK 230 million, respectively.

Estimated compensation expense including contribution and social security related to the 2005, 2006 and 2007 program for Statoil amounts to NOK 72, NOK 96 and NOK 123 million respectively. If the allocation of bonus shares is changed with effect for the 2007 program, see comments above, the expense related to the 2007 program will increase. At December 31, 2006 the amount of compensation cost yet to be expensed throughout the vesting period is NOK 213 million.

25. SUBSEQUENT EVENTS

The Board of Directors of Statoil ASA and Norsk Hydro ASA have agreed to recommend to their shareholders a merger of Hydro's oil and gas activities with Statoil. The proposed merger is subject to approval by the General Meetings of the two companies as well as by regulatory authorities. The General Meetings are expected to be held during second quarter of 2007. Final closing is expected to be in the third quarter of 2007. In the meantime, Hydro and Statoil will be managed as separate companies.

Hydro's shareholders will hold 32.7 per cent and Statoil's shareholders will hold 67.3 per cent of the merged company. Hydro's shareholders will receive 0.8622 shares in the merged company for each Hydro share and continue as owners of Hydro. Statoil shareholders will maintain their holdings in the merged company on a one-for-one basis. The Norwegian State will hold approximately 62.5 per cent in the merged entity. According to the agreement dated December 18, 2006 between Hydro and Statoil, Statoil will no longer use the authorization mentioned in note 23 to acquire own shares for subsequent annulment.

SUPPLEMENTARY INFORMATION ON OIL AND GAS PRODUCING ACTIVITIES (UNAUDITED)

In accordance with Statement of Financial Accounting Standards No. 69, Disclosures about Oil and Gas Producing Activities and regulations of the US Securities and Exchange Commission (SEC), Statoil is making certain supplemental disclosures about oil and gas exploration and production operations. While this information was developed with reasonable care and disclosed in good faith, it is emphasized that some of the data is necessarily imprecise and represents only approximate amounts because of the subjective judgment involved in developing such information. Accordingly, this information may not necessarily represent the present financial condition of Statoil or its expected future results.

All the tables presented include the impact from the SDFI transaction. See note 1.

Oil and gas reserve quantities

Statoil's oil and gas reserves have been estimated by its experts in accordance with industry standards under the requirements of the SEC. Reserves are net of royalty oil paid in kind, and quantities consumed during production. Statements of reserves are forward-looking statements.

The determination of these reserves is part of an ongoing process subject to continual revision as additional information becomes available.

Proved oil and gas reserves are the estimated quantities of crude oil, natural gas, and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as of the date the estimate is made. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions.

- (i) Reservoirs are considered proved if economic producibility is supported by either actual production or conclusive formation test. The area of a reservoir considered proved includes (A) that portion delineated by drilling and defined by gas-oil and/or oil-water contacts, if any; and (B) the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geological and engineering data. In the absence of information on fluid contacts, the lowest known structural occurrence of hydrocarbons controls the lower proved limit of the reservoir.
- (ii) Reserves which can be produced economically through application of improved recovery techniques (such as fluid injection) are included in the "proved" classification when successful testing by a pilot project, or the operation of an installed program in the reservoir, provides support for the engineering analysis on which the project or program was based.
- (iii) Estimates of proved reserves do not include the following: (A) oil that may become available from known reservoirs but is classified separately as "indicated additional reserves"; (B) crude oil, natural gas, and natural gas liquids, the recovery of which is subject to reasonable doubt because of uncertainty as to geology, reservoir characteristics, or economic factors; (C) crude oil, natural gas, and natural gas liquids, that may occur in undrilled prospects; and (D) crude oil, natural gas, and natural gas liquids, that may be recovered from oil shales, coal, gilsonite and other such sources.

Proved developed oil and gas reserves are proved reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Additional oil and gas expected to be obtained through the application of fluid injection or other improved recovery techniques for supplementing the natural forces and mechanisms of primary recovery are included as "proved developed reserves" only after testing by a pilot project or after the operation of an installed program has confirmed through production response that increased recovery will be achieved.

On the Norwegian Continental Shelf, Statoil sells its oil and gas together with the oil and gas of the Norwegian state (SDFI). Under this arrangement, Statoil and SDFI will jointly deliver gas from Norway and elsewhere to its customers in accordance with certain supply type sales contracts. The commitments will be met by using a field supply schedule that provides the highest possible total value for the joint portfolio of Statoil's and SDFI's oil and gas. Likewise, we hold commitments to deliver gas from Azerbaijan and Algeria where our entitlement to gas deliveries under the production sharing agreements in effect is less than our commitment to deliver. Our proved gas reserves (entitlements) will be drawn on to supply this gas to the extent that we hold entitlement to the gas delivered against these commitments.

The total expected commitments to be met by the Statoil / SDFI arrangement and Statoil's separate commitments were on December 31, 2006 to deliver a total of 34.5 tcf. This does not include commitments where we do not hold title to any of the gas that we deliver.

Approximately 70 per cent of Statoil's long term sales volumes are made under contracts with long term Take or Pay clauses. Statoil's customer may nominate on a daily basis from 40 per cent to 110 per cent off-take of a quantity based on an Annual Contract Quantity (ACQ) equal 100 per cent. Statoil's and SDFI's delivery commitments, expressed as the sum of ACQ's for the contract years 2006, 2007, 2008 and 2009 are 2.22; 2.27; 2.29 and 2.29 tcf. These commitments may be met by production of proved reserves from fields where Statoil and/or the Norwegian State participates and by drawing on existing gas markets to manage temporary shortfalls or surpluses in production. We are currently in a situation with a shortfall in supply of LNG from our own production in contract year 2006 due to a delay in the start-up of an LNG liquefaction plant in Norway. Efforts to mitigate the effects of this are being made. This concerns approximately 4 per cent of our commitments to deliver gas in this contract year. The shortfall in supply of LNG from our own production may also effect the first part of the contract year 2007.

SUPPLEMENTARY INFORMATION ON OIL AND GAS PRODUCING ACTIVITIES (UNAUDITED)

The principles for booking of proved gas reserves are limited to contracted gas sales and gas with access to a market.

In 2002, Statoil entered into a buy-back contract in Iran. Statoil also participates in a number of production sharing agreements (PSA). Reserves from such agreements are based on the volumes to which Statoil has access (cost oil and profit oil), limited to available market access. Proved reserves at end of year associated with PSA and buy-back agreements are disclosed separately.

At year-end 2006 Statoil held a 15 per cent share in the Sincor joint venture while the partners PDVSA and Total held 38 and 47 per cent respectively. The Venezuelan Government has recently indicated that the state requires a majority of minimum 60 per cent for the state-owned PDVSA in the Sincor joint venture, which is to migrate into a mixed company. The specifics and extent of such a transition and the level of compensation to be received by Statoil cannot be ascertained at this time. Statoil and our partner are communicating with the Ministry to find an overall solution for Sincor.

The possible migration from partnership to a mixed company and the resulting possible reduction in Statoil share may affect our future recognition of proved reserves. The maximum adverse impact on proved reserves is currently estimated to 171 mmbbl of oil.

Statoil is booking as proved reserves volumes equivalent to our tax liabilities payable in-kind under negotiated fiscal arrangements (production sharing agreements or income sharing agreements).

The subtotals and totals in the following tables may not equal the sum of the amounts shown due to rounding.

