# ANNUAL REPORT AND ACCOUNTS 1993

*Bringing the Sleipner East field on stream in October was a significant milestone in Statoil's operations during 1993. This event marked the start of deliveries under the major Troll gas sales agreements.*

STATOIL

# CONTENTS

*Den norske stats oljeselskap a.s - Statoil - was established in 1972, and is wholly owned by the Norwegian state. Its corporate object is, either by itself or together with others, to carry out exploration for and production, transport and marketing of petroleum and petroleum-derived products as well as other business. The group as a whole had a turnover of NOK 81 billion in 1993. After the hive-off of its petrochemical operations in 1994, the group has about 12 000 employees.*

*Statoil ranks as the leading player on the Norwegian continental shelf, and the group is Scandinavia's largest retailer of petrol.*

*The company is responsible for managing state interests related to the government's direct financial interest in partnerships pursuing exploration for and development, production and transport of petroleum on the Norwegian continental shelf.*

*From 1 January 1994, operations in the Statoil group are pursued through the Exploration & Production, Natural Gas, Oil Trading & Shipping and Refining & Marketing business areas.*

### EXPLORATION & PRODUCTION

This business area is responsible for exploration activities and project planning as well as the development and operation of field installations. It had 4 933 employees at 31 December 1993.

### NATURAL GAS

Activities associated with marketing and supply planning for natural gas as well as the development and operation of gas transport systems are handled by this business area. It is also responsible for production and marketing of methanol. Natural Gas had 851 employees at 31 December 1993.

### OIL TRADING & SHIPPING

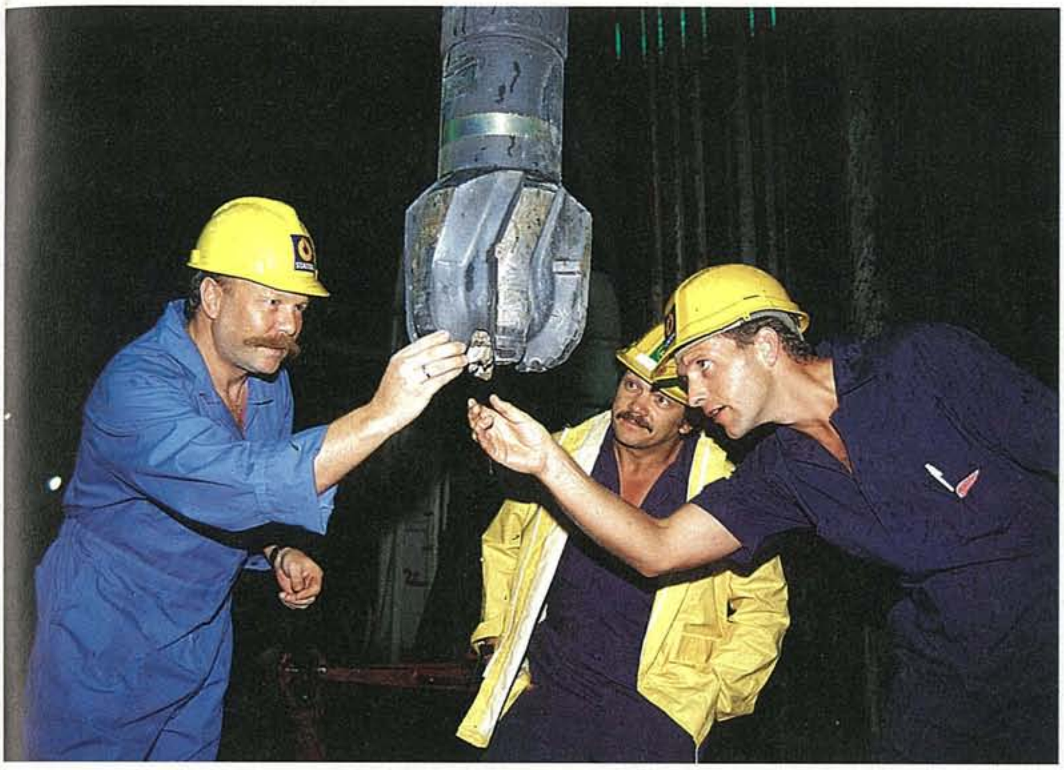
Responsibility for the sale of total available crude oil - including the government's direct financial interest - and natural gas liquids rests with this business area. It also pursues maritime transport of crude oil, products and NGLs. Until 31 December 1993, it was part of Refining & Marketing.

### REFINING & MARKETING

This business area is responsible for refining and marketing of oil products. It had 4 623 employees at 31 December 1993.

### PETROCHEMICALS & PLASTICS

The group's petrochemical operations were handled until 1994 by a separate business area responsible for development, production and marketing for olefins, polyolefins, specialty products and finished plastic components. This business area had 2 394 employees at 31 December 1993. From 1994, Statoil's involvement in petrochemicals and plastics has been transferred to Borealis, a new petrochemical company owned 50 per cent by Statoil and 50 per cent by Neste.



*BP and Statoil are drilling in Vietnam. Inge G Myhre from Statoil (left) checks a drill bit together with BP's Howard W Ryan and Statoil's Edvin Kvalvaag on the* Deep Sea Duchess *drill ship.*

*German households are using more natural gas.*

*Statoil and BP are cooperating on projects in Azerbaijan and Kazakhstan.*


*Statoil has made its mark on Riga. The group opened its first service station in the Latvian capital during 1993.*


*Sleipner A on stream.*

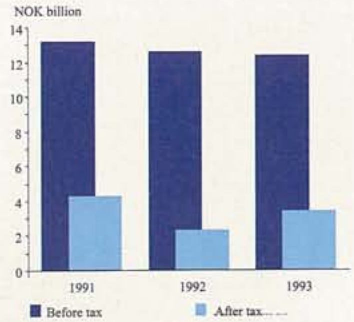
*Gas deliveries under the Troll sales agreements began to Zeebrugge in Belgium at 0600 on 1 October 1993. The mood was jubilant at the Bygnes control centre north of Stavanger when Leidulf Ramstad (right), senior vice president for gas transport, set deliveries in motion.*

Ross Rig *tests the Norne discovery.*

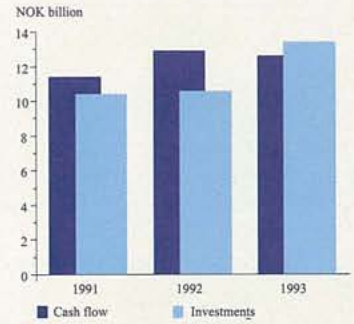
*Statoil and Neste have merged their petrochemical operations in Borealis. This new company is headed by chief executive Juha Rantanen, right, and his deputy, Svein Rennemo.*

## *FINANCIAL HIGHLIGHTS*

*Amounts in NOK million*



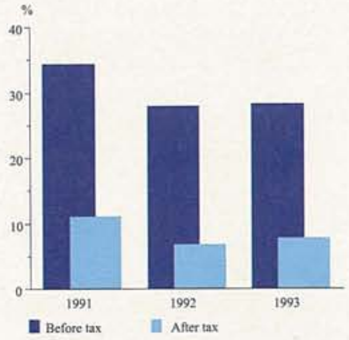

*Profits*



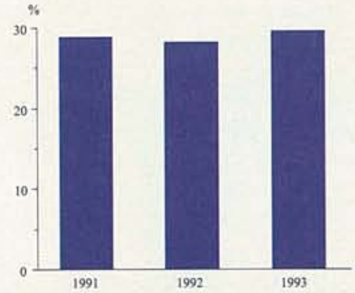

*Cash flow and investments*

| | *1993* | *1992* | *1991* |
|---|---|---|---|
| Operating revenues | 81 057 | 74 526 | 74 558 |
| Operating profit | 12 429 | 12 575 | 13 238 |
| Profit before taxation | 11 980 | 9 884 | 13 191 |
| Net profit | 3 394 | 2 300 | 4 254 |
| Interest-bearing debt | 25 742 | 24 606 | 20 610 |
| Shareholder's equity | 26 507 | 24 205 | 23 210 |
| Investments and acquisitions | 13 427 | 10 609 | 10 425 |
| Cash flow | 12 590 | 12 911 | 11 385 |



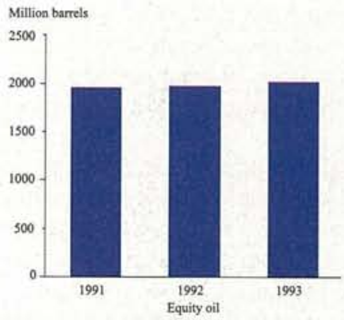



*Return on capital employed*

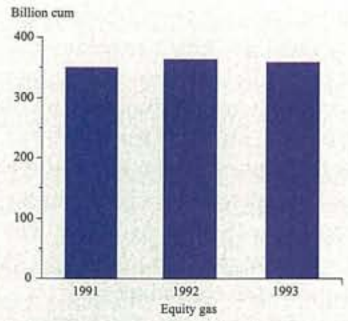



*Shareholder's equity*

| | | | |
|---|---|---|---|
| Before-tax return on capital employed | 28.3% | 28.0% | 34.3% |
| After-tax return on capital employed | 7.8% | 6.7% | 11.0% |
| Return on equity | 13.4% | 9.7% | 19.5% |
| Equity ratio | 29.6% | 28.3% | 28.9% |




*Oil reserves*




*Gas reserves*

| | *1993* | *1992* | *1991* |
|---|---|---|---|
| Exploration costs (NOK million) | 1 702 | 1 840 | 1 695 |
| Equity oil produced, in thousands of barrels per day | 414 | 418 | 379 |
| Refined products produced, in thousands of barrels per day | 212 | 200 | 178 |
| Oil reserves, in millions of barrels | 2 023 | 1 967 | 1 951 |
| Gas reserves, in billions of cubic metres | 364 | 366 | 351 |



## DEFINITIONS:

| | |
|---|---|
| Capital employed = | Total assets less non-interest bearing debt |
| Before-tax return on capital employed = | Profit before taxation plus borrowing costs as a percentage of average capital employed |
| After-tax return on capital employed = | Net profit plus borrowing costs after taxation as a percentage of average capital employed |
| Return on equity = | Net profit in per cent of average shareholder's equity |
| Equity ratio = | Shareholder's equity as a percentage of total balance less GDFI*-related accounts payable |
| Cash flow = | Cash receipts from and cash disbursements to operations less net financial disbursements less taxes paid |
| Reserves = | Probable, commercially recoverable resources |

*) Government's direct financial interest in the petroleum industry, see page 58.

## *LETTER FROM THE PRESIDENT*

Looking back on the past year provides a fresh reminder of how hard it actually is to forecast the future. During 1993, we again experienced events and changes in overall conditions that would have been difficult to predict. We have seen oil prices fluctuate from USD 19.5 per barrel to USD 12.9. Another important factor for Statoil - the Norwegian krone/US dollar exchange rate - varied between 6.63 and 7.52 in the course of the year.

Among factors we can influence ourselves, I would highlight oil production from our own installations. This reached some 444 million barrels - well above the level we felt justified in planning on. One of our objectives was to raise prices in our existing gas contracts, and we achieved good results. Another aim was to expand the portfolio of gas contracts - and we made more progress here than we might reasonably have expected.

Exploration results on the Norwegian continental shelf have been disappointing in recent years. Was a breakthrough possible in 1993? Yes, the confirmation and extension of the Norne oil discovery off Nordland county mean that Statoil could have opened a new province and reversed an unfavourable exploration trend on the Norwegian continental shelf.

We have been seeking a strategic clarification for Statoil's petrochemical operations for some time. In 1993, we laid the basis for one of Europe's leading petrochemical companies - Borealis - in joint ownership with Neste.

*The news that Statoil and Neste were to establish a new jointly-owned petrochemical company was welcomed at Neste's plants. The Beringen facility in Belgium hoisted the Norwegian flag.*

Statoil acquired BP's marketing network in Sweden and part of Mobil's Norwegian network during 1993. These acquisitions mean the group is now the Scandinavian market leader for motor fuels, and well placed in competitive terms.

We had big ambitions for 1993, and achieved many of our targets. At the same time, we are constantly being reminded that we live in an uncertain world.

A well-managed company maintains a professional approach to such risks. This means that we analyse factors creating uncertainty, and assess probabilities and sensitivities. We cannot eliminate uncertainty. On the other hand, we can live - and live well - with this sum of uncertainties if we avoid taking chances which could threaten the group's overall viability and reputation. This makes the importance of being financially robust fairly clear to those of us who work in such a risky business as the oil industry. That is the principal motive behind our unyielding determination to enhance Statoil's financial strength. We once again moved in the right direction during 1993 by raising our equity ratio to 29.6 per cent.