	Net proved oil and NGL reserves in million barrels			Net proved gas reserves in billion standard cubic feet			Net proved oil, NGL and gas reserves in million barrels oil equivalents		
	Norway	Outside Norway	Total	Norway	Outside Norway	Total	Norway	Outside Norway	Total
At December 31, 2003	1,184	605	1,789	13,334	552	13,886	3,560	703	4,264
Of which:									
Proved developed reserves	876	163	1,039	9,582	25	9,606	2,584	167	2,751
Proved reserves under PSA and buy-back agreements	0	364	364	0	303	303	0	418	418
Production from PSA and buy-back agreements	0	13	13	0	0	0	0	13	13
Revisions and improved recovery	111	(4)	107	(9)	334	324	109	56	165
Extensions and discoveries	23	20	44	14	0	14	26	20	46
Purchase of reserves-in-place	10	47	57	478	582	1,060	95	150	246
Sales of reserves-in-place	(13)	0	(13)	(87)	0	(87)	(29)	0	(29)
Production	(226)	(37)	(263)	(751)	(31)	(782)	(360)	(42)	(402)
At December 31, 2004	1,089	632	1,720	12,978	1,437	14,416	3,401	888	4,289
Of which:									
Proved developed reserves	782	170	952	9,316	234	9,550	2,442	212	2,654
Proved reserves under PSA and buy-back agreements	0	398	398	0	1,192	1,192	0	610	610
Production from PSA and buy-back agreements	0	20	20	0	26	26	0	25	25
Revisions and improved recovery	127	(45)	82	501	(172)	329	217	(76)	141
Extensions and discoveries	119	84	204	474	24	498	204	88	292
Purchase of reserves-in-place	17	0	17	18	0	18	20	0	20
Sales of reserves-in-place	(5)	0	(5)	(79)	0	(79)	(19)	0	(19)
Production	(205)	(52)	(257)	(869)	(87)	(957)	(360)	(67)	(427)
At December 31, 2005	1,142	619	1,761	13,024	1,202	14,225	3,462	833	4,295

SUPPLEMENTARY INFORMATION ON OIL AND GAS PRODUCING ACTIVITIES (UNAUDITED)

	Net proved oil and NGL reserves in million barrels			Net proved gas reserves in billion standard cubic feet			Net proved oil, NGL and gas reserves in million barrels oil equivalents		
	Norway	Outside Norway	Total	Norway	Outside Norway	Total	Norway	Outside Norway	Total
Of which:									
Proved developed reserves	787	202	990	9,348	150	9,498	2,453	229	2,682
Proved reserves under PSA and buy-back agreements	0	351	351	0	973	973	0	524	524
Production from PSA and buy-back agreements	0	34	34	0	83	83	0	49	49
Revisions and improved recovery	93	48	141	394	242	637	164	91	255
Extensions and discoveries	16	4	20	179	0	179	47	4	52
Purchase of reserves-in-place	0	0	0	0	0	0	0	0	0
Sales of reserves-in-place	0	(2)	(3)	0	0	0	0	(2)	(3)
Production	(190)	(54)	(244)	(896)	(59)	(956)	(350)	(65)	(415)
At December 31, 2006	1,060	615	1,675	12,700	1,385	14,085	3,323	861	4,185
Of which:									
Proved developed reserves	714	240	955	9,134	222	9,356	2,342	280	2,622
Proved reserves under PSA and buy-back agreements	0	363	363	0	1,169	1,169	0	571	571
Production from PSA and buy-back agreements	0	39	39	0	56	56	0	49	49

The conversion rates used are 1 standard cubic meter = 35.3 standard cubic feet, 1 standard cubic meter oil equivalent = 6.29 barrels of oil equivalent and 1,000 standard cubic meter gas = 1 standard cubic meter oil equivalent.

Statoil is required through its articles of association to market and sell the SDFI's oil and gas together with Statoil's own oil and gas in accordance with the owner's instruction established by the general meeting of Statoil ASA. SDFI and Statoil receive income from the joint natural gas sales portfolio based on their respective share in the supply volumes. For sale of natural gas to third parties or to Statoil for further value upgrade the pricing is either achieved prices, a net back formula or market value. For natural gas acquired by Statoil for its own use the pricing will be based on market value. All of the Norwegian State's oil and NGL will be acquired by Statoil. Pricing of the crude oil will be based on market reflective prices; NGL prices will be either based on achieved prices, market value or market reflective prices.

The owner's instruction may be changed or withdrawn by the Statoil general meeting. Due to this uncertainty and the Norwegian State's estimate of proved reserves not being available to Statoil, it is not possible to determine the total quantities to be purchased by Statoil under the owner's instruction from properties in which it participates in the operations.

Capitalized costs related to Oil and Gas producing activities

(in NOK million)	At December 31,	
	2006	2005
Unproved Properties	21,102	14,101
Proved Properties, wells, plants and other equipment, including removal obligation assets	342,282	309,441
Total Capitalized Costs	363,384	323,542
Accumulated depreciation, depletion, amortization and valuation allowances	(192,225)	(179,197)
Net Capitalized Costs	171,159	144,345

SUPPLEMENTARY INFORMATION ON OIL AND GAS PRODUCING ACTIVITIES (UNAUDITED)

Costs incurred in Oil and Gas Property Acquisition, Exploration and Development Activities

These costs include both amounts capitalized and expensed.

(in NOK million)	Norway	Outside Norway	Total
Year ended December 31, 2006			
Exploration costs	3,500	3,951	7,451
Development costs 1), 2)	16,831	12,581	29,412
Acquired unproved properties	2,301	5,478	7,779
Total	22,632	22,010	44,642
Year ended December 31, 2005			
Exploration costs	2,188	2,213	4,401
Development costs 1), 2)	15,697	10,664	26,361
Acquired unproved properties	103	13,157	13,260
Total	17,988	26,034	44,022
Year ended December 31, 2004			
Exploration costs	1,102	1,390	2,492
Development costs 1), 2)	15,400	9,819	25,219
Acquired proved properties	2,999	8,441	11,440
Total	19,501	19,650	39,151

(1) Development costs include investments in Norway in facilities for liquefaction of natural gas and storage of LNG amounting to NOK 112 in 2006, NOK 665 in 2005 and NOK 1,262 million in 2004.

(2) Includes minor development costs in unproved properties.

Results of Operation for Oil and Gas Producing Activities

As required by Statement of Financial Accounting Standards No. 69 (FAS 69), the revenues and expenses included in the following table reflect only those relating to the oil and gas producing operations of Statoil.

Effective January 2005, production costs incurred in Norway no longer include cost of transporting certain volumes of NGL that in 2004 incurred costs totaling NOK 700 million.

Activities included in Statoil's segment disclosures in note 3 to the financial statements but excluded from the table below relates to gas trading activities, transportation and business development as well as effects of disposals of oil and gas interests. Certain minor reclassifications have been made to prior periods' figures to be consistent with the current period's classifications.

Income tax expense is calculated on the basis of statutory tax rates in addition to uplift and tax credits only. No deductions are made for interest or overhead.

SUPPLEMENTARY INFORMATION ON OIL AND GAS PRODUCING ACTIVITIES (UNAUDITED)

Transfers are recorded approximating market prices.

(in NOK million)	Norway	Outside Norway	Total
Year ended December 31, 2006			
Sales	13	5,366	5,380
Transfers	113,007	17,676	130,683
Total revenues	113,020	23,042	136,063
Exploration expenses	(2,642)	(3,022)	(5,664)
Production costs	(8,657)	(1,942)	(10,599)
Accretion expense	(784)	(93)	(877)
Special items	(230)	0	(230)
DD&A	(12,683)	(5,697)	(18,380)
Total costs	(24,996)	(10,754)	(35,750)
Results of operations before taxes	88,024	12,288	100,312
Tax expense	(68,775)	(5,909)	(74,683)
Results of producing operations	19,250	6,379	25,629
Year ended December 31, 2005			
Sales	13	5,682	5,696
Transfers	95,403	13,163	108,566
Total revenues	95,416	18,845	114,262
Exploration expenses	(1,818)	(1,435)	(3,253)
Production costs	(7,754)	(1,674)	(9,429)
Accretion expense	(750)	(66)	(816)
Special items	0	(2,211)	(2,211)
DD&A	(11,450)	(4,062)	(15,512)
Total costs	(21,772)	(9,449)	(31,221)
Results of operations before taxes	73,644	9,397	83,041
Tax expense	(56,868)	(3,476)	(60,344)
Results of producing operations	16,776	5,921	22,697
Year ended December 31, 2004			
Sales	21	3,026	3,047
Transfers	72,400	6,499	78,899
Total revenues	72,421	9,525	81,946
Exploration expenses	(777)	(1,051)	(1,828)
Production costs	(8,038)	(1,298)	(9,336)
Accretion expense	(701)	(56)	(757)
Special items	(259)	0	(259)
DD&A	(12,123)	(2,215)	(14,338)
Total costs	(21,898)	(4,620)	(26,518)
Results of operations before taxes	50,523	4,905	55,427
Tax expense	(38,287)	(1,830)	(40,118)
Results of producing operations	12,235	3,075	15,310

SUPPLEMENTARY INFORMATION ON OIL AND GAS PRODUCING ACTIVITIES (UNAUDITED)

Standardized measure of discounted future net cash flows relating to proved oil and gas reserves

The table below shows the standardized measure of future net cash flows relating to proved reserves presented. The analysis is computed in accordance with FAS 69, by applying year end market prices, costs, and statutory tax rates, and a discount factor of 10% to year end quantities of net proved reserves. The standardized measure is a forward-looking statement.

Future price changes are limited to those provided by contractual arrangements in existence at the end of each reporting year. Future development and production costs are those estimated future expenditures necessary to develop and produce year end estimated proved reserves based on year end cost indices, assuming continuation of year end economic conditions. Future net cash flow pre-tax is net of decommissioning and removal costs. Estimated future income taxes are calculated by applying appropriate year end statutory tax rates. These rates reflect allowable deductions and tax credits and are applied to estimated future pretax net cash flows, less the tax basis of related assets. Discounted future net cash flows are calculated using 10 per cent mid-period discount factors. Discounting requires a year-by-year estimate of when future expenditures will be incurred and when reserves will be produced. The information provided does not represent management's estimate of Statoil's expected future cash flows or value of proved oil and gas reserves. Estimates of proved reserve quantities are imprecise and change over time as new information becomes available. Moreover, identified reserves and contingent resources, that may become proved in the future, are excluded from the calculations. The standardized measure of valuation prescribed under FAS 69 requires assumptions as to the timing and amount of future development and production costs and income from the production of proved reserves. This does not reflect management's judgment and should not be relied upon as an indication of Statoil's future cash flow or value of its proved reserves.

(in NOK million)	Norway	Outside Norway	Total
At December 31, 2006			
Future net cash inflows	1,119,882	259,029	1,378,911
Future development costs	(59,221)	(28,796)	(88,017)
Future production costs	(218,308)	(42,077)	(260,385)
Future income tax expenses	(659,161)	(61,981)	(721,142)
Future net cash flows	183,192	126,175	309,367
10% annual discount for estimated timing of cash flows	(80,869)	(51,484)	(132,353)
Standardized measure of discounted future net cash flows	102,323	74,691	177,014
At December 31, 2005			
Future net cash inflows	1,067,475	276,682	1,344,157
Future development costs	(51,098)	(30,328)	(81,426)
Future production costs	(198,399)	(45,980)	(244,379)
Future income tax expenses	(629,910)	(53,232)	(683,142)
Future net cash flows	188,068	147,142	335,210
10% annual discount for estimated timing of cash flows	(77,281)	(67,218)	(144,499)
Standardized measure of discounted future net cash flows	110,787	79,924	190,711
At December 31, 2004			
Future net cash inflows	739,788	179,336	919,124
Future development costs	(42,906)	(22,169)	(65,075)
Future production costs	(172,892)	(35,516)	(208,408)
Future income tax expenses	(395,155)	(29,108)	(424,263)
Future net cash flows	128,835	92,543	221,378
10% annual discount for estimated timing of cash flows	(56,336)	(44,862)	(101,198)
Standardized measure of discounted future net cash flows	72,499	47,681	120,180

Of a total of NOK 88,017 million of estimated future development costs as of December 31, 2006, an amount of NOK 52,474 million is expected to be spent within the next three years, as allocated in the table below.

SUPPLEMENTARY INFORMATION ON OIL AND GAS PRODUCING ACTIVITIES (UNAUDITED)

Future development costs

(in NOK million)	2007	2008	2009	Total
Norway	14,014	10,723	8,523	33,260
Outside Norway	10,839	5,722	2,653	19,214
Total	24,853	16,445	11,176	52,474
Future development cost expected to be spent on proved undeveloped reserves	18,359	12,488	8,212	39,059

In 2006, Statoil incurred NOK 29,412 million in development costs, of which NOK 21,145 million related to proved undeveloped reserves. The comparable amounts for 2005 were NOK 26,354 million and NOK 22,876 million, and for 2004 NOK 33,135 million and NOK 28,353 million, respectively.

Changes in the standardized measure of discounted future net cash flows from proved reserves

(in NOK million)	2006	2005
Standardized measure at beginning of year	190,711	120,180
Net change in sales and transfer prices and in production (lifting) costs related to future production	69,993	380,489
Changes in estimated future development costs	(29,359)	(27,189)
Sales and transfers of oil and gas produced during the period, net of production costs	(134,131)	(110,018)
Net change due to extensions, discoveries, and improved recovery	5,053	38,080
Net change due to purchases and sales of minerals in place	(950)	896
Net change due to revisions in quantity estimates	65,762	11,970
Previously estimated development costs incurred during the period	29,412	26,354
Accretion of discount	(3,106)	(121,003)
Net change in income taxes	(16,371)	(129,048)
Total change in the standardized measure during the year	(13,697)	70,531
Standardized measure at end of year	177,014	190,711

Operational statistics

Productive oil and gas wells and developed and undeveloped acreage

The following tables show the number of gross and net productive oil and gas wells and total gross and net developed and undeveloped oil and gas acreage in which Statoil had interests at December 31, 2006.

A "gross" value reflects to wells or acreage in which Statoil has interests (calculated as 100%). The net value corresponds to the sum of whole or fractional working interest in gross wells or acreage.

At December 31, 2006	Norway	Outside Norway	Total
Number of productive oil and gas wells			
Oil wells — gross	751	563	1,314
— net	190	89	278
Gas wells — gross	150	70	220
— net	46	24	70

SUPPLEMENTARY INFORMATION ON OIL AND GAS PRODUCING ACTIVITIES (UNAUDITED)

At December 31, 2006 (in thousands of acres)		Norway	Outside Norway	Total
Developed and undeveloped oil and gas acreage				
Acreage developed	— gross	713	928	1,641
	— net	171	303	475
Acreage undeveloped	— gross	14,027	22,871	36,898
	— net	5,917	12,440	18,357

Remaining terms of leases and concessions are between one and 34 years.

Exploratory and development drilling activities

The following table shows the number of exploratory and development oil and gas wells in the process of being drilled by Statoil at December 31, 2006.

(number of wells)	Norway	Outside Norway	Total
Number of wells in progress			
— gross	48	70	118
— net	11.8	12.5	24.3

Net productive and dry oil and gas wells

The following tables show the net productive and dry exploratory and development oil and gas wells completed or abandoned by Statoil in the past three years. Productive wells include wells in which hydrocarbons were found, and the drilling or completion of which, in the case of exploratory wells, has been suspended pending further drilling or evaluation. A dry well is one found to be incapable of producing in sufficient quantities to justify completion.