One date that deserves particular attention is 1 October 1993, when Norway began delivering gas to European customers under the Troll sales agreements. Through these contracts, Norwegian gas will supply Europe with energy for more than 30 years.

This event means that 1993 marks the start of a new era for Norwegian gas operations. Statoil bears great responsibilities as the operator of important fields that will deliver gas under the Troll agreements, and as the operator of integrated transport systems. Our most important job will be to ensure secure and reliable delivery. Customers will get their due every day. At the same time, gas operations present a particularly demanding challenge in terms of profitability. Unit costs must be kept as low as possible. Major gains stand to be made from coordinating fields, transport systems and contracts.

The gas business is becoming steadily more important for Statoil, but oil production and the revenues it generates are the cornerstone of our operations. Our reservoir specialists once again succeeded in exploiting experience and technology during 1993 to improve oil recovery from our fields in production. This is good resource policy, and essential if we are to ensure a good return from the huge investment made in the North Sea.

We face demanding challenges in converting proven oil *resources* on the Norwegian continental shelf into oil *reserves* that can be produced profitably. The need is for more effective exploration, faster and cheaper development and simpler operating routines without compromising safety. New technology is important, and we are making constant progress. But the need is often to use known technology in a more intelligent manner.

Statoil participates every day in the international oil and gas arena. We are an important energy supplier. Europe is our principal market. Responsibility for major production facilities on the Norwegian continental shelf has given us broad experience. We want to apply this experience in strengthening our established position off Norway and to extend competitive international operations.

Our cooperation with BP, initiated in 1990, has yielded good results. This annual report mentions progress in Nigeria, Kazakhstan and Vietnam, for instance. Statoil's international upstream operations over the past few years have otherwise resulted in new fields coming on stream in the UK and Thailand during 1993.

We feel the pressure to adapt in all our business areas. The petrochemicals sector has nevertheless occupied a special position in recent years. Excess capacity, increasing competition and profitability at an historic low call for cost reductions and productivity improvements. We also acknowledge the need for a more effective industry structure.

One of the biggest issues to occupy us in Statoil during 1993 has been to safeguard the assets we have built up in the petrochemicals sector. Through the largest-ever Nordic merger, we have established Borealis as a company owned 50-50 by Statoil and Neste. This company should have good prospects for becoming a leading player in the European market for petrochemical products.

Borealis is the story of a new company but, like the BP alliance, also provides an example of the way Statoil wants to reinforce its market position and strengthen value creation through alliances with other leading companies.

A lot has happened in, to and around Statoil in 1993. Indeed, much has happened to our industry as a whole in the space of a year. The most characteristic features of this industry are perhaps its long lead times and the large effects of individual decisions. This explains why it is so important that our dispositions and decisions support the long-term goals set for the business.

I am pleased with the progress that can be reported by the group in 1993. Statoil's competitiveness has improved and we have secured positions that strengthen our future opportunities.

Our ambition is to exploit these opportunities through continued purposeful commitment in order to achieve a satisfactory long-term return.

Harald Norvik
President and CEO

*Statoil's executive board. From left: president and chief executive officer Harald Norvik, executive vice president Terje Vareberg, executive vice president Roger O'Neil and executive vice president Johan Nic Vold.*



**EXECUTIVE BOARD**

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EXEC VICE PRESIDENT ROGER O'NEIL

EXEC VICE PRESIDENT TERJE VAREBERG

EXEC VICE PRESIDENT JOHAN NIC VOLD

EXEC VICE PRESIDENT TOR ESPEDAL
- CORPORATE BUSINESS DEVELOPMENT SEN V/P KJØLV E EGELAND
- CORP PROCUREM AND MARKET RELATIONS SEN V/P GEIR JØSSANG

TECHNOLOGY SEN V/P OTTAR REKDAL
- STATOIL RESEARCH CENTRE SEN V/P ROAR ANDERSEN
- PROJECT DIVISION SEN V/P OTTAR REKDAL

CORPORATE PLANNING SEN V/P MARTIN BEKKEHEIEN
PERSONNEL & ORGANISATION SEN V/P RANDI GRUNG OLSEN
PUBLIC AFFAIRS SEN V/P ARILD O STEINE
HEALTH/ENVIRONMENT/SAFETY SEN V/P EGIL SÆL
LEGAL AFFAIRS SEN V/P JACOB S MIDDELTHON
FINANCE SEN V/P ALLAN ÅKERSTEDT
CORP CONTROLLERS/TAX/PLANNING SEN V/P BRIT K S RUGLAND
CORPORATE AUDIT GEN AUDITOR DICK ANDERSSON
COMPUTER SYST/TELECOM SEN V/P GEIR PETTERSEN
STATOIL SERVICE CENTRE SEN V/P SVEIN ANDERSEN

**E&P**

PRESIDENT STIG BERGSETH
SEN V/P OPER HARALD YNNESDAL
SEN V/P EXPL & DEV KYRRE NESE
SEN V/P E&P INT ROLF M LARSEN
SEN V/P TECHN EGIL ENDRESEN

- **EXPLORATION & DEVELOPMENT**
  EXPLORATION NORWAY: V/P TOR FJÆRAN
  EXPL TECHNOLOGY: V/P BÅRD JOHANSEN
  DEVELOPM PROJECTS: V/P JOSTEIN RAVNDAL
  BUSINESS DEVELOPM: V/P SVEIN A KILLINGLAND
  NORNE: V/P JOHN ADLAM
- **OPERATIONS**
  SLEIPNER: V/P KJELL HELLE
  STATFJORD: V/P HENRIK CARLSEN
  GULLFAKS: V/P HELGE HATLESTAD
  TROLL: V/P KJELL Ø TENDENES
  VESLEFRIKK: V/P JON BAKKEN
  HEIDRUN: V/P GUNNAR HEIBERG-ANDERSEN
  TOMMELITEN: V/P EINAR M JENSEN
  PROD SERVICES: V/P JAN H VIK
  PARTNER OPERATED LICENCES: V/P ARNFINN JØSSANG
- **E&P INTERNATIONAL**
  INT AFRICA & AMERICAS: V/P KAI KILLERUD
  INT EUROPE & FSU: V/P TOR I PEDERSEN
  INT MIDDLE EAST/ASIA: V/P TORE SUND
- **TECHNOLOGY**
  PETR TECHNOLOGY: V/P ROLF H UTSETH
  TECHNICAL TRAINING: MGR TORE B LEVERSEN
  PROD TECHNOLOGY: V/P KJELL RAVNDAL
  DRILLING & WELL TECHN: V/P TORULF GJEDREM

**NG**

PRESIDENT PETER MELLBYE

- **SUPPLY AND PROJECT DEV** SEN V/P KRISTIAN HAUSKEN
- **GAS MARKETING** SEN V/P PER LINDBERG
- **GAS METHANOL** SEN V/P THOR HAAKON HELGESEN
- **GAS TRANSPORT** SEN V/P LEIDULF RAMSTAD

**R&M**

PRESIDENT ERLING ØVERLAND
SEN V/P THOR I WILLUMSEN

- **STATOIL MONGSTAD** SEN V/P JAKOB BLEIE
- **STATOIL NORGE AS** PRESIDENT MATS HOLGERSON
- **SVENSKA STATOIL AB** PRESIDENT STAFFAN RIBEN
- **STATOIL AS (DENMARK)** PRESIDENT POUL LUXHØJ
- **STATOIL IRELAND LTD** MAN DIR RAY CLINTON

**O&S**

PRESIDENT STEN ÅKE FORSBE

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- **NGL** MGR ØYVIND PAULSEN
- **PRODUCTS** SEN V/P GUNNAR SLETVOLD
- **SHIPPING** SEN V/P KNUT HARAM
- **STATOIL NORTH AMERICA** PRESIDENT ØIVIND HOLM K
- **STATOIL FAR EAST** MAN DIR STEVEN HEWLETT

**Group objectives**

The objective of the Statoil group is to continue its development into a leading international oil company with a strong base in Norwegian oil and gas activities.

Statoil's operations create substantial value for its owner. The group's commitments in Norway and internationally, both upstream and downstream, provide a good spreading of risk for its business as a whole. Measures to improve competitiveness have been initiated in all parts of the group.

With its long-term commercial opportunities, the Norwegian continental shelf is - and will remain for the foreseeable future - the principal arena for Statoil's operations. The group's earnings base is primarily associated with remaining oil reserves. Gas will account for a steadily expanding share of the remaining resource base on the Norwegian continental shelf as a whole, and will also become gradually more significant in economic terms for the Statoil group.

Statoil's established positions in petroleum operations on the Norwegian continental shelf and in Norway provide a solid foundation for strengthening the group's leading place in the Norwegian petroleum industry. An effective and well-run organisation focused on profitable and safe operation forms the basis for the group's business. Nevertheless, the general framework governing operations on the Norwegian continental shelf is becoming ever more significant for commercial opportunities and the level of activity there.

Involvement by Statoil in international upstream activities is concentrated in certain selected geographic areas. Expertise gained on the Norwegian continental shelf can thereby be extended gradually to other attractive areas in order to enhance profitability and secure long-term access to equity oil. This focused commitment has gained Statoil licence interests and acreage positions with interesting potential for yielding reserves.

Our upstream position, the expansion of the European gas market and our strong delivery positions in Emden and Zeebrugge provide a basis for exploiting commercial opportunities in gas transmission and electricity generation. Statoil wants to lay the foundation for increased long-term value creation in the gas sector by moving further down the chain of supply towards the end user.

In the refining and marketing business, the principal objective is to secure and extend Statoil's strong position within Scandinavia. The group is also pursuing new retail marketing opportunities in the Baltic/North Sea region. International competitiveness is a central goal in the refining sector. Measures required to strengthen long-term competitiveness are being implemented.

Statoil aims to be among the leading players in trading and transport of crude oil, refined oil products and natural gas liquids. Combined with its trading organisation and transport capacity, Statoil's role as a leading producer and its responsibility for trading the government's crude oil have gained it a strong position.

In response to sharper competition in the petrochemicals market, Statoil and Neste have agreed to merge operations pursued by the two groups with polyolefins and certain finished products. The new company, Borealis, will be an important European producer of polyethylene and polypropylene.

**PRESSURE ON OIL PRICES**

Statoil's financial goal is to achieve the same level of return as the best companies in the business, and to enhance its financial strength by raising the equity ratio to 35-40 per cent by the end of 1995.

The group's equity ratio improved by 1.3 percentage points during 1993 to 29.6 per cent.

**Markets**

The oil market was affected by falling prices in 1993. High production by the Opec countries, the possibility that the United Nations would lift restrictions on Iraqi oil exports, the uncertain position in the former Soviet Union and stagnant demand for oil combined to put pressure on oil prices. Brent Blend reference crude traded at USD 12.90 per barrel on 29 December, the lowest price since 1988. Over the year, Brent Blend averaged USD 17 per barrel as against USD 19.30 in 1992 and USD 20 in 1991. Its price at the end of 1993 was USD 13.02 per barrel.

The average NOK/USD exchange rate during 1993 was 7.10, as against 6.21 the year before and 6.48 in 1991. At the end of the year, the exchange rate was 7.52.

Statoil traded 1 376 000 barrels of crude oil per day in 1993, eight per cent up from the year before. This rise reflects higher sales of the government's royalty and equity crude, while sales of the group's own equity crude were on a par with 1992.

**TROLL DELIVERIES STARTED**

Deliveries of gas under the Troll sales agreements began as planned on 1 October, despite the loss of the first Sleipner A gravity base structure in August 1991. This success reinforces the group's role as a secure and long-term gas supplier for western Europe. The buyers have nominated maximum deliveries of gas under their agreements for the first gas year.

The Gas Negotiating Committee (GFU), chaired by Statoil, signed a contract with

**SCANDINAVIAN LEADER FOR PETROL**

**INTERNATIONAL ACCOUNTING STANDARDS**



Ruhrgas in 1993 on further deliveries of two billion cubic metres per annum from 1997. This contract runs for the same length of time as the Troll sales agreements.

A contract has also been concluded by the GFU with Belgium's Distrigaz covering 1.9 billion cubic metres of gas annually for the Electrabel company. Due to start in 1996, these deliveries will be used in electricity generation.

Gas distributor Verbundnetz Gas and the GFU also agreed the first Norwegian gas contract with the former East Germany. Deliveries start in 1996, and will reach a plateau level of four billion cubic metres per year in 1998.

Statoil's share of contracts concluded by the GFU is 15-20 per cent.

Statoil's markets for refined products were affected by abundant supplies of petrol and diesel. Combined with lower demand, this put continued pressure on refining margins. Compared with 1992, however, margins showed some improvement.

In the shipping sector, freight rates for conventional tanker operations rose from 1992.