	Norway	Outside Norway	Total
Year 2006			
Net productive and dry exploratory wells drilled	8.8	3.4	12.2
- Net dry exploratory wells drilled	5.2	1.3	6.4
- Net productive exploratory wells drilled	3.6	2.2	5.8
Net productive and dry development wells drilled	13.2	10.7	23.9
- Net dry development wells drilled	0.8	0.0	0.8
- Net productive development wells drilled	12.4	10.7	23.1
Year 2005			
Net productive and dry exploratory wells drilled	3.3	2.2	5.5
- Net dry exploratory wells drilled	1.1	0.9	2.0
- Net productive exploratory wells drilled	2.2	1.3	3.5
Net productive and dry development wells drilled	19.1	19.9	39.0
- Net dry development wells drilled	0.1	0.0	0.1
- Net productive development wells drilled	19.0	19.9	38.9
Year 2004			
Net productive and dry exploratory wells drilled	2.5	1.1	3.5
- Net dry exploratory wells drilled	0.5	0.1	0.6
- Net productive exploratory wells drilled	2.0	0.9	3.0
Net productive and dry development wells drilled	16.9	6.7	23.6
- Net dry development wells drilled	0.0	0.0	0.0
- Net productive development wells drilled	16.9	6.7	23.6

SUPPLEMENTARY INFORMATION ON OIL AND GAS PRODUCING ACTIVITIES (UNAUDITED)

Average sales price and production cost per unit

	Norway	Outside Norway
Year ended December 31, 2006		
Average sales price crude in USD per bbl	65.0	61.7
Average sales price natural gas in NOK per Sm ³	1.91	1.43
Average production costs, in NOK per boe	25.2	34.6
Year ended December 31, 2005		
Average sales price crude in USD per bbl	54.1	51.0
Average sales price natural gas in NOK per Sm ³	1.45	1.12
Average production costs, in NOK per boe	21.6	25.2
Year ended December 31, 2004		
Average sales price crude in USD per bbl	38.4	35.7
Average sales price natural gas in NOK per Sm ³	1.10	0.89
Average production costs, in NOK per boe	22.5	30.9

To the Board of Directors and Shareholders of Statoil ASA

Report of Independent Registered Public Accounting Firm – USGAAP accounts


We have audited the accompanying consolidated balance sheets of Statoil ASA and subsidiaries (“Statoil”) as of December 31, 2006 and 2005, and the related consolidated statements of income, shareholders’ equity, and cash flows for each of the three years in the period ended December 31, 2006. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Statoil at December 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2006, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Statoil’s internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control–Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 13, 2007 expressed an unqualified opinion thereon.

Stavanger, March 13, 2007
Ernst & Young AS


Jostein Johannessen
State Authorized Public Accountant
(Norway)


Erik Mamelund
State Authorized Public Accountant
(Norway)

To the Board of Directors and Shareholders of Statoil ASA

Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting

We have audited management's assessment, included in the accompanying Management's Report on Internal Control over Financial Reporting, that Statoil ASA and subsidiaries ("Statoil") maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Statoil's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

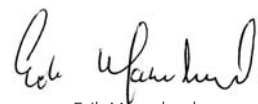
In our opinion, management's assessment that Statoil maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Statoil maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the 2006 consolidated financial statements of Statoil and our report dated March 13, 2006, expressed an unqualified opinion thereon.

Stavanger, March 13, 2007
Ernst & Young AS



Jostein Johannessen
State Authorized Public Accountant
(Norway)



Erik Måmelund
State Authorized Public Accountant
(Norway)

Proved reserves report

DEGOLYER AND MACNAUGHTON
5001 Spring Valley Road, Suite 800 East, Dallas, Texas 75244

February 12, 2007

Statoil ASA
Forusbeen 50
N-4035 Stavanger
Norway

Gentlemen:

Pursuant to your request, we have prepared estimates of the proved oil, condensate, liquefied petroleum gas (LPG), and sales gas reserves, as of December 31, 2006, of certain properties in Algeria, Angola, Azerbaijan, China, Iran, Ireland, Nigeria, Norway, the United Kingdom, the United States and Venezuela owned by Statoil ASA (STATOIL). The estimates are discussed in our "Report as of December 31, 2006 on Proved Reserves of Certain Properties owned by Statoil ASA" (the Report). We also have reviewed STATOIL's estimates of reserves, as of December 31, 2006, of the same properties included in the Report.

In our opinion, the information relating to proved reserves estimated by us and referred to herein has been prepared in accordance with Paragraphs 10–13, 15, and 30(a)–(b) of Statement of Financial Accounting Standards No. 69 (November 1982) of the Financial Accounting Standards Board and Rules 4–10(a) (1)–(13) of Regulation S–X of the United States Securities and Exchange Commission (SEC).

STATOIL represents that its estimates of the proved reserves, as of December 31, 2006, attributable to STATOIL's interests in the properties included in the Report are as follows, expressed in millions of barrels (MMbbl) or billions of cubic feet (Bcf):

Oil, Condensate, and LPG (MMbbl)	Sales Gas (Bcf)	Net Equivalent (MMbbl)
1,675	14,085	4,185

Note: Gas is converted to oil equivalent using a factor of 5,612 cubic feet of gas per 1 barrel of oil equivalent.

STATOIL has advised us that its estimates of proved oil, condensate, LPG, and natural gas reserves are in accordance with the rules and regulations of the SEC. It is our opinion that the guidelines and procedures that STATOIL has adopted to prepare its estimates are in accordance with generally accepted petroleum reserves evaluation practices and are in accordance with the requirements of the SEC.

Our estimates of the proved reserves, as of December 31, 2006, attributable to STATOIL's interests in the properties included in the Report are as follows, expressed in millions of barrels (MMbbl) or billions of cubic feet (Bcf):

Oil, Condensate, and LPG (MMbbl)	Sales Gas (Bcf)	Net Equivalent (MMbbl)
1,707	13,848	4,175

Note: Gas is converted to oil equivalent using a factor of 5,612 cubic feet of gas per 1 barrel of oil equivalent.

In comparing the detailed reserves estimates prepared by us and those prepared by STATOIL for the properties involved, we have found differences, both positive and negative, in reserves estimates for individual properties. These differences appear to be compensating to a great extent when considering the reserves of STATOIL in the properties included in the Report, resulting in overall differences not being substantial. It is our opinion that the reserves estimates prepared by STATOIL on the properties reviewed by us and referred to above, when compared on the basis of net equivalent million barrels of oil, in aggregate, do not differ materially from those prepared by us.

Submitted,
DeGOLYER and MacNAUGHTON

HSE accounting for 2006

Statoil's objective is to operate with zero harm to people or the environment, in accordance with the principles for sustainable development. The group supports the Kyoto protocol and applies the precautionary principle in the conduct of its business.

Statoil's management system for health, safety, security and the environment (HSE) forms an integrated part of the group's total management system, and is described in its governing documents. Statoil's management system relating to overall management and control and all of the main operational units have now been certified in accordance with the ISO 9001 and ISO 14001 standards. An overview of certified units can be found at www.statoil.com/certification.

A key element in the HSE management system is registration, reporting and assessment of

relevant data. HSE performance indicators have been established to assist this work. The intention is to document quantitative developments over time and strengthen the decision-making basis for systematic and purposeful improvement efforts.

HSE data are compiled by the business units and reported to the corporate executive committee, which evaluates trends and decides whether improvement measures are required. The chief executive submits the HSE results and associated assessments to the board together with the group's quarterly financial results.

These results are posted to the group's intranet and its internet site. Reference may be made to www.statoil.com/hse where quarterly HSE statistics are compiled and made easily accessible.

Statoil's three group-wide

performance indicators for safety are the total recordable injury frequency, the lost-time injury frequency and the serious incident frequency. These are reported quarterly at corporate level for Statoil employees and contractors, both collectively and separately. Sickness absence is reported annually for Statoil employees.

The group-wide indicators for the environment are reported annually at corporate level, with the exception of oil spills which are reported quarterly. The indicators for the natural environment – oil spills, emissions of carbon dioxide and nitrogen oxides, energy consumption and the waste recovery factor – are reported for Statoil-operated activities. This includes the Gassled facilities at Kårstø and Kollsnes, for which Gassco is operator, while Statoil is responsible for the technical operation.

All of the group's main activities are included in the HSE accounting section. Oil spills are the only data on the natural environment included for the service stations.

Historical data include figures relating to acquired operations from the acquisition date. Correspondingly, figures relating to divested operations are included up to the divestment date.

Results

Statoil suffered no fatal accidents in 2006.

The HSE accounting shows the development of the performance indicators over the past five years. Use of resources, emissions and waste volumes for the largest Statoil-operated land-based plants, and for Statoil-operated activities on the NCS are shown in separate environmental overviews. See also the information on health, safety and the environment in the review

of Statoil's operations and the directors' report.

More than 107 million hours worked in 2006 (including contractors) form the basis for the HSE accounting. Contractors handle a large proportion of the assignments for which Statoil is responsible as operator or principal enterprise.

Statoil's safety results with respect to serious incidents have shown a positive trend. The serious incident frequency has declined from 2.3 in 2005 to 2.1 in 2006.

The total recordable injury frequency (covering Statoil employees and contractors) has increased from 5.1 in 2005 to 5.7 in 2006, while the lost-time injury frequency (injuries leading to absence from work) increased from 1.5 in 2005 to 2.1 in 2006.

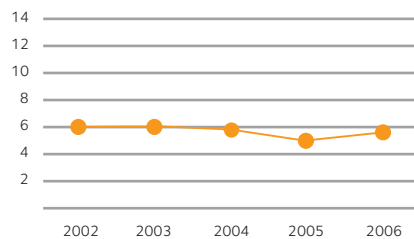
In addition to this corporate accounting, the business units prepare more specific statistics and

analyses which are used in their improvement efforts.

Seven fines totalling NOK 19,000 were imposed on Statoil for HSE-related matters in 2006. Six of these related to breach of transport regulations within Retail and one related to incorrect marking of hazardous goods.

Statoil's performance indicators for HSE

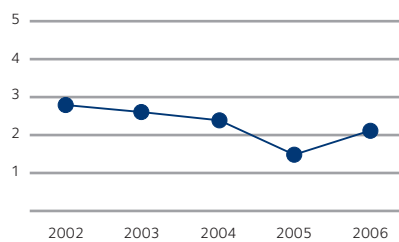
Total recordable injury frequency



Definition: The number of fatalities, lost-time injuries, cases of alternative work necessitated by an injury and other recordable injuries, excluding first-aid injuries per million working hours.

Developments: The total recordable injury frequency (including both Statoil employees and contractors) was 5.7 in 2006, as against 5.1 in 2005. The frequency for Statoil employees was 3.6 in 2006, compared with 3.0 in 2005, while the frequency for our contractors was 7.2 in 2006 compared with 6.7 in 2005.

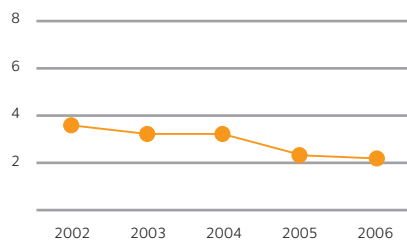
Lost-time injury frequency



Definition: The number of lost-time injuries and fatal accidents per million working hours.

Developments: The lost-time injury frequency (including both Statoil employees and contractors) increased from 1.5 in 2005 to 2.1 in 2006. There has been an increase for Statoil employees, from 1.1 in 2005 to 1.9 in 2006, and for our contractors, from 1.9 in 2005 to 2.2 in 2006.

Serious incident frequency

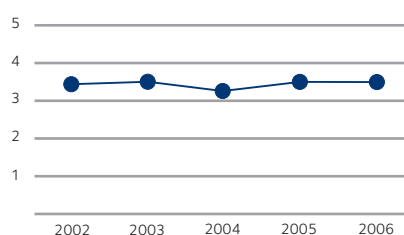


Definition: The number of incidents of a very serious nature per million working hours (1).

Developments: The serious incident frequency (including both Statoil employees and contractors) improved from 2.3 in 2005 to 2.1 in 2006.

(1) An incident is an event or chain of events which has caused or could have caused injury, illness and/or damage to/loss of property, the environment or a third party. Risk matrices have been established where all undesirable incidents are categorised according to the degree of seriousness, and this forms the basis for follow-up in the form of notification, investigation, reporting, analysis, experience transfer and improvement.

Sickness absence



Definition: The total number of days of sickness absence as a percentage of possible working days (Statoil employees).

Developments: Sickness absence was 3.5% in 2006, the same as in 2005. Sickness absence has been stable over the entire five-year period. This result is well below the Norwegian average (6.9% per third quarter of 2006 as reported by Statistics Norway).

Oil spills

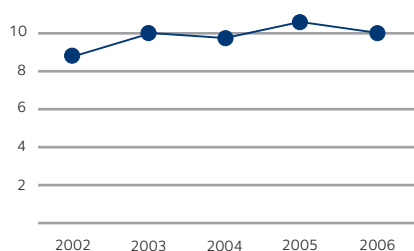


Definition: Unintentional oil spills to the natural environment from Statoil operations (in cubic metres) (2).

Developments: The number of unintentional oil spills was 305 in 2006, as against 534 in 2005. The volume of unintentional spills has decreased from 442 cubic metres in 2005 to 157 cubic metres in 2006. The rules for reporting oil spills were changed in 2006 to accord with international standards. Only spills that reach the natural environment are included for 2006. The figure shows the volume of oil spills in cubic metres.

(2) All unintentional oil spills reaching the natural environment from Statoil operations are included in the figure. However, also spills that did not reach the natural environment have been included for downstream market operations before 2006.

Carbon dioxide emissions

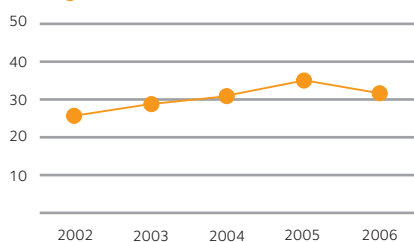


Definition: Total emissions of carbon dioxide in million tonnes from Statoil operations (3).

Developments: Carbon dioxide emissions have decreased from 10.3 million tonnes in 2005 to 6.0 million in 2006. For activities on the NCS, carbon dioxide emissions for 2006 are 6.0 million tonnes compared with 6.5 million tonnes in 2005. There are only minor changes in the other business areas.

(3) Carbon dioxide emissions embrace all sources such as turbines, boilers, engines, flares, drilling of exploration and production wells, well testing/workovers and other treatment plants including residual emissions from plants to separate carbon dioxide from natural gas. The distribution of products (by Statoil's road tankers or boats or railway) to customers (private, companies, petrol stations, airports) is included. Support services such as helicopter transport, supply and standby vessels and shuttle tankers are excluded.

Nitrogen oxide emissions

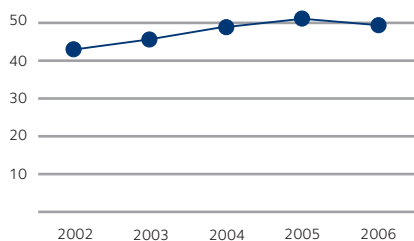


Definition: Total emissions of nitrogen oxides in thousand tonnes from Statoil operations (4).

Developments: Emissions of nitrogen oxides have decreased from 34.7 thousand tonnes in 2005 to 31.6 thousand tonnes in 2006. This is mainly due to activities in the Exploration & Production Norway business area (emissions decreased from 29.3 thousand tonnes in 2005 to 26.7 thousand tonnes in 2006) and in International Exploration & Production (a decrease from 1.9 thousand tonnes in 2005 to 0.9 thousand tonnes in 2006). There are only minor changes in the other business areas.

(4) Nitrogen oxide emissions embrace all sources such as turbines, boilers, engines, flares, drilling of exploration and production wells and well testing/workovers and other treatment plants. Support services such as helicopter traffic, supply and standby ships, shuttle tankers and distribution of products are excluded.

Energy consumption

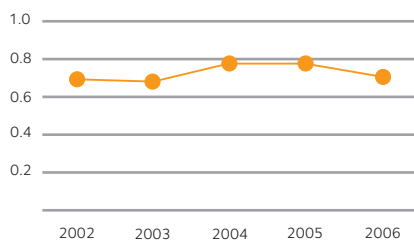


Definition: Total energy consumption in terawatt-hours (TWh) for Statoil operations. This includes gross purchases of electricity and thermal energy (steam), energy from gas-fired and diesel-fuelled power generation, and energy losses through flaring (5). Energy consumption based on the use of fossil fuels is calculated as fuel energy content.