Statoil is Scandinavia's largest petrol retailer, with about 22 per cent of the market. Its share of the overall market for oil products was also 22 per cent, roughly the same as in 1992.

Margins in Scandinavian retail markets remained unchanged in overall terms from the year before. Falling demand and strong competition for market share put pressure on margins.

Statoil acquired BP's Swedish service stations with effect from 30 September. This acquisition helped to lift Statoil's share of the Swedish petrol market from 18 to 26 per cent during 1993.

The group continued its commitment to developing service station networks in the Baltic States, Poland and northern Germany.

Low margins persisted in the petrochemicals sector during 1993. The major expansion in capacity initiated in the late 1980s and slower growth in demand resulted in low capacity utilisation and pressure on prices for petrochemical products. No particular improvement in market conditions is foreseen for 1994.

Overall oil sector earnings during 1993 were on a par with the year before, although prices were very low towards the end of the year.

**Results**

With effect from 1993, the Statoil group's accounts are being prepared in accordance with both International Accounting Standards (IAS) and Norwegian generally-accepted accounting principles (NGAAP). This change helps to generate financial data which are more comparable with those presented by the oil and gas industry in general.

Accounting principles according to Norwegian and international standards are described in Note 1 on the accounts. Unless otherwise stated, comments in this report refer to the IAS accounts.

**Results for the year in accordance with international accounting standards**

Operating profit for 1993 amounted to NOK 12 429 million as against NOK 12 575 million the year before. Net profit for the year came to NOK 3 394 million, compared with NOK 2 300 million in 1992. The following results were achieved by the business areas:

Exploration & Production made an operating profit of NOK 8 735 million as against NOK 8 562 million in 1992. This increase was primarily due to cost-cutting measures. Production volumes and prices in Norwegian kroner were on a par with the year before.

Natural Gas achieved an operating profit of NOK 3 599 million, compared with NOK 3 715 million in 1992. The decline largely reflects higher activity and cost increases associated with the start-up of new gas-related facilities. Current operations yielded roughly the same results as the year before.

Operating profit at Refining & Marketing came to NOK 701 million, a rise of NOK 70 million from 1992. This improvement can be largely attributed to better operation of the Mongstad refinery.

A loss of NOK 423 million was shown by the Petrochemicals & Plastics business area, as against NOK 446 million the year before. The decision to cancel a planned MTBE project at Kårstø in 1993 added NOK 177 million to operating expenses for the year. Cost reductions and slightly cheaper raw materials in 1993 contributed to an improvement, after adjustment for winding-up costs, of about NOK 200 million in operating results compared with 1992.

Net financial expens came to NOK 732 million as against NOK 2 698 million in 1992. This improvement mainly reflects a reduction in foreign exchange effects on long-term debt and gain on securities as opposed to losses in 1992.

The group's effective tax rate declined from 77 per cent in 1992 to 72 per cent in 1993. This reduction arises primarily because results from land-based operations - which are subject to lower tax rates than offshore activities - improved by comparison with 1992 and made a proportionately larger contribution to overall group profits.

A dividend of NOK 1 075 million is proposed for 1993. This figure accords with the established dividend policy.

The Statoil group achieved an after-tax return of 7.8 per cent on capital employed in 1993, compared with 6.7 per cent the year before.

**Results for the year in accordance with Norwegian accounting principles**

When prepared in accordance with the NGAAP, Statoil's accounts show an operating profit of NOK 12 627 million - NOK 198 million higher than the IAS accounts. This is primarily due to reduced depreciation in the NGAAP accounts as a result of lower capitalised expenses, partly offset by the fact that exploration costs capitalised in the IAS accounts are expensed in the NGAAP accounts.

Operating profit for 1993 is somewhat below the previous year's figure of NOK 12 717 million, primarily because the gas business yielded a lower result.

Net financial expens total NOK 1 604 million, NOK 872 million higher than in the group's IAS accounts. The principal difference arises from expensing interest charges on construction loans in the NGAAP accounts. Reconciliation of the differences between the NGAAP and IAS accounts is shown in a note on the accounts.

Net profit for the year came to NOK 3 003 million in 1993 as against NOK 2 489 million the year before.

The parent company, Den norske stats oljeselskap a.s, showed a net profit for the year of NOK 2 554 million. The board recommends the following allocation, inclusive of group contributions received (in NOK million):

| | |
|---|---|
| Group contributions received | (640) |
| Restricted equity reversing fund | (43) |
| Statutory reserve | 280 |
| Dividend | 1 075 |
| Allocated to distributable reserve | 1 882 |
| Total allocations | 2 554 |

**Exploration**

Statoil spudded seven exploration and three appraisal wells as operator on the Norwegian continental shelf. Only two finds made by these wells are regarded as commercially interesting. The discovery rate on the Norwegian continental shelf in 1993 was unsatisfactory. An appraisal well on Norne in 1993 confirmed the extent of this field and its reserves, and a plan for development and operation is being prepared.

Two discoveries were made in licences with Statoil involvement on the British continental shelf, and additional gas reserves were established in the Bongkot field off Thailand. Gas was also found in licences off Vietnam operated by BP in partnership with Statoil.

Of NOK 1 702 million in total exploration costs during 1993, NOK 717 million was incurred outside the Norwegian continental shelf.

The group's probable remaining reserves at 31 December 1993 totalled 2 023 million barrels of oil and 364 billion cubic metres of gas, compared with 1 967 million barrels and 366 billion cubic metres at the end of 1992. Upgraded reserve estimates for fields in production are the principal reason for the increase. Production during the year exceeded additions from new discoveries.

Statoil gained interests in 17 licences, including four as operator, from Norway's 14th offshore licensing round. The group received interests in three licences from the 14th round on the British continental shelf. An agreement on participation in a seismic survey consortium was signed by the Statoil/BP alliance in Kazakhstan, and agreements covering four exploration licences were signed in Nigeria during 1993.

**Operations**

Oil and gas production on the Norwegian continental shelf suffered little interruption, apart from some shut-downs occasioned by bad weather early in the year. Statoil's daily output of equity oil totalled 414 000 barrels, as against 418 000 barrels in 1992 and 379 000 barrels in 1991. The decline in oil production from the Statfjord field was less pronounced than expected in 1993 because of improvements in recovery. This helped to keep production from the North Sea fields operated by Statoil on a par with 1992.



Gas deliveries to Emden suffered fewer interruptions during 1993 than in 1992. Work on establishing a new Ekofisk centre is very important in securing satisfactory long-term regularity for these deliveries.

**HIGH PLANT AVAILABILITY**

Transport capacity for gas to continental Europe was increased by the start-up of the Zeepipe trunkline system.

The group's shuttle tanker operations in the North Sea expanded as a result of several contracts on the British continental shelf and higher production off Norway.

Capacity utilisation in the shipping of crude oil and refined products was good.

The Mongstad refinery achieved higher capacity utilisation and a better yield of products than in the year before. Plant availability was also good at the Kalundborg refinery during 1993.

Petrochemical facilities belonging to the group achieved satisfactory plant availability. The propylene plant in Antwerp was shut down during parts of 1993 due to low margins.

Activities associated with existing programmes to improve cost efficiency were strengthened in all the business areas during 1993. Weak prices in several of the group's main markets and sharper competition make continued improvements to day-to-day operations ever more important. Measures being taken in exploration, development, production and transport are yielding substantial cost reductions throughout the process from the time of discovery to delivery to the end user. Refining & Marketing is continuing its efforts to achieve better margins per unit sold.

**Investment and acquisitions**

The Statoil group invested NOK 13 427 million in 1993 as against NOK 10 609 million the year before. Sixty-five per cent of this spending was made in Norway, 25 per cent in the rest of Scandinavia and 10 per cent outside Scandinavia.

Some NOK 8 600 million was invested by the group during 1993 in production and transport facilities for oil and gas in Norway. Around NOK 4 400 million was invested in the refining and marketing business.

**NOK 13.4 BILLION IN INVESTMENT**

Cost trends are a cause for concern in several development projects on the Norwegian continental shelf with Statoil involvement. Special improvement efforts that focus not least on the engineering and development phase of new projects are under way both within the group and between the authorities and licensees on the Norwegian continental shelf.



**Financial position**

NOK 12 590 million of investment in 1993 was financed by the group's own cash flow from operations. A dividend of NOK 1 253 million was paid.

The group's long-term interest-bearing debt, including the first year's instalment, increased from NOK 22 007 million at the end of 1992 to NOK 22 208 million at 31 December 1993.

A stronger US dollar towards the end of the year increased the group's long-term debt when translated into Norwegian kroner by about NOK 1 650 million.

Liquid assets declined by NOK 1 584 million during 1993 to NOK 5 693 million. These funds are largely placed in bank deposits and bonds.

The group's equity ratio was 29.6 per cent at the end of the year, as against 28.3 per cent 12 months earlier. Market trends, with continued pressure on prices and margins, mean that attaining the group's financial target of an equity ratio of 35-40 per cent by the end of 1995 will be a demanding challenge. But this goal remains unaltered.

**EQUITY INCREASED**

**New projects**

The commencement of gas deliveries under the Troll sales agreements on 1 October marked the completion of the following development projects: the Sleipner A platform, the Zeepipe gas trunkline with its terminal at Zeebrugge in Belgium, the Etzel gas storage facility in northern Germany, the Sleipner condensate pipeline, and the reception terminal and compressor expansion at Kårstø. Overall development costs were NOK 7 billion lower than originally estimated.

Completion of the Sleipner A platform was achieved within the tight schedule and budget drawn up after its first concrete gravity base structure sank in August 1991.

Development of the Statfjord satellites is proceeding as planned. The start-up of Statfjord North has been postponed until 1995-96 because high production on the Statfjord field limits processing capacity there. Statfjord East will come on stream as planned in autumn 1994.

Phase II of the Troll development, which embraces oil production, is proceeding as planned. The oil will be landed through a new pipeline to Mongstad.

A plan for development and operation of the Norne field is to be submitted to the authorities in 1994. One of Statoil's aims on Norne is to shorten the time taken from discovery to production. One consequence is that several activities executed sequentially in earlier projects will now be pursued in parallel. The supplies industry has been involved in the development from an earlier stage.

Statoil declared the oil field in block 9/2 west of Egersund commercial just before the end of 1993. A plan for development and operation has been submitted to the authorities.

Gullfaks South was declared commercial by its licensees in September 1993.

The Hyde gas field on the UK continental shelf, in which Statoil has a 45 per cent interest, came on stream in June. Thailand's Bongkot field was officially opened in September. Statoil has a 10 per cent interest in the latter.

Landfall proposals for the Europipe trunkline were approved by the authorities in Lower Saxony. Delays in securing this approval have added to costs and imposed a tighter schedule than originally estimated.

Engineering of the Haltenpipe gas line from the Heidrun field to Tjeldbergodden is according to plan.

The methanol plant at Tjeldbergodden is due to be completed in 1996, and engineering contracts for this development were awarded during 1993. In cooperation with Aga, it was decided to construct an oxygen plant alongside the methanol facility.

Planning has begun for a possible fourth Norwegian gas pipeline to continental Europe.

The expansion of capacity at the Kalundborg refinery is slightly behind schedule, and costs are likely to be higher than previously estimated.

In cooperation with Norwegian engineering company MCG, Statoil has developed a new storage-free offshore loading system called submerged turret loading. This technology is in use on the Fulmar field in the UK North Sea, and has been chosen for the British Forth and Norwegian Heidrun fields.

**Organisation and personnel**

Group payroll increased from 14 338 at the beginning of the year to 14 560 at 31 December 1993. New operations in Refining & Marketing are primarily responsible for this expansion.

With financial effect from 1 January 1994, Statoil's petrochemical business has been merged with the bulk of petrochemical operations at Neste. The new company, Borealis, is owned 50-50 by Statoil and Neste. Headquartered in Copenhagen, it has just over 6 000 employees - including 2 400 from Statoil's petrochemical business.

The methanol division, previously part of the Petrochemicals & Plastics business area, is not included in the new joint company and has been transferred to the Natural Gas business area.

With effect from 1 January 1994, Oil Trading & Shipping has been hived off from Refining & Marketing to form a separate business area.

Extensive restructuring and reshaping of work processes were implemented by Exploration & Production during 1993 in order to reduce costs and strengthen the acquisition of expertise. This process aims not least to allow the group to undertake new operator commitments without any significant expansion in payroll.

Sharper competition and Statoil's international commitments require a further strengthening of the organisation's expertise and acquisition of know-how in new areas.

The board would like to express its appreciation to the employees for their active involvement and support in framing the measures always being taken to enhance the group's efficiency. Statoil's human resources and their ability and willingness to learn, develop and adapt are fundamental elements in the group's continued commitment to improving its competitiveness.