Developments: Energy consumption has decreased from 50.4 TWh in 2005 to 49.4 TWh in 2006. The decrease is mainly associated with activities within the Exploration & Production Norway business area (reduction from 30.6 TWh in 2005 to 29.6 TWh in 2006). There are only minor changes in the other business areas. Also, from 2006, Statoil is taking into consideration supplier and transportation losses when calculating total energy consumption.

(5) Prior to 2006 energy consumption was based on net purchase of electricity.

Waste recovery factor



Definition: The waste recovery factor comprises industrial waste from Statoil operations and represents the amount of waste for recovery in relation to the total quantity of waste (6). Hazardous waste is not included.

Developments: The recovery factor for 2006 is 0.73, a reduction from 0.76 in 2005. All the business areas, with the exception of Exploration & Production Norway and International Exploration & Production, have increased their recovery factor in 2006 compared with 2005.

(6) The quantity of waste for recovery is the total quantity of industrial waste from the plant's operations which has been delivered for reuse, recycling or incineration with energy utilisation. Hazardous waste is defined by national legislation in each individual country.

Environmental data for 2006

NORWEGIAN CONTINENTAL SHELF¹⁾

ENERGY

Diesel ²⁾	1,290 GWh
Electricity	40 GWh
Fuel gas	23,600 GWh
Flare gas	2,860 GWh

RAW MATERIALS³⁾

Oil/condensate	72.1 mill scm
Gas ⁴⁾	94.1 bn scm
Water	104 mill scm

UTILITIES

Chemicals process/prodn	52,400 tonnes
Chemicals drilling/well	124,000 tonnes

OTHER

Injection water as pressure support	134 mill scm
Fresh water consumption	170,000 m ³

- 1) Includes UK sector of Statfjord. Excludes the Kollsnes processing plant and Snøhvit land plant
- 2) Represents 107,000 tonnes
- 3) Includes 1.94 mill scm o e produced by third party (Sigyn)
- 4) Includes fuel gas (2.03 bn scm), flare gas (0.29 bn scm)
- 5) Includes offshore loading
- 6) The volume is dominated by one incident on Visund in January totalling 26 tonnes. Unintentional emissions are not part of figures for methane or nmVOC
- 7) In addition, 7.42 mill scm of produced water is injected in the ground
- 8) Includes oil from produced water, drainage water and jetting
- 9) Includes 47,000 tonnes of water and green chemicals
- 10) Includes waste from base operations (698 tonnes of non-hazardous and 287 tonnes of hazardous waste)



PRODUCTS

Oil/condensate	72.1 mill scm
Gas for sale	76.5 bn scm

EMISSIONS TO AIR

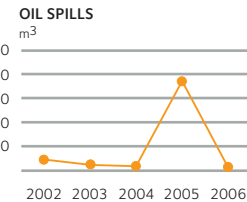
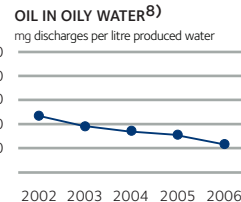
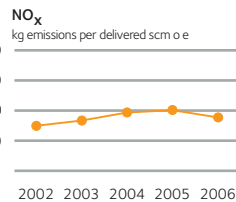
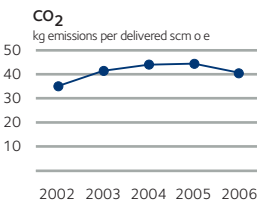
CO ₂	5.97 mill tonnes
nmVOC ⁵⁾	56,800 tonnes
Methane ⁵⁾	17,600 tonnes
NO _x	26,700 tonnes
SO ₂	255 tonnes
Hydrocarbon gas, unintentional ⁶⁾	29 tonnes

DISCHARGES TO WATER

Produced water ⁷⁾	96.3 mill scm
Oil in oily water ⁸⁾	1,300 tonnes
Unintentional oil spills	15.2 m ³
Chemicals ⁹⁾	
Process/production	24,900 tonnes
Drilling/well	22,500 tonnes
Unintentional chemical spills	253 m ³

WASTE¹⁰⁾

Waste for landfill	3,150 tonnes
Waste for recovery	8,500 tonnes
Recovery factor	0.73
Hazardous waste:	
Oily cuttings/mud/slop	37,800 tonnes
Other	10,600 tonnes



KOLLSNES PROCESSING PLANT*

ENERGY

Electricity	1,470 GWh
Fuel gas	214 GWh
Flare gas	118 GWh
Diesel	0.25 GWh

RAW MATERIALS

Rich gas Troll A	26.0 bn scm
Rich gas Troll B	2.2 bn scm
Rich gas Troll C	2.5 bn scm
Rich gas Kvittebjørn	5.8 bn scm
Rich gas Visund	1.1 bn scm

UTILITIES

Monoethylene glycol	116 m ³
Caustics	42 m ³
Other chemicals	72 m ³

WATER CONSUMPTION

Fresh water	34,500 m ³
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PRODUCTS

Gas	37.3 bn scm
NGL	2.3 mill scm

EMISSIONS TO AIR^{1) 2)}

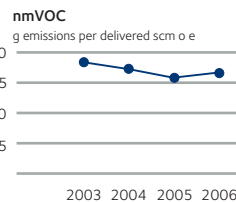
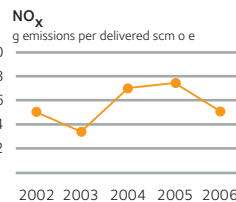
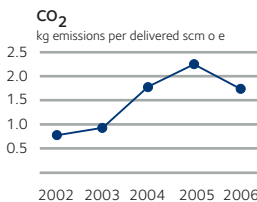
CO ₂	69,800 tonnes
nmVOC	670 tonnes
Methane	991 tonnes
NO _x	22 tonnes
CO	28 tonnes

DISCHARGES TO WATER^{3) 4)}

Treated water/effluent	156,000 m ³
Total organic carbon (TOC)	2.58 tonnes
Monoethylene glycol	4.86 tonnes
Methanol	0.32 tonnes
Hydrocarbons	0.05 tonnes
Ammonium	0.04 tonnes
Phenol	0.02 tonnes

WASTE

Waste for landfill	228 tonnes
Waste for recovery	202 tonnes
Recovery factor	0.47
Hazardous waste:	
Sludge from treatment plant	83.3 tonnes
Other	1,180 tonnes



* Gasco is operator for the plant, and Statoil is technical service provider

- 1) The permit limit for nmVOC has been exceeded over the last 12 months
- 2) Accidental emissions are included in the figures for nmVOC and methane
- 3) All regulatory requirements have been met
- 4) There was one unintentional discharge of oil to ground of one litre. There have also been three unintentional discharges of monoethylene glycol (MEG) to sea/ground of 63 litres (net)

MONGSTAD¹⁾

ENERGY

Electricity	497 GWh
Fuel gas and steam	7,090 GWh
Flare gas	301 GWh

RAW MATERIALS

Crude oil	8,481,000 tonnes
Other process raw materials	3,377,000 tonnes
Blending components	189,000 tonnes

UTILITIES

Acids	495 tonnes
Caustics	1,310 tonnes
Additives	1,740 tonnes
Process chemicals	4,130 tonnes

WATER CONSUMPTION

Fresh water	4,289,000 m ³
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PRODUCTS²⁾

Propane	11,259,000 tonnes	Butane	
Naphtha		Gas oil	
Petrol		Petcoke/sulphur	
Jet fuel			

EMISSIONS TO AIR³⁾⁴⁾

CO ₂	1,728,000 tonnes
nmVOC refinery	8,100 tonnes
nmVOC terminal	4,350 tonnes
Methane	2,890 tonnes
NO _x ⁵⁾	1,980 tonnes
SO ₂	952 tonnes
Hydrocarbon gas, unintentional	0.05 tonne