**Health, environment and safety**

Statoil aims to be in the forefront on health, the environment and safety. This goal calls for quality at every level and in all operations, and is an important requirement if the group is to compete effectively.

With very few minor exceptions, Statoil's businesses satisfied regulatory requirements on polluting emissions from their daily operations. Intensive efforts are being made to achieve further cuts in emissions to air and water.

It was decided in 1993 to build a recycling facility for plastic waste in cooperation with Norsk Hydro. This plant is due to be completed in 1995 at a cost of about NOK 80 million.

Statoil places great emphasis on avoiding accidents at work. The lost-time injury rate continues to fall, but this decline has slowed in recent years. To achieve further improvements, attention has focused on follow-up, with increased registration of near-miss incidents and accidents. The group lost two employees in a tragic accident on the Statfjord field in November.

**DECLINING INJURY RATE**

Oil and gas operations on the Norwegian continental shelf have seen a general increase in gas leaks with a serious potential for damage in recent years. This trend is also evident in some of Statoil's operations, and an extensive programme aimed at taking effective counter-measures has been launched.

The group's efforts in the environmental field are detailed in a separate report, *Statoil's environmental report*, which will be published in spring 1994.

**Prospects**

The oil industry faces a new and more demanding competitive position. Opening new areas internationally to upstream operations is promoting competition. Downstream, European consumption shows signs of stagnation at the same time as competition is sharpening.

Markets for Statoil's principal products will continue to present challenges in 1994. Low crude oil prices and refining margins, and an unbalanced petrochemicals market, are expected to persist throughout the coming year. Continued growth is expected in European gas markets, but uncertainties over both supply and demand in these markets are rather greater than before.

**SHARPER COMPETITION**

It is important that the Statoil group meets the major challenges presented to the oil industry by new environmental and product standards that also add to costs in some cases. These provisions amend the industry's operating framework and encourage greater competition in energy markets.

Overall, these developments make major demands on our ability to restructure and adapt.

The oil industry cannot rely on a new economic recovery and higher prices to improve its profitability. As a result, the Statoil group is prepared to meet more aggressive competition and more rigorous efficiency requirements in all parts of its business. This is necessary to secure the group's long-term profitability and development opportunities.

*Statoil's board of directors.*
*Seated from left: chairman Helge Kvamme and Else Bugge Fougner. Standing from left: Jetfred Sellevåg, Tormod Hermansen, Yngve Hågensen, deputy chairman Arnfinn Hofstad, Åse Simonsen, Marit Reutz and Helge Kjørholt.*



STAVANGER, 10 FEBRUARY 1994
THE BOARD OF DIRECTORS OF DEN NORSKE STATS OLJESELSKAP A.S

HELGE KVAMME
CHAIRMAN

ARNFINN HOFSTAD
DEPUTY CHAIRMAN

ELSE BUGGE FOUGNER

MARIT REUTZ

HELGE KJØRHOLT

JETFRED SELLEVÅG

YNGVE HÅGENSEN

ÅSE SIMONSEN

TORMOD HERMANSEN

**Deputies**
Odd Angelvik, Bjørn Laastad, Anne Berit Hjorth Viken, Tor Ragnar Pedersen, Thove Marie Johansen

**Corporate assembly**
Oluf Arntsen, chairman, Brit Jakobsen, deputy chairman, Axel Buch, Unn Aarrestad, Kristin Krohn Devold, Arve Berg, Kjell Bjørndalen, Oddny Bang, Per Hasler, Jon Jakobsen, Bjørn Torkildsen, Leif Dale

**Deputies**
Knut Engdahl, Ragnhild Setsaas, Jorunn Strand Vestbø, Kjell Grindhagen, Terje Fossmark, Ingvald Frøystein, Tor Vabø, Margaret Sanner, Trygve Olsen, Anne Slind, Bente Arner, Geir T Christiansen, Marianne Dalsbø

**Observers**
Per Audun Hole, Svein Kåre Kjennerud, Tor Inge Nomme, Oddvar Haugvaldstad

| *Norwegian Accounting Standards* 1991 | 1992 | 1993 | *NOK million* | *International Accounting Standards* 1993 | 1992 | 1991 |
|---|---|---|---|---|---|---|
| | | | **Sales and other operating revenue** | | | |
| 85 073 | 86 268 | **92 876** | Operating revenue | **92 876** | 86 268 | 85 073 |
| (10 515) | (11 742) | **(11 819)** | Sales tax, excise duties | **(11 819)** | (11 742) | (10 515) |
| 74 558 | 74 526 | **81 057** | Net operating revenue (2, 3) | **81 057** | 74 526 | 74 558 |
| | | | **Operating costs** | | | |
| 34 049 | 33 774 | **38 559** | Cost of sales | **38 559** | 33 774 | 34 049 |
| 19 510 | 20 117 | **21 705** | Payroll and other operating costs (4, 5) | **21 705** | 20 117 | 19 510 |
| 1 695 | 1 840 | **1 702** | Exploration costs (6) | **1 427** | 1 508 | 1 421 |
| 5 872 | 6 078 | **6 464** | Depreciation (7) | **6 937** | 6 552 | 6 340 |
| 61 126 | 61 809 | **68 430** | Total operating costs | **68 628** | 61 951 | 61 320 |
| 13 432 | 12 717 | **12 627** | **Operating profit** | **12 429** | 12 575 | 13 238 |
| 207 | 7 | **283** | Share of profits in associated companies | **283** | 7 | 207 |
| (877) | (1 768) | **(1 604)** | Financial items (8, 9) | **(732)** | (2 698) | (254) |
| 12 762 | 10 956 | **11 306** | **Profit before taxation** (19) | **11 980** | 9 884 | 13 191 |
| 8 642 | 8 464 | **8 297** | Taxation (10) | **8 580** | 7 581 | 8 932 |
| 5 | 3 | **6** | Minority shareholders' interests | **6** | 3 | 5 |
| 4 115 | 2 489 | **3 003** | **Net profit for the year** | **3 394** | 2 300 | 4 254 |

## BALANCE SHEET - STATOIL GROUP

*At 31 December*

| *Norwegian Accounting Standards* 1991 | 1992 | 1993 | *NOK million* | *International Accounting Standards* 1993 | 1992 | 1991 |
|---|---|---|---|---|---|---|
| | | | **Assets** | | | |
| | | | **Fixed assets** | | | |
| 51 772 | 54 951 | **59 965** | **Property, plant and equipment** (2, 7) | **66 945** | 61 488 | 57 838 |
| | | | **Shares and long-term investments** | | | |
| 352 | 338 | **487** | Investments in associated companies (12) | **487** | 338 | 352 |
| 1 539 | 1 078 | **1 128** | Investments in other companies (12) | **1 128** | 1 078 | 1 539 |
| 1 030 | 1 162 | **1 421** | Long-term investments (5) | **1 421** | 1 162 | 1 030 |
| 54 693 | 57 529 | **63 001** | **Total fixed assets** | **69 981** | 64 066 | 60 759 |
| | | | **Curent assets** | | | |
| | | | **Stocks** | | | |
| 807 | 1 257 | **1 442** | Raw materials | **1 442** | 1 257 | 807 |
| 1 851 | 1 863 | **1 530** | Finished products | **1 530** | 1 863 | 1 851 |
| | | | **Short-term receivables** | | | |
| 10 338 | 11 011 | **10 551** | Accounts receivable | **10 551** | 11 011 | 10 338 |
| 3 627 | 3 090 | **3 808** | Other short-term receivables | **3 808** | 3 090 | 3 627 |
| | | | **Liquid assets** (11) | | | |
| 3 062 | 5 120 | **2 396** | Bank deposits | **2 396** | 5 120 | 3 062 |
| 2 232 | 2 157 | **3 058** | Other liquid assets | **3 297** | 2 157 | 2 232 |
| 21 917 | 24 498 | **22 785** | **Total current assets** | **23 024** | 24 498 | 21 917 |
| 76 610 | 82 027 | **85 786** | **Total assets** | **93 005** | 88 564 | 82 676 |

# BALANCE SHEET - STATOIL GROUP

*At 31 December*

| *Norwegian Accounting Standards* 1991 | 1992 | 1993 | *NOK million* | *International Accounting Standards* 1993 | 1992 | 1991 |
|---|---|---|---|---|---|---|
| | | | **Liabilities and shareholder's equity** | | | |
| | | | **Current liabilities** | | | |
| 3 854 | 4 148 | **5 984** | Current interest-bearing debt (13) | **5 984** | 4 148 | 3 854 |
| 7 149 | 7 856 | **6 457** | Accounts payable | **6 457** | 7 856 | 7 149 |
| 3 384 | 3 802 | **3 133** | Taxes payable (10) | **3 133** | 3 802 | 3 384 |
| 1 402 | 1 252 | **1 076** | Dividend payable | **1 076** | 1 252 | 1 402 |
| 6 023 | 5 347 | **5 579** | Other current liabilities | **5 579** | 5 347 | 6 023 |
| 21 812 | 22 405 | **22 229** | Total current liabilities | **22 229** | 22 405 | 21 812 |
| | | | **Long-term liabilities** | | | |
| 18 287 | 20 465 | **19 758** | Long-term loans (14) | **19 758** | 20 458 | 16 756 |
| 2 535 | 3 039 | **3 937** | Other long-term liabilities (5, 15) | **3 937** | 3 039 | 2 535 |
| 12 681 | 13 649 | **15 480** | Deferred taxation (10) | **20 530** | 18 418 | 18 327 |
| 33 503 | 37 153 | **39 175** | Total long-term liabilities | **44 225** | 41 915 | 37 618 |
| 36 | 39 | 44 | **Minority shareholders' interest** | 44 | 39 | 36 |
| | | | **Shareholder's equity** (16, 19) | | | |
| 4 940 | 4 940 | **4 940** | Share capital | **4 940** | 4 940 | 4 940 |
| 16 319 | 17 490 | **19 398** | Retained earnings | **21 567** | 19 265 | 18 270 |
| 21 259 | 22 430 | **24 338** | Total shareholder's equity | **26 507** | 24 205 | 23 210 |
| 76 610 | 82 027 | **85 786** | **Total liabilities and shareholder's equity** | **93 005** | 88 564 | 82 676 |

Guarantees and secured liabilities (17)
Other liabilities and commitments (18)

Stavanger, 10 February 1994

Helge Kvamme — Arnfinn Hofstad — Else Bugge Fougner

Tormod Hermansen — Yngve Hågensen — Marit Reutz

Helge Kjørholt — Jetfred Sellevåg — Åse Simonsen

Harald Norvik
President and CEO

| Norwegian Accounting Standards 1991 | 1992 | 1993 | NOK million | International Accounting Standards 1993 | 1992 | 1991 |
|---|---|---|---|---|---|---|
| | | | **Cash flow from/(to) operating activities** | | | |
| 75 709 | 73 853 | **81 517** | Cash receipts from operations | **81 517** | 73 853 | 75 709 |
| (55 893) | (54 658) | **(61 909)** | Disbursements to operations | **(61 459)** | (54 410) | (55 619) |
| (924) | (164) | **(758)** | Net financial disbursements | **(120)** | 513 | (478) |
| (8 227) | (7 045) | **(7 348)** | Taxes paid | **(7 348)** | (7 045) | (8 227) |
| 10 665 | 11 986 | **11 502** | Net cash flow from operating activities | **12 590** | 12 911 | 11 385 |
| | | | **Cash flow from/(to) investing activities** | | | |
| (9 705) | (9 684) | **(12 339)** | Acquisitions of fixed assets | **(13 427)** | (10 609) | (10 425) |
| 518 | 311 | **121** | Sale of property, plant, equipment | **121** | 311 | 518 |
| (9 187) | (9 373) | **(12 218)** | Net cash flow to investing activities | **(13 306)** | (10 298) | (9 907) |
| | | | **Cash flow from/(to) financing activities** | | | |
| (585) | 75 | **(900)** | Change in other liquid assets | **(900)** | 75 | (585) |
| 199 | 212 | **750** | Change in short-term debt | **750** | 212 | 199 |
| 1 473 | 3 331 | **3 142** | New long-term loans | **3 142** | 3 331 | 1 473 |
| (2 583) | (2 771) | **(3 747)** | Reduction in long-term debt | **(3 747)** | (2 771) | (2 583) |
| (1 500) | (1 402) | **(1 253)** | Dividend paid | **(1 253)** | (1 402) | (1 500) |
| (2 996) | (555) | **(2 008)** | Net cash flow to financing activities | **(2 008)** | (555) | (2 996) |
| (1 518) | 2 058 | **(2 724)** | **Net changes in bank deposits** | **(2 724)** | 2 058 | (1 518) |
| 4 580 | 3 062 | **5 120** | Bank deposits at 1 January | **5 120** | 3 062 | 4 580 |
| 3 062 | 5 120 | **2 396** | **Bank deposits at 31 December** | **2 396** | 5 120 | 3 062 |

## 1. Accounting policies

The group accounts have been prepared in accordance with both the International Accounting Standards (IAS), issued by the International Accounting Standards Committee, and Norwegian generally-accepted accounting principles (NGAAP). They include the accounts of the parent company, Den norske stats oljeselskap a.s (Statoil), and its subsidiaries as described in note 9 to the parent company's accounts.

Significant differences between the NGAAP and IAS accounts are explained in a separate section below.

**Group consolidation**
- Subsidiaries are defined as companies in which Statoil, directly or indirectly, has a majority voting interest. Shares in subsidiaries are eliminated against the cost of investment in Statoil's books. Any assignable excess of purchase price over book value is included in the relevant assets and depreciated accordingly. Other excess value is classified as goodwill.
- Associated companies are defined as companies over which the group has a significant influence and where the ownership position is of a lasting and strategic nature. Shares in such companies are consolidated in accordance with the equity method.
- Inter-group transactions and balances are eliminated.

**Foreign currency translation**
Upon consolidation, income statements in foreign currency are translated at average rates of exchange for the year, while assets and liabilities are translated at closing rates of exchange. Exchange differences are posted directly against shareholder's equity.

**Joint ventures**
Statoil's shares in jointly controlled operations are included in the respective income statement and balance sheet items.

**Bank deposits**
Bank deposits include cash in hand, time deposits and other liquid assets maturing less than three months from the date of purchase.

**Other liquid assets**
Other liquid assets are assessed at market value, and include monetary instruments maturing between three and twelve months from the date of purchase, plus listed securities.

**Stocks**
Stocks are valued at the lower of acquisition costs as defined by the first-in-first-out principle and anticipated net sales price.

Acquisition costs of produced goods consist of direct materials, direct wages and allocated indirect production costs. For purchased goods, cost price and transport costs are included.

Hedged stocks are valued at the lower of acquisition cost and hedged price.

**Gas swapping**
Gas swapping/loan agreements are accounted for on the basis of the sales method, under which the borrower records the sale as income on delivery to the customer. A simultaneous provision is made for the anticipated future costs of production and possible transport of the gas to be redelivered. When lending gas, the lower of the production cost and the present value of the estimated future sales price is capitalised as prepaid cost.

**Over/under-lifting of petroleum**
When the volume of petroleum lifted from a field differs from the participating equity interest, the production cost is adjusted for the over/under-lift.

**Fixed assets**
Fixed assets are valued at acquisition cost less accumulated depreciation. Replacements and renewals which significantly increase the capacity or life of the asset are capitalised.

- Maintenance and site removal costs
  Ordinary maintenance is charged against income when performed. Provisions are made for costs related to periodic maintenance programmes.
  Provisions are made for future site removal costs based on the current price level and an anticipated removal concept.
- Capitalised interest
  Interest costs related to major construction projects are capitalised as part of the cost price and depreciated along with the asset concerned.
- Oil and gas exploration and development costs
  Drilling costs of wells in which hydrocarbons have been found are capitalised. If, on further evaluation, the reserves are not considered commercial, such drilling costs are subsequently charged against income. Once a field is declared commercial, costs incurred by the project organisation are capitalised. After the plan for development and operation has been approved by the authorities, all field costs incurred until the field is brought on stream are capitalised.

- Leasing
  Major lease agreements which are *de facto* finance leases are capitalised and depreciated over the term of the lease. The instalment element in the lease obligation is shown as a long-term loan in the balance sheet, and the leased equipment as a fixed asset.

- Depreciation
  Ordinary depreciation of production installations and transport systems for oil and gas is calculated for each individual field or transport system, using the unit of production method based on expected reserves.
  Ordinary depreciation of other properties, plant and equipment is calculated on the basis of their economic life expectancy, using the straight line method.

**Goodwill**
Goodwill is capitalised and depreciated over its economic life expectancy using the straight line method.

**Norm price and royalty**
The authorities stipulate monthly norm prices for the crude oil produced on the Norwegian shelf. This norm price provides the fiscal basis and is also the price paid by Statoil for the government's equity and royalty oil.

The government's royalty oil consists of royalty taken in kind from fields producing oil. The quantities delivered by Statoil as royalty for its participation in the individual production licences are booked at the norm price and shown as income and operating costs respectively in the income statement.

**Trading**
Trading of crude oil and products is included in operating revenue and operating costs to the extent that such transactions involve physical deliveries. The net proceeds of transactions not involving physical deliveries are included in operating revenue.

As manager of the government's direct financial interest in the petroleum industry, Statoil markets and sells the government's share of production.

The title to such oil when directly sold from a field to an external customer is not assigned to Statoil. The net result of this trading business is included in operating revenue. The value of goverment equity crude bought by Statoil for future sale to external customers or for refining is included in operating revenue and operating costs respectively.

Statoil buys all oil received by the government as royalty in kind from fields on the Norwegian shelf. Statoil includes the costs of purchase and proceeds from the sale of this royalty oil in its operating costs and operating revenue respectively.

Unrealised gains and losses on forward sales are recorded as income/expense as incurred.

**Research and development**
Costs of research, studies and development are charged against income as incurred.

**Pensions**
Pension rights earned by group employees are mainly secured through pension schemes in insurance companies or through the group's own pension fund.

Annual costs and the liability incurred are calculated on the basis of a straight-line earning of pension rights. The liability is compared with the value of the pension funds. Changes in the pension obligation due to altered economic and actuarial assumptions are allocated over the remaining pension-earning period.

**Translation of foreign currency**
Items in foreign currency are translated to Norwegian kroner (NOK) as follows:
- Income, expenses and fixed assets are recorded at a monthly rate of exchange set for accounting purposes.
- Liabilities and current assets are translated at closing rates of exchange.

**Financial instruments**
The following accounting policies are applied for the principal financial instruments:
- Currency swap agreements
  For long-term debt exchanged from the original foreign currency to another (open) currency at an agreed rate of exchange, the open currency position is applied when translating the debt to Norwegian kroner.
- Forward currency contracts
  Unrealised gains or losses on hedging contracts are offset against losses or gains on the items hedged. The interest element is allocated over the contract period.
  Unrealised gains or losses on trading contracts are recorded in the income statement as incurred.
- Interest swap agreements
  The net effect of income and costs related to interest swap agreements is allocated over the contract period.

**Taxation**
The taxation item in the income statement represents the total amount of taxes payable and the change in deferred taxation. The deferred taxation concept comprises both future taxes payable

and deferred tax calculated on assignable values resulting from consolidating subsidiaries in accordance with the acquisition method. Uplift earned, but not amortised, is not inluded in the deferred-tax calculation.

Full provision is made using closing date tax rates and undiscounted amounts.

**Change in accounting policy**

**Personnel cost recovery**
Personnel costs charged to Statoil-operated licences have been credited against payroll and other operating costs. In previous years, these charges have been reported as operating revenue. The change has been retroactively applied for 1991 and 1992.

**Summary of significant differences between group accounts prepared in accordance with Norwegian accounting standards and International Accounting Standards**

**Exploratory drilling costs**
Under Norwegian accounting standards, all exploratory drilling costs are charged against income as incurred.

**Capitalised interest**
Under Norwegian accounting standards, interest is charged against income as incurred.

**Listed securities classified as current assets**
Under Norwegian accounting standards, unrealised gains are not recognised as income.

**Unrealised foreign exchange gains**
Under Norwegian accounting standards, unrealised foreign exchange gains related to long-term liabilities are not recognised as income.

**Forward trading**
Under Norwegian accounting standards, unrealised gains related to forward trading in foreign currency, crude oil and refined products are not recognised as income.

**2. Disclosures by business areas and geographic distribution**

**Business areas**
Inter-group sales are recorded at estimated market value

| *NOK million* | *Operating revenue* | *External sales* | *Operating profit/(loss)* | *Fixed assets* |
|---|---|---|---|---|
| For 1993 and at 31 December 1993: | | | | |
| Natural Gas | 8 191 | 7 261 | 3 599 | 11 045 |
| Exploration & Production | 23 188 | 4 235 | 8 735 | 35 200 |
| Refining & Marketing | 64 344 | 63 875 | 701 | 16 396 |
| Petrochemicals & Plastics | 5 524 | 5 521 | (423) | 3 114 |
| Other | 2 108 | 165 | (183) | 13 689 |
| Inter-group eliminations | (22 298) | - | - | (9 463) |
| Total | 81 057 | 81 057 | 12 429 | 69 981 |
| For 1992 and at 31 December 1992: | | | | |
| Natural Gas | 7 936 | 6 856 | 3 715 | 10 332 |
| Exploration & Production | 23 179 | 4 191 | 8 562 | 32 180 |
| Refining & Marketing | 58 112 | 57 890 | 631 | 14 486 |
| Petrochemicals & Plastics | 5 508 | 5 487 | (446) | 3 502 |
| Other | 1 305 | 102 | 113 | 11 479 |
| Inter-group eliminations | (21 514) | | | (7 913) |
| Total | 74 526 | 74 526 | 12 575 | 64 066 |
| For 1991 and at 31 December 1991: | | | | |
| Natural Gas | 7 265 | 6 508 | 3 448 | 9 496 |
| Exploration & Production | 22 810 | 4 032 | 9 232 | 29 375 |
| Refining & Marketing | 58 609 | 58 057 | 658 | 14 612 |
| Petrochemicals & Plastics | 6 002 | 5 921 | (32) | 3 485 |
| Other | 1 115 | 40 | (68) | 10 322 |
| Inter-group eliminations | (21 243) | | | (6 531) |
| Total | 74 558 | 74 558 | 13 238 | 60 759 |

**Geographic distribution**
Distribution based on company location

| *NOK million* | *Operating revenue* | *Sales to external customers* | *Operating profit/(loss)* | *Fixed assets* |
|---|---|---|---|---|
| For 1993 and at 31 December 1993: | | | | |
| Norway | 66 751 | 62 100 | 12 500 | 58 205 |
| Europe (excluding Norway) | 15 983 | 14 928 | 80 | 15 005 |
| Other | 4 193 | 4 029 | (151) | 487 |
| Eliminations | (5 870) | | | (3 716) |
| Total | 81 057 | 81 057 | 12 429 | 69 981 |
| For 1992 and at 31 December 1992: | | | | |
| Norway | 62 157 | 57 470 | 12 319 | 55 073 |
| Europe (excluding Norway) | 15 662 | 14 899 | 377 | 11 922 |
| Other | 2 166 | 2 157 | (121) | 276 |
| Eliminations | (5 459) | | | (3 205) |
| Total | 74 526 | 74 526 | 12 575 | 64 066 |
| For 1991 and at 31 December 1991: | | | | |
| Norway | 61 877 | 56 592 | 12 819 | 52 942 |
| Europe (excluding Norway) | 15 868 | 15 092 | 419 | 10 229 |
| Other | 3 255 | 2 874 | 0 | 128 |
| Eliminations | (6 442) | | | (2 540) |
| Total | 74 558 | 74 558 | 13 238 | 60 759 |



### 3. Operating revenue analysed by product groups

| *NOK million* | *1993* | *1992* | *1991* |
|---|---|---|---|
| Crude oil and NGL | 37 675 | 35 379 | 36 417 |
| Transport tariff revenue | 5 566 | 5 180 | 4 641 |
| Gas | 2 596 | 2 173 | 2 448 |
| Refined products | 26 514 | 22 774 | 22 074 |
| Petrochemical products | 5 485 | 5 464 | 5 902 |
| Other revenue | 3 221 | 3 556 | 3 076 |
| Total | 81 057 | 74 526 | 74 558 |
| Foreign sales, included in above: | | | |
| Crude oil and NGL | 34 328 | 31 964 | 32 641 |
| Transport tariff revenue | 51 | | |
| Gas | 2 130 | 1 704 | 2 125 |
| Refined products | 21 332 | 18 385 | 17 380 |
| Petrochemical products | 4 970 | 4 894 | 5 469 |
| Other revenue | 1 794 | 2 082 | 2 587 |
| Total foreign sales | 64 605 | 59 029 | 60 202 |

Total crude oil availability includes NOK 15 916 million in purchased royalty and government equity crude.
Operating revenue includes royalties of NOK 2 831 million. An equivalent amount is included in other operating costs.