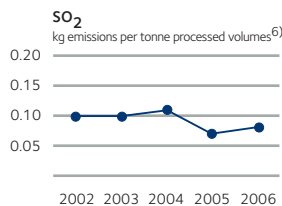
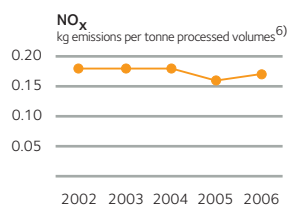
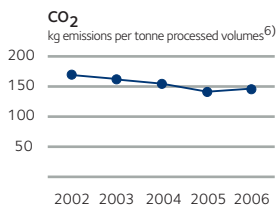
DISCHARGES TO WATER³⁾

Oil in oily water	7.3 tonnes
Unintentional oil spills	0.1 m ³
Phenol	1.6 tonnes
Ammonium	45.2 tonnes

WASTE

Waste for landfill	559 tonnes
Waste for recovery	883 tonnes
Recovery factor	0.61
Hazardous waste	4,210 tonnes

- 1) Includes data for the refinery, crude oil terminal and Vestpross facilities
- 2) Products delivered from the jetties
- 3) Regulatory requirements have been met for all parameters. Mongstad has been exempted from its emissions permit obligations by the Norwegian Pollution Control Authority in relation to the concentration threshold for ammonia between 21 July and 15 December 2006, due to temporary problems with ammonia concentrations
- 4) Accidental emissions are not included in the figures for methane and nmVOC. However these emissions represent small amounts (50 kg in total)
- 5) For 2006, the way NO_x and CO₂ levels are measured has changed, giving an emissions increase and consequently a higher value per processed quantity compared with previous years
- 6) Processed volumes means crude oil and other process raw materials



KALUNDBORG

ENERGY

Electricity ¹⁾	223 GWh
Steam	135 GWh
Fuel gas and oil	2,610 GWh
Flare gas	93 GWh

RAW MATERIALS

Crude oil	4,727,600 tonnes
Other process raw materials	12,700 tonnes
Blending components	174,500 tonnes

UTILITIES

Acids	1,400 tonnes
Caustics	2,500 tonnes
Additives	1,840 tonnes
Process chemicals	966 tonnes
Ammonia (liquid)	2,230 tonnes

WATER CONSUMPTION²⁾

Fresh water	1,785,000 m ³
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PRODUCTS

Propane	4,536,700 tonnes	Butane	
Naphtha		Gas oil	
Petrol		Fuel oil	
Jet fuel		ATS (fertiliser)	

EMISSIONS TO AIR³⁾

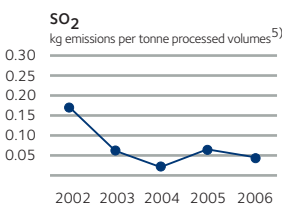
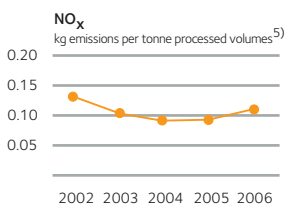
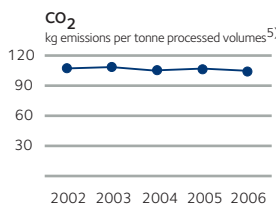
CO ₂	499,000 tonnes
nmVOC	4,820 tonnes
Methane	2,100 tonnes
NO _x	542 tonnes
SO ₂	218 tonnes
Unintentional emissions of HC gas	16 tonnes

DISCHARGES TO WATER³⁾

Oil in oily water	1.5 tonnes
Unintentional oil spills	1.0 m ³
Suspended matter	10.2 tonnes
Sulphide	0.1 tonnes
Nitrogen	6.1 tonnes

WASTE

Waste for landfill	76 tonnes
Waste for recovery	1,460 tonnes
Recovery factor	0.95
Hazardous waste	720 tonnes



- 1) Based on net purchase of electricity
- 2) Consumption of fresh water for process water and steam production, etc
- 3) Accidental emissions are not included in the figures for methane and nmVOC. Methane and nmVOC are based on measurements carried out in 2006
- 4) Annual regulatory requirements have been met for all parameters. A few daily values have been exceeded
- 5) Processed volumes means crude oil and other process raw materials

TJELDBERGODDEN

ENERGY

Diesel	1 GWh
Electricity	248 GWh
Fuel gas	1,620 GWh
Flare gas	89 GWh

RAW MATERIALS

Rich gas	503,000 tonnes
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UTILITIES

Caustics	246 tonnes
Acids	67 tonnes
Other chemicals	29 tonnes

WATER CONSUMPTION

Fresh water	470,000 m ³
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PRODUCTS

Methanol	855,000 tonnes
Oxygen	11,800 tonnes
Nitrogen	44,100 tonnes
Argon	15,200 tonnes
LNG	15,200 tonnes

EMISSIONS TO AIR^{1) 2)}

CO ₂	338,000 tonnes
nmVOC	120 tonnes
Methane	90 tonnes
NO _x	306 tonnes
SO ₂	0.68 tonnes

DISCHARGES TO WATER¹⁾

Cooling water	206 mill m ³
Total organic carbon (TOC)	0.3 tonnes
Suspended matter	0.8 tonnes
Nitrogen	1.0 tonnes

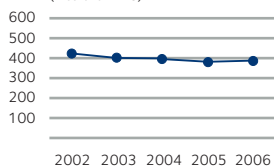
WASTE

Waste for landfill	1.3 tonnes
Waste for recovery	106.8 tonnes
Recovery factor	0.99
Hazardous waste:	
Sludge from treatment plant	117.8 tonnes
Other ³⁾	0 tonnes

- 1) Regulatory requirements have been met for all parameters
- 2) Accidental emissions are not included in the figures for methane and nmVOC
- 3) No other hazardous waste has been delivered in 2006

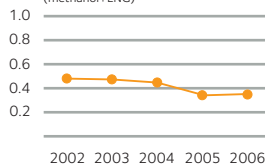
CO₂

kg emissions per tonne product (methanol+LNG)



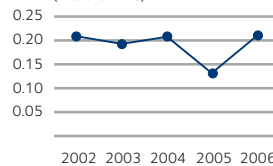
NO_x

kg emissions per tonne product (methanol+LNG)



nmVOC

kg emissions per tonne product (methanol+LNG)



KÅRSTØ GAS PROCESSING PLANT AND TRANSPORT SYSTEMS*

ENERGY¹⁾

Fuel gas	5,970 GWh
Electricity bought	270 GWh
Diesel	3 GWh
Flare gas	196 GWh

RAW MATERIALS²⁾

Rich gas	20.2 mill tonnes
Condensate	3.60 mill tonnes

UTILITIES/WATER CONSUMPTION

Hydrochloric acid	358 tonnes
Sodium hydroxide	226 tonnes
Ammonia	46 tonnes
Methanol	189 tonnes
Other chemicals	7.4 tonnes

WATER CONSUMPTION

Fresh water	700,000 m ³
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PRODUCTS

Lean gas	16.80 mill tonnes
Propane	2.73 mill tonnes
I-butane	0.56 mill tonnes
N-butane	1.00 mill tonnes
Naphtha	0.73 mill tonnes
Condensate	2.17 mill tonnes
Ethane	0.81 mill tonnes
Electricity sold	51 GWh

EMISSIONS TO AIR^{3) 4) 5) 6)}

CO ₂	1,235,000 tonnes
nmVOC	2,420 tonnes
Methane	1,590 tonnes
NO _x	782 tonnes
SO ₂	2.49 tonnes
Unintentional hydrocarbon emissions	2 tonnes

DISCHARGES TO WATER^{4) 7)}

Cooling water	340 mill m ³
Treated water	0.7 mill m ³
Oil in oily water	402 kg
Total organic carbon (TOC)	3.3 tonnes

WASTE⁸⁾

Waste for landfill	118 tonnes
Waste for recovery	1,740 tonnes
Recovery factor	0.93
Hazardous waste	614 tonnes

* Gassco is operator for the plant, and Statoil is technical service provider

1) Includes energy consumption for transport systems: 456 GWh fuel gas

2) Excludes gas transport by transport systems: 69.7 mill tonnes

3) Includes emissions from transport systems: 142,949 tonnes CO₂, 71 tonnes NO_x, 149 tonnes nmVOC, 550 tonnes methane and 0.3 tonnes SO₂