4. **Payroll and other operating costs**

| *NOK million* | *1993* | *1992* | *1991* |
|---|---|---|---|
| Payroll and statutory social benefits | 6 557 | 6 522 | 5 935 |
| Other operating costs | 20 063 | 18 499 | 17 309 |
| Costs charged to licences | (4 915) | (4 904) | (3 734) |
| Payroll and other operating costs - net | 21 705 | 20 117 | 19 510 |

Other operating costs include NOK 289 million, NOK 303 million and NOK 268 million in research and development costs for 1993, 1992 and 1991 respectively.

**Pension costs**

Most of the group's employees are covered by pension plans entitling them to defined future pension benefits. These benefits are mainly dependent on the number of years of their pensionable service, their final pensionable salary level and the size of National Insurance benefits.
The parent company's employees are insured through Statoil Pensjonskasse (pension fund), which is organised as an independent trust. Its funds are mainly invested in state, county or municipal bonds.
Employees in subsidiaries are insured through various insurance company plans.
Pension costs for the financial year and the accrued obligation are calculated on the basis of a straight-line earning of pension rights.

The group's pension obligation is analysed as follows:

| *NOK million* | *1993* | *1992* |
|---|---|---|
| - Vested pension benefits earned | (4 115) | (2 578) |
| - Non-vested early retirement benefits earned | (112) | (96) |
| + Pension funds in Statoil Pensjonskasse | 3 294 | 2 240 |
| + Pension funds in insurance companies | 692 | 655 |
| + Unallocated effect of changed estimates | 856 | - |
| Total | 615 | 221 |

| | | |
|---|---|---|
| The pension obligation is classified in the financial statements as | | |
| Long-term investment | 1 139 | 755 |
| Other long-term liabilities | 524 | 534 |

| | | |
|---|---|---|
| Discount rate/assumed rate of return | 6.0% | 9.0% |
| Assumed increase in salaries | 3.5% | 4.5% |
| Assumed adjustment of the National Insurance base rate | 3.0% | 4.5% |

The latest actuarial analysis was performed for the parent company in 1993, and for the subsidiaries in 1992.

The current year's net pension costs are analysed as follows:

| *NOK million* | *1993* |
|---|---|
| Present value of the period's earnings | 390 |
| + interest cost of pension obligation | 119 |
| - expected return on pension funds | (185) |
| + allocated effect of changes in estimates and allocated difference between actual and expected return | 45 |
| Pension cost included in payroll and social security costs | 369 |

## 5. Long-term investments

Long-term investments include prepaid pension costs of NOK 1 139 million as shown in note 4.

## 6. Exploratory drilling costs

| *NOK million* | *1993* | *1992* | *1991* |
|---|---|---|---|
| Capitalised at beginning of the year | 2 485 | 2 179 | 1 943 |
| Incurred during the year | 1 702 | 1 840 | 1 695 |
| Expensed share of the current year's exploration activities | (1 251) | (1 508) | (1 421) |
| Expensed, previously capitalised costs | (176) | - | - |
| Depreciation | (38) | (37) | (30) |
| Exchange adjustments | 2 | 11 | (8) |
| Capitalised at year-end - IAS | 2 724 | 2 485 | 2 179 |

Under NGAAP, exploration costs are charged against income as incurred.

## 7. Property, plant and equipment

| *NOK million* | *Machinery, office furniture, vehicles, etc* | *Prod plant offshore* | *Prod plant onshore* | *Buildings and sites* | *Construction in progress* | *Char-tered vessels* | *Good-will* | *Property, plant, equipm IAS* | *Adjust-ments (cf note1)* | *Property, plant, equipm NGAAP* |
|---|---|---|---|---|---|---|---|---|---|---|
| Acquisition cost at 1 Jan 1993 | 6 347 | 55 391 | 28 685 | 4 572 | 12 232 | 1 169 | 398 | 108 794 | 6 643 | 102 151 |
| Additions | 400 | 1 431 | 1 806 | 425 | 9 055 | 0 | | 13 117 | 913 | 12 204 |
| Transfers | 258 | 8 999 | 279 | 497 | (10 033) | 0 | | 0 | 0 | 0 |
| Deletions at historical cost | 72 | 0 | 99 | 50 | 139 | | | 360 | 0 | 360 |
| Accumulated depreciation at 31 Dec 1993 | 4 535 | 32 348 | 15 739 | 1 278 | 62 | 536 | 108 | 54 606 | 576 | 54 030 |
| Book value at 31 Dec 1993 | 2 398 | 33 473 | 14 932 | 4 166 | 11 053 | 633 | 290 | 66 945 | 6 980 | 59 965 |
| Depreciation 1993 | 300 | 4 448 | 2 007 | 54 | 0 | 88 | 40 | 6 937 | 473 | 6 464 |

Additions to and proceeds from sale of property, plant and equipment (sales price) last five years (NGAAP). NOK million

| *1993* | | *1992* | | *1991* | | *1990* | | *1989* | |
|---|---|---|---|---|---|---|---|---|---|
| Addns | Sales | Addns | Sales | Addns | Sales | Addns | Sales | Addns | Sales |
| 12 204 | 71 | 9 514 | 276 | 7 835 | 518 | 6 196 | 243 | 6 124 | 2 031 |

8. **Financial items**

The net amount is analysed as follows:

| *NOK million* | *1993* | *1992* | *1991* |
|---|---|---|---|
| Dividend received | 35 | 25 | 11 |
| Gain/(loss) on sale of securities | 236 | (553) | 2 |
| Interest and other financial income | 1 246 | 1 381 | 1 268 |
| Exchange adjustments long-term items | (1 666) | (787) | 92 |
| Interest and other financial expenses | (1 455) | (1 834) | (2 250) |
| Net financial items - NGAAP | (1 604) | (1 768) | (877) |
| | | | |
| Unrealised gains on securities | 233 | - | - |
| Change unrealised exchange gains, long-term items | - | (1 523) | 80 |
| Capitalised building loan interest | 639 | 593 | 543 |
| Net financial items - IAS | (732) | (2 698) | (254) |

9. **Financial instruments not included in balance sheet**

**Forward currency contracts**
Forward currency contracts are mainly used to hedge foreign currency payments/disbursements and to alter the foreign exchange composition of the group's loan portfolio.

Current forward contracts related to short-term items at 31 Dec 1993 *Amounts in millions* 25

| *Currency* | *Amount* | | *Currency* | *Amount* | | *Average* | *Matu-* |
|---|---|---|---|---|---|---|---|
| *sold* | *Currency* | *NOK* | *bought* | *Currency* | *NOK* | *contract rate* | *rity* |
| USD | 482 | 3 627 | NOK | 3 572 | 3 572 | 7.41570 | 1.2.94 |
| USD | 16 | 123 | BEF | 580 | 121 | 35.47000 | 5.1.94 |
| USD | 8 | 57 | DEM | 13 | 56 | 1.70550 | 4.1.94 |
| USD | 6 | 47 | NLG | 12 | 46 | 1.92115 | 5.1.94 |
| SEK | 50 | 45 | USD | 6 | 46 | 8.22580 | 4.1.94 |
| NOK | 150 | 150 | USD | 20 | 150 | 7.49450 | 4.1.94 |
| NOK | | 4 049 | | | 3 991 | | |

Unrealised loss, excluding forward premium/discount at 31 Dec 1993, is NOK 58 million.

Current forward contracts related to long-term items at 31 Dec 1993 *Amounts in millions*

| *Currency* | *Amount* | | *Currency* | *Amount* | | *Average* | *Matu-* |
|---|---|---|---|---|---|---|---|
| *sold* | *Currency* | *NOK* | *bought* | *Currency* | *NOK* | *contract rate* | *rity* |
| USD | 146 | 1 100 | BEF | 5 150 | 1 072 | 36.0300 | 30.6.94 |
| USD | 101 | 760 | CHF | 150 | 762 | 1.4963 | 22.6.94 |
| USD | 59 | 439 | DEM | 100 | 433 | 1.7379 | 16.2.94 |
| USD | 45 | 334 | GBP | 30 | 333 | 1.4679 | 16.5.94 |
| USD | 41 | 307 | JPY | 4 400 | 296 | 107.5725 | 14.1.94 |
| USD | 8 | 66 | NOK | 65 | 65 | 7.5020 | 27.6.94 |
| NOK | | 3 006 | | | 2 961 | | |

Unrealised loss, excluding forward premium/discount, at 31 Dec 1993, is NOK 45 million.
These unrealised losses have been carried to expense in the 1993 income statement.

**Foreign currency swaps**

Foreign currency swap agreements are used to hedge the group's foreign currency loans. They are all tied to underlying long-term loans

*Amounts in millions*

| | *Group receives* | | | | *Group pays* | | | |
|---|---|---|---|---|---|---|---|---|
| | *Amount* | | | | *Amount* | | | |
| | *Currency* | *NOK* | *Interest rate* | | *Currency* | *NOK* | *Interest rate* | *Maturity* |
| BEF | 5 000 | 1 041 | 7.0350 | USD | 149 | 1 121 | 3.5000 | 1999 |
| DEM | 427 | 1 851 | 9.1685 | USD | 261 | 1 960 | 3.4505 | 1994 |
| DKK | 400 | 444 | 9.6875 | USD | 58 | 441 | 3.3616 | 1996 |
| ECU | 100 | 839 | 9.4700 | USD | 125 | 938 | 4.0643 | 1994 |
| JPY | 40 640 | 2 733 | 5.6183 | USD | 293 | 2 202 | 4.4179 | 2003 |
| | | 6 908 | | | | 6 662 | | |

**Interest rate swaps**

Interest rate swap agreements are executed to strengthen the group's interest rate positions with respect to long-term loans. The agreements involve the exchange of interest obligations based on a nominal amount as a basis for calculating interest

*Amounts in millions*

| *Nominal amounts* | *Currency* | *NOK* | *Group pays interest* | *Group receives average interest* | *Maturity* |
|---|---|---|---|---|---|
| BEF | 7 500 | 1 562 | 6.5333 | 6.8233 | 1999 |
| DEM | 100 | 433 | 6.4375 | 6.5900 | 1998 |
| USD | 1 245 | 9 460 | 4.3582 | 6.4347 | 2023 |

The counter-party risk on these financial instruments is considered to be minimal.

## 10. Taxation

The year's taxable base is analysed as follows:

| *NOK million* | *IAS* 1993 | *IAS* 1992 | *NGAAP* 1993 | *NGAAP* 1992 |
|---|---|---|---|---|
| Profit before taxation | 11 980 | 9 884 | 11 306 | 10 956 |
| Excess tax depreciation | (943) | (1 366) | (1 410) | (1839) |
| Other temporary differences | (896) | 2 356 | (670) | 832 |
| Capitalised interest and exploration costs | (915) | (925) | - | - |
| Permanent differences | 811 | 65 | 811 | 65 |
| Taxable base | 10 037 | 10 014 | 10 037 | 10 014 |
| The year's taxes are analysed as follows: | | | | |
| Ordinary corporation tax | 2 825 | 2 852 | 2 825 | 2 852 |
| Petroleum surtax | 4 092 | 4 588 | 4 092 | 4 588 |
| Adjustment previous years | (237) | 23 | (237) | 23 |
| Total taxes payable | 6 680 | 7 463 | 6 680 | 7 463 |
| Deferred tax provision | 1 900 | 118 | 1 617 | 1 001 |
| Taxation for the year | 8 580 | 7 581 | 8 297 | 8 464 |
| Uplift benefit for the year | 1 720 | 1 402 | 1 720 | 1 402 |

Deferred taxes are calculated on the basis of temporary differences between financial and tax accounting values at the closing date. Profit retained/loss carried forward in subsidiaries is not included in the deferred taxation calculations. Uplift earned, but not amortised, amounts to NOK 8.4 billion.

| | 1993 | | 1992 | |
|---|---|---|---|---|
| | Base | Deferred tax | Base | Deferred tax |
| Accelerated tax depreciation, offshore | 23 036 | 17 968 | 21 207 | 16 534 |
| Accelerated tax depreciation, onshore | 6 451 | 1 809 | 6 214 | 1 766 |
| Other temporary differences | 1 145 | 753 | 111 | 118 |
| In accordance with IAS | 30 632 | 20 530 | 27 532 | 18 418 |
| Adjustments for NGAAP: | | | | |
| Capitalised drilling costs | (2 724) | (1 960) | (2 485) | (1 863) |
| Capitalised interest | (4 256) | (3 029) | (4 052) | (2 902) |
| Unrealised gains | (239) | (61) | (7) | (4) |
| In accordance with NGAAP | 23 413 | 15 480 | 20 988 | 13 649 |

## 11. Liquid assets

**Bank deposits**

Bank deposits include restricted funds of NOK 186 million covering employee income tax withheld.

**Other liquid assets**

| *NOK million* | *1993* | *1992* | *1991* |
|---|---|---|---|
| Time deposits | 215 | - | - |
| Listed shares | 752 | 323 | 238 |
| Bonds, certificates and other securities | 2 330 | 1 834 | 1 994 |
| Total, IAS | 3 297 | 2 157 | 2 232 |

Unrealised gains at closing date, NOK 239 million, are not included in the NGAAP accounts. Other liquid assets in Statoil Forsikring a.s are included at NOK 2 673 million. Lending these assets to other group undertakings is permitted only to a limited extent.



## 12. Shares and long-term investments

**Investments in associated companies**

| *NOK million* | *Book value* | *Equity holding* | *Par value* | *Share capital* |
|---|---|---|---|---|
| Norpipe a.s | 382 | 50% | 129 | 257 |
| Norpipe UK Ltd | 19 | 50% | GBP 2 | GBP 4 |
| Other companies | 86 | | | |
| Total | 487 | | | |

Voting stock and equity holdings are identical.

**Shares in other companies**

Shares in other companies totalling NOK 1 128 million include NOK 807 million in ordinary shares in Saga Petroleum A/S. The equity holding is 9.3 per cent, while the share of voting stock held is 12.4 per cent.

An 8.6 per cent shareholding in Verbundnetz Gas AG is also included as NOK 218 million.

### 13. Current interest-bearing liabilities

| *NOK million* | *1993* | *1992* | *1991* |
|---|---|---|---|
| First year's instalment on long-term loans | 2 450 | 1 549 | 2 074 |
| Short-term bank loans and overdrafts | 1 427 | 584 | 269 |
| Net payable to licences | 1 928 | 2 015 | 1 485 |
| Other | 179 | - | 26 |
| | 5 984 | 4 148 | 3 854 |

### 14. Long-term loans

**Currency positions**

| *Amounts in millions* | *Long-term loans* | *Currency swap agreements* | *Currency position* | *Exchange rate* | *Book value NOK* |
|---|---|---|---|---|---|
| NOK | 180 | - | 180 | - | 180 |
| USD | 1 633 | 886 | 2 519 | 7.52 | 18 940 |
| DEM | 526 | (427) | 99 | 433.31 | 427 |
| JPY | 45 040 | (40 640) | 4 400 | 6.73 | 296 |
| BEF | 11 000 | (5 000) | 6 000 | 20.82 | 1 249 |
| GBP | 30 | - | 30 | 11.11 | 333 |
| CHF | 150 | - | 150 | 507.63 | 761 |
| DKK | 411 | (400) | 11 | 111.05 | 12 |
| SEK | 11 | - | 11 | 90.23 | 10 |
| ECU | 100 | (100) | - | - | - |
| Total | | | | | 22 208 |
| Instalments first year | | | | | (2 450) |
| Long-term loans shown in balance sheet | | | | | 19 758 |

Long-term loans include commitments of USD 123 million related to financial leasing. The loan portfolio's average fixed interest period at 31 December 1993 was 2.8 years.

The average rate of interest in 1993, excluding foreign exchange gains/losses, was 4.4 per cent.

Undrawn borrowing facilities available at 31 December 1993 amount to NOK 5 826 million.

**Instalment plan, long-term loans**

| *Year* | *NOK million* |
|---|---|
| 1994 | 2 450 |
| 1995 | 2 300 |
| 1996 | 2 850 |
| 1997 | 2 300 |
| 1998 | 4 600 |
| Thereafter | 7 708 |
| Total | 22 208 |

Instalments first year are included in current interest-bearing debt.

## 15. Other long-term liabilities

This item includes provisions of NOK 2 673 million for various insurance funds in Statoil Forsikring a.s and pension obligations of NOK 524 million as shown in note 4. Accrued future site removal costs of NOK 598 million are also included, of which the current year's provision amounts to NOK 164 million.

## 16. Equity changes

Shareholder's equity consists of 49 397 140 shares at par value NOK 100.

| *NOK million* | *1993* | *1992* | *1991* |
|---|---|---|---|
| Opening equity at 1.1 | 24 205 | 23 210 | 20 330 |
| Net profit for the year | 3 394 | 2 300 | 4 254 |
| Dividend for the year | (1 076) | (1 252) | (1 402) |
| Change in foreign currency translation adjustment | (16) | (53) | 28 |
| Closing equity at 31.12 | 26 507 | 24 205 | 23 210 |

For reconciliation to NGAAP, see note 19.

## 17. Guarantee commitments and secured liabilities

Long-term liabilities of NOK 988 million in Statoil Coordination Center NV are secured by mortgage on long-term debt owed by North Sea Petrochemicals VOF to Statoil Coordination Center NV.

To finance pipelines and terminals tied back to the Ekofisk development, loan agreements were concluded between the owners of the installations and various banks. Statoil's total guarantee commitment under these agreements is NOK 56 million.

Beyond this, the group's companies have provided collateral for a total of NOK 304 million under various credit facilities.

## 18. Other liabilities and commitments

**Contingent liabilities**
Like any other licensee, Statoil has unlimited liability for possible compensation claims arising from its offshore operations, including transport systems. The company has taken out insurance to cover this liability up to about NOK 4 500 million for each incident, including liability for claims arising from pollution damage.
Statoil's assets are insured at their estimated replacement value. Offshore installations are covered through Statoil Forsikring a.s, which reinsures most of the risk in the international insurance market. About 15-20 per cent of the risk is retained.

**Lease agreements**
At 31 December 1993, Statoil had signed short-term (one-four years) lease agreements for five drilling rigs, four helicopters and five supply/stand-by vessels. In addition to the capitalised lease cost of crude tankers, Statoil has chartered 14 crude oil and product tankers with remaining lease periods ranging from one to 10 years.

Current commitments under non-terminable charter-parties and lease agreements are:

| *NOK million* | |
|---|---|
| For 1994 | 1 470 |
| For 1995 | 1 200 |
| For 1996 | 797 |
| For 1997 | 602 |
| For 1998 | 549 |
| Thereafter | 1 758 |

**Transport agreements**
Except for one contract, the group has made no commitments to transport oil and gas via transport systems in excess of its equity holdings in the same systems.

**Contractual commitments**

| *NOK million* | *1994* | *Thereafter* | *Total* |
|---|---|---|---|
| Contractual commitments made | 6 933 | 3 813 | 10 746 |

These contractual commitments comprise acquisition and construction of properties, plant and equipment, including financial leases.

**Other commitments**
As a condition for being awarded oil and gas exploration and production licences, participants are committed to drill a certain number of wells. At the end of 1993, Statoil was committed to participate in 27 wells off Norway and 26 wells abroad, with an average interest of 20-25 per cent.

## 19. Reconciliation of accounts in accordance with Norwegian accounting standards to International Accounting Standards

As stated in note 1, NGAAP differs in some areas from IAS. A reconciliation of profit before taxation and shareholder's equity from IAS to NGAAP is given below.

| *NOK million* | *1993* | *1992* | *1991* |
|---|---|---|---|
| Profit before taxation - IAS | 11 980 | 9 884 | 13 191 |
| Net capitalised/expensed exploration costs | (275) | (332) | (274) |
| Capitalised interest | (639) | (593) | (543) |
| Change in unrealised gains on foreign exchange and securities | (234) | 1 524 | (80) |
| Depreciation on capitalised exploration costs and building loan interest | 474 | 473 | 468 |
| Profit before taxation - NGAAP | 11 306 | 10 956 | 12 762 |
| | | | |
| Shareholder's equity - IAS | 26 507 | 24 205 | 23 210 |
| Capitalised exploration costs | (2 724) | (2 485) | (2 179) |
| Capitalised interest | (4 256) | (4 052) | (3 887) |
| Unrealised gains on foreign exchange and securities | (239) | (7) | (1 531) |
| Deferred taxation | 5 050 | 4 769 | 5 646 |
| Shareholder's equity - NGAAP | 24 338 | 22 430 | 21 259 |

| NOK million | | 1993 | 1992 |
|---|---|---|---|
| **Sales and other operating revenue** | (2) | 63 913 | 59 193 |
| **Operating costs** | | | |
| Cost of sales | | 28 623 | 25 290 |
| Payroll and other operating costs | (3, 4) | 15 759 | 14 844 |
| Exploration costs | | 1 290 | 1 615 |
| Depreciation | (5) | 5 401 | 5 148 |
| Total operating costs | | 51 073 | 46 897 |
| **Operating profit** | | 12 840 | 12 296 |
| Net financial items | (6) | (1 902) | (1 728) |
| **Profit before taxation** | | 10 938 | 10 568 |
| Taxation | (7) | 8 384 | 8 473 |
| **Net profit for the year** | | 2 554 | 2 095 |
| **Allocation of net profit:** | | | |
| Group contribution | | (640) | (477) |
| Restricted equity reversing fund | | (43) | (47) |
| Statutory reserve | | 280 | 447 |
| Dividend | | 1 075 | 1 250 |
| Distributable reserve | | 1 882 | 922 |
| | | 2 554 | 2 095 |

# BALANCE SHEET - STATOIL

*At 31 December*

## Assets

| *NOK million* | | *1993* | *1992* |
|---|---|---|---|
| **Fixed assets** | | | |
| **Property, plant and equipment** | (5) | 46 945 | 44 857 |
| | | | |
| **Shares and long-term investments** | | | |
| Shares in subsidiaries | (9) | 10 151 | 7 101 |
| Shares in other companies | (9) | 1 074 | 1 042 |
| Shares in associated companies | (9) | 135 | 135 |
| Long-term investments | (4) | 979 | 659 |
| Long-term inter-group receivables | | 1 092 | 925 |
| **Total fixed assets** | | 60 376 | 54 719 |
| | | | |
| **Current assets** | | | |
| **Stocks** | | | |
| Raw materials | | 855 | 677 |
| Finished products | | 315 | 587 |
| | | | |
| **Short-term receivables** | | | |
| Accounts receivable | | 6 454 | 7 381 |
| Inter-group receivables | | 1 525 | 1 443 |
| Other short-term receivables | | 3 068 | 2 298 |
| | | | |
| **Liquid assets** | (8) | | |
| Bank deposits | | 476 | 3 896 |
| Other liquid assets | | 328 | 271 |
| | | | |
| **Total current assets** | | 13 021 | 16 553 |
| | | | |
| **Total assets** | | 73 397 | 71 272 |

*At 31 December*

**Liabilities and shareholder's equity**

| *NOK million* | | *1993* | *1992* |
|---|---|---|---|
| **Current liabilities** | | | |
| Bank loans and overdrafts | | 902 | 378 |
| Accounts payable | | 5 065 | 6 665 |
| Taxes payable | | 3 050 | 3 712 |
| Dividend payable | | 1 075 | 1 250 |
| Inter-group payables | | 650 | 827 |
| Other current liabilities | (10) | 6 497 | 5 633 |
| **Total current liabilities** | | 17 239 | 18 465 |
| **Long-term liabilities** | | | |
| Long-term loans | (11) | 17 283 | 18 150 |
| Inter-group loans | | 1 131 | 946 |
| Other long-term liabilities | (12) | 598 | 499 |
| Deferred taxation | (7) | 14 338 | 12 522 |
| **Total long-term liabilities** | | 33 350 | 32 117 |
| **Shareholder's equity** | | | |
| Share capital (49 397 140 shares at NOK 100 each) | | 4 940 | 4 940 |
| Statutory reserve and restricted equity reversing fund | | 6 066 | 5 829 |
| Distributable reserve | | 11 802 | 9 921 |
| **Total shareholder's equity** | | 22 808 | 20 690 |
| **Total liabilities and shareholder's equity** | | 73 397 | 71 272 |
| Guarantees and secured liabilities | (13) | | |
| Other liabilities and commitments | (14) | | |

Stavanger, 10 February 1994

| | | |
|---|---|---|
| Helge Kvamme | Arnfinn Hofstad | Else Bugge Fougner |
| Tormod Hermansen | Yngve Hågensen | Marit Reutz |
| Helge Kjørholt | Jetfred Sellevåg | Åse Simonsen |
| | | Harald Norvik<br>President and CEO |

| *NOK million* | *1993* | *1992* |
|---|---|---|
| **Cash flow from/(to) operating activities** | | |
| Cash receipts from operations | 65 402 | 63 743 |
| Disbursements to operations | (47 850) | (45 282) |
| Net financial items | (1 056) | (89) |
| Taxes paid | (7 232) | (6 915) |
| Net cash flow from operating activities | 9 264 | 11 457 |
| **Cash flow from/(to) investing activities** | | |
| Acquisitions of fixed assets | (11 108) | (9 043) |
| Sale of property, plant and equipment | 42 | 291 |
| Net cash flow to investing activities | (11 066) | (8 752) |
| **Cash flow from/(to) financing activities** | | |
| Short-term financing: | | |
| Change in short-term debt | 395 | 91 |
| Change in other liquid assets | (57) | 354 |
| Long-term financing: | | |
| New long-term loans | 2 766 | 3 052 |
| Reduction in long-term debt | (3 472) | (2 684) |
| Shareholder's equity: | | |
| Dividend paid | (1 250) | (1 400) |
| Net cash flow to financing activities | (1 618) | (587) |
| **Net change in bank deposits** | (3 420) | 2 118 |
| Bank deposits at 1 January | 3 896 | 1 778 |
| **Bank deposits at 31 December** | 476 | 3 896 |

1. **Accounting policies**

Accounts for Statoil (the parent company) have been prepared in accordance with Norwegian generally-accepted accounting principles (NGAAP), as described in note 1 to the group accounts.