4) All regulatory emissions requirements have been met for 2006. There have been four excess discharges of oil in oily water daily values for 2006

5) Accidental emissions are not included in the figures for methane and nmVOC

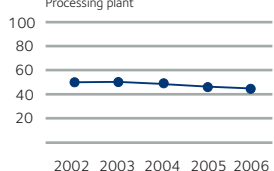
6) Transport systems: For 2006, the way NO_x, CO₂, methane and nmVOC levels are measured has changed, giving an emissions increase and consequently a higher value per processed quantity compared with previous years

7) There have also been two unintentional oil discharges in the transport systems totalling 80 litres

8) Includes waste from transport systems: 11.2 tonnes for landfill, 133 tonnes for recovery and 72 tonnes hazardous waste

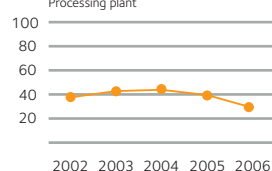
CO₂

kg emissions per tonne product Processing plant



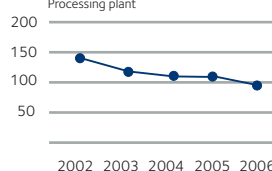
NO_x

g emissions per tonne product Processing plant



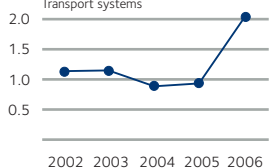
nmVOC

g emissions per tonne product Processing plant



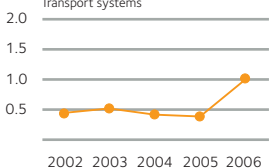
CO₂

kg emissions per tonne product Transport systems



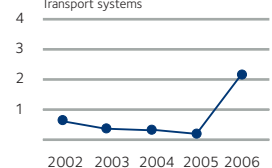
NO_x

g emissions per tonne product Transport systems



nmVOC

g emissions per tonne product Transport systems



Report from Ernst & Young AS

Assurance report

To the stakeholders of Statoil ASA

Scope of engagement

We have been engaged by the corporate executive committee of Statoil to prepare an independent assurance report on the health, safety and environment (HSE) accounting for Statoil ASA in 2006, as presented in the annual report and accounts for 2006 on pages 142-148.

Statoil's corporate executive committee is responsible for the HSE accounting. Our task is to issue a statement on Statoil's HSE accounting based on our work.

Reporting criteria

As a basis for this assurance engagement, we have used Statoil's internal reporting criteria specifically developed for HSE, as described in the text on pages 142-148, together with relevant criteria in the sustainability reporting guidelines of the Global Reporting Initiative (GRI). We consider these reporting criteria to be relevant and appropriate to evaluate Statoil's HSE data.

Work performed

Our work is performed in accordance with the SA 3000 (ISAE 3000), "Assurance engagements other than audits or reviews of historical financial information". The standard requires that we plan and execute procedures in order to obtain reasonable assurance that the HSE accounting as a whole is free of material misstatement.

We have evaluated the HSE data's reliability, and whether the HSE performance is presented in an appropriate manner. Our objective has been to investigate:

- the acceptability and consistency of the reporting principles
- the reliability of the historical information presented on the relevant pages in the annual report and accounts
- the completeness of the information and the sufficiency of the presentations

Our work has included:

- discussions with the corporate management for HSE on the content and aggregation of the HSE accounting
- site visits to 8 entities, selected based on an evaluation of the entity's nature and significance, as well as general and specific risks. During site visits we have interviewed managers and personnel who participate in collecting the figures for the HSE accounting
- control of data integrity in transferring HSE and environment data from underlying systems to the corporate HSE accounting, through a separate IT audit
- testing, on a sample basis, to evaluate whether HSE data which are included in the corporate performance indicators and environmental posters are reported, registered and classified according to Statoil governing documents and in line with referred or recognized standards and methods
- review of whether systems used for registering, adapting, aggregating and reporting are satisfactory, and evaluating whether the reporting is complete and that the collection of data, adaptation and presentation of results in the HSE accounting is consistent
- an overall analyses of the figures compared with earlier reporting periods
- assessment of whether the overall information is presented in an appropriate manner in the HSE accounting

We believe that our procedures provide us with an appropriate basis to conclude with a reasonable level of assurance.

Conclusions

Based on our work related to the HSE accounting on pages 142-148, we believe:

- Statoil has established a management system for HSE, and continuous improvement is actively pursued
- the HSE accounting includes information on all matters relating to HSE which are relevant to the group as a whole
- the information presented is consistent with the stated criteria
- the data tested is in general based on defined and consistent methods for measuring, analysing and quantifying data
- the HSE performance indicators and environmental posters are in accordance with information submitted by the various entities, and illustrations of trends are in accordance with presented historical data

Stavanger, 13 March 2007
ERNST & YOUNG AS


Jostein Johannessen

State Authorized Public Accountant


Erik Mamelund

State Authorized Public Accountant

General information

Annual general meeting

The annual general meeting in Statoil ASA will be held at Clarion Hotel, Ny Olavskleiv 8, Stavanger, Norway on Tuesday 15 May 2006 at 17:00.

Shareholders who would like to attend the annual general meeting are asked to give notification of this by 16:00 on Friday 11 May to:

DnB NOR Bank ASA
Verdipapirservice
Stranden 21
N-0021 Oslo, Norway.

Telephone: +47 22 48 35 90

Telefax: +47 22 48 11 71

Shareholders who wish to attend the general meeting by proxy must give notice of this in writing. Notice of the annual general meeting will be published in the Norwegian newspapers *Stavanger Aftenblad*, *Aftenposten*, *Dagens Næringsliv* and *Finansavisen*.

Dividend

The board's proposal for the distribution of dividend will be resolved at the annual general meeting, with 5 June 2007 as the planned date for payments. Dividend payments will be made to persons listed in the register of shareholders in the Norwegian Central Securities Depository (VPS) on 15 May 2007.

Reporting of results

The following dates have been set for the quarterly reports in 2007:

1st quarter	30 May
2nd quarter	30 July
3rd quarter	29 October

The results will be published at 08:30.

Statoil reserves the right to change the dates.

Information from Statoil

The annual report is available in printed and electronic versions, in Norwegian and English. Quarterly reports in both languages are available electronically. The group also prepares a report in English once a year, Form 20-F, and quarterly reports, Form 6-K, as required by the Securities and Exchange Commission in the USA. These reports, together with further information about the group's operations, can be downloaded from our website.

Addresses

Statoil's head office has the following address:

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Telefax: +47 51 99 00 50

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Investor relations: ir@statoil.com

Internet: www.statoil.com

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Per Eide	page 37
Tor Aas-Haug	page 30
David Fierstein	page 35 illustration

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Statoil's reports 2006



Annual report and accounts 2006 

The annual report and accounts contains the directors' report, the financial analysis, the annual accounts (USGAAP) and the HSE accounting. In addition come articles which give a good picture of our operations and governance systems as well as our plans and strategies.



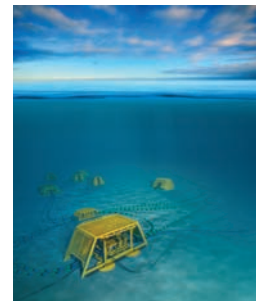
Statoil and sustainable development 2006 

This sustainability report provides information about our commitments, results and ambitions as a member of society. Key topics are values, ethics, human resources policies, financial performance and effects, the environment and social responsibility.



Annual Report on Form 20-F 2006 

The 20-F report provides a detailed and extensive review of our operations. Its title refers to the document from the US Securities and Exchange Commission which specifies what the report must contain.



Financial statements 2006 Norwegian accounting principles 

The financial statements 2006 Norwegian accounting principles contain the Statoil group accounts and the company accounts for Statoil ASA, in accordance with the Norwegian accounting principles (NGAAP).