2. **Operating revenue**

Operating revenue is analysed as follows:

| *NOK million* | *1993* | *1992* |
|---|---|---|
| Crude oil and NGL | 38 677 | 36 902 |
| Transport tariff revenue | 5 515 | 5 180 |
| Gas | 2 324 | 2 079 |
| Refined products | 12 769 | 10 224 |
| Petrochemical products | 2 670 | 2 574 |
| Other revenue | 1 958 | 2 234 |
| Total | 63 913 | 59 193 |

| | | |
|---|---|---|
| Foreign sales, included in above: | | |
| Crude oil and NGL | 35 330 | 33 487 |
| Gas | 1 858 | 1 609 |
| Refined products | 9 962 | 7 650 |
| Petrochemical products | 2 168 | 2 021 |
| Other revenue | 948 | 1 390 |
| Total | 50 266 | 46 157 |



3. **Payroll and other operating costs**

| *NOK million* | *1993* | *1992* |
|---|---|---|
| Payroll and statutory social benefits | 4 809 | 4 587 |
| Other operating costs | 15 865 | 15 161 |
| Costs charged to licences | (4 915) | (4 904) |
| Payroll and other operating costs | 15 759 | 14 844 |

NOK 237 500 was paid in total remuneration to the members of the corporate assembly, NOK 985 000 to the directors and NOK 50 000 to the supervisory committee. NOK 1 372 000 was paid in salary to the chief executive. Audit fees amounted to NOK 2 950 000 for ordinary audit services and NOK 1 488 000 for consultancy services.

4. **Prepaid pension costs**

Statoil has pension plans covering a total of 9 357 people. These plans entitle employees to defined future pension benefits which are mainly dependent on the number of years of their pensionable service, their final pensionable salary and the size of National Insurance benefits. The company's employees are insured through Statoil Pensjonskasse (pension fund), which is organised as an independent trust. Its funds are mainly invested in state, county or municipal bonds.

Statoil's pension obligation is analysed as follows:

| NOK million | 1993 | 1992 |
|---|---|---|
| - Vested pension benefits earned | (3 083) | (1 594) |
| - Non-vested early retirement benefits earned | (112) | (96) |
| + Pension funds in Statoil Pensjonskasse | 3 294 | 2 240 |
| + Unallocated effect of changed estimates | 856 | - |
| Accrued pension costs in Statoil | 955 | 550 |

| | | |
|---|---|---|
| Discount rate/assumed rate of return | 6.0% | 9.0% |
| Assumed increase in salaries | 3.5% | 4.5% |
| Assumed adjustment of the National Insurance basic pension | 3.0% | 4.5% |

Accrued pension costs are included as a long-term investment in fixed assets.

The latest actuarial analysis was performed in 1993.

The year's net pension costs are analysed as follows:

| NOK million | 1993 |
|---|---|
| Present value of the period's earnings | 330 |
| + interest cost of pension obligation | 101 |
| - expected return on pension funds | (159) |
| + allocated effect of changes in estimates and allocated difference between actual and expected return | 45 |
| Net pension costs included in payroll and statutory social security costs | 317 |



## 5. Property, plant and equipment

| | Machinery, office furniture, vehicles, etc | Prod plant offshore | Prod plant onshore | Buildings and sites | Plant under constr | Chartered vessels | Total |
|---|---|---|---|---|---|---|---|
| Acquisition cost at 1 Jan 1993 | 2 523 | 49 534 | 21 252 | 2 179 | 10 317 | 1 169 | 86 974 |
| Additions | 290 | 372 | 186 | 46 | 6 770 | | 7 664 |
| Transfers | | 8 999 | 278 | 404 | (9 681) | | 0 |
| Deletions at acquisition cost | 18 | 0 | 0 | 27 | 139 | | 184 |
| Accumulated depreciation at 31 Dec 1993 | 2 154 | 31 571 | 12 806 | 442 | 0 | 536 | 47 509 |
| Book value at 31 Dec 1993 | 641 | 27 334 | 8 910 | 2 160 | 7 267 | 633 | 46 945 |
| Depreciation 1993 | 300 | 3 879 | 1 080 | 54 | | 88 | 5 401 |

Additions to and proceeds from sale of property, plant and equipment (at sales price) during the last five years

| | 1993 | | 1992 | | 1991 | | 1990 | | 1989 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Addns | Sales | Addns | Sales | Addns | Sales | Addns | Sales | Addns | Sales |
| Total Statoil | 7 664 | 42 | 6 901 | 16 | 5 717 | 323 | 5 265 | 173 | 4 751 | 1 992 |

## 6. Financial items

The net amount is analysed as follows:

| *NOK million* | *1993* | *1992* |
|---|---|---|
| Dividend received | 139 | 231 |
| Interest received from subsidiaries | 74 | 89 |
| Other interest and financial income | 824 | 933 |
| Interest paid to subsidiaries | (170) | (153) |
| Other interest and financial expenses | (2 769) | (2 828) |
| Net financial items | (1 902) | (1 728) |

## 7. Taxation

The year's taxable base is analysed as follows:

| *NOK million* | *1993* | *1992* |
|---|---|---|
| Profit before taxation | 10 938 | 10 568 |
| Excess tax depreciation | (1 220) | (1 703) |
| Other temporary differences | (1 383) | 319 |
| Group contribution | 640 | 477 |
| Other permanent differences | 722 | 159 |
| Taxable base | 9 697 | 9 820 |
| The year's taxes are analysed as follows: | | |
| Ordinary corporation tax | 2 715 | 2 749 |
| Petroleum surtax | 4 092 | 4 588 |
| Adjustment previous years | (237) | 77 |
| Total current taxes | 6 570 | 7 414 |
| Deferred tax provision | 1 814 | 1 059 |
| Taxation for the year | 8 384 | 8 473 |
| | | |
| Uplift benefit for the year | 1 720 | 1 402 |



Deferred taxes are calculated on the basis of temporary differences between financial and tax accounting values at closing date. Uplift earned, but not amortised, amounts to NOK 8.4 billion.

| *NOK million* | *1993* | | *1992* | |
|---|---|---|---|---|
| | *Base* | *Deferred tax* | *Base* | *Deferred tax* |
| Accelerated tax depreciation, offshore | 16 793 | 13 099 | 15 247 | 11 893 |
| Accelerated tax depreciation, onshore | 2 539 | 711 | 2 865 | 802 |
| Other temporary differences | 424 | 528 | (959) | (173) |
| Total | 19 756 | 14 338 | 17 153 | 12 522 |

## 8. Liquid assets

**Bank deposits**
Bank deposits include NOK 172 million in restricted funds covering employee income tax withheld.

**Other liquid assets**

| *NOK million* | *1993* | *1992* |
|---|---|---|
| Listed shares | 328 | 192 |
| Bonds, certificates and other securities | 0 | 79 |
| Total | 328 | 271 |

## 9. Shares

**Shares in subsidiaries**

| *Amounts in millions* | *Equity interest* | *Par value* | | *Total company share capital* | | *Booked value NOK million* |
|---|---|---|---|---|---|---|
| Statoil Norge AS | 100% | NOK | 500 | NOK | 500 | 902 |
| Statoil Forsikring a.s | 100% | NOK | 125 | NOK | 125 | 150 |
| Norsk Undervannsteknologisk Center a.s | 60% | NOK | 18 | NOK | 30 | 18 |
| Statoil Danmark A/S | 100% | DKK | 850 | DKK | 850 | 2 539 |
| Statoil AB | 100% | SEK | 800 | SEK | 800 | 3 015 |
| Statoil (UK) Ltd | 100% | GBP | 145 | GBP | 145 | 1 608 |
| Statoil Deutschland GmbH | 100% | DEM | 22 | DEM | 22 | 1 105 |
| Statoil North America Inc | 100% | USD | 6 | USD | 6 | 42 |
| Statoil (Thailand) Ltd | 100% | THB | 945 | THB | 945 | 317 |
| Statoil Investments Ireland Ltd | 100% | IEP | 20 | IEP | 20 | 332 |
| Statoil Poland Ltd | 100% | PLZ | 227 | PLZ | 227 | 49 |
| Statoil Siam (Thailand) | 100% | THB | 81 | THB | 81 | 22 |
| Statoil Far East Pte Ltd | 100% | SGD | 4 | SGD | 4 | 17 |
| Other subsidiaries | | | | | | 35 |
| Total Statoil | | | | | | 10 151 |

Other subsidiaries include Statoil Coordination Center NV, in which Statoil AB has a holding of 98.3 per cent and Statoil owns the remaining 1.7 per cent.

**Shares in other companies**
Shares in other companies totalling NOK 1 074 million include NOK 807 million in ordinary shares in Saga Petroleum A/S. The equity holding in this company is 9.3 per cent, while the share of voting stock held is 12.4 per cent.

An 8.6 per cent shareholding in Verbundnetz Gas A G is also included as NOK 218 million .

**Shares in associated companies**

| *NOK million* | *Equity holding* | *Par value* | *Company's share capital* | *Book value 31.12.93* |
|---|---|---|---|---|
| Norpipe a.s | 50% | 129 | 257 | 129 |
| Other companies | | | | 6 |
| Total | | | | 135 |

Recorded at historical cost.

## 10. Other current liabilities

| *NOK million* | *1993* | *1992* |
|---|---|---|
| First year's instalment on long-term liabilities | 2 361 | 1 454 |
| Net payable to licences | 1 928 | 2 014 |
| Other | 2 208 | 2 165 |
| Total | 6 497 | 5 633 |

## 11. Long-term loans

| *Amounts in millions* | *Long-term loans* | *Currency swap agreements* | *Currency position* | *Exchange rate* | *Book value NOK* |
|---|---|---|---|---|---|
| NOK | 133 | - | 133 | - | 133 |
| USD | 1 633 | 886 | 2 519 | 7.52 | 18 947 |
| DEM | 526 | (427) | 99 | 433.31 | 427 |
| JPY | 45 040 | (40 640) | 4 400 | 6.73 | 296 |
| BEF | 6 015 | (5 000) | 1 015 | 20.82 | 211 |
| GBP | 30 | (30) | 0 | - | - |
| CHF | 150 | - | 150 | 507.63 | 761 |
| DKK | 400 | (400) | 0 | - | - |
| ECU | 100 | (100) | 0 | - | - |
| Total | | | | | 20 775 |
| Instalments first year | | | | | (2 361) |
| Loans from subsidiaries | | | | | (1 131) |
| Long-term loans shown in balance sheet | | | | | 17 283 |

Long-term loans include commitments of USD123 million related to financial leasing.

The loan portfolio's average fixed interest period at 31 December 1993 was 2.8 years.

Undrawn borrowing facilities available at 31 December 1993 amount to NOK 5 826 million.

The average rate of interest in 1993, excluding foreign exchange gains/losses, was 4.4 per cent.

## 12. Other long-term liabilities

This item includes accrued future site removal costs of NOK 598 million, of which the current year's provision amounts to NOK 164 million.

**13. Guarantee commitments**

To finance pipelines and terminals tied back to the Ekofisk development, loan agreements were concluded between the owners of the installations and various banks. Statoil's total guarantee commitment under these agreements is NOK 56 million.

The company has provided parent company collateral for subsidiaries in the USA, the UK, Belgium and Nigeria.

Other guarantees provided come to NOK 207 million.

**14. Other liabilities and commitments**

**Contingent liabilities**
Like any other licensee, Statoil has unlimited liability for possible compensation claims arising from its offshore operations, including transport systems. The company has taken out insurance to cover this liability up to about NOK 4 500 million for each incident, including liability for claims arising from pollution damage.
Statoil's assets are insured at their estimated replacement value. Offshore installations are covered through Statoil Forsikring a.s, which reinsures most of the risk in the international insurance market. About 15-20 per cent of the risk is retained.

**Lease agreements**
At 31 December 1993, Statoil had signed short-term (one-four years) lease agreements for five drilling rigs, four helicopters and five supply/stand-by vessels. In addition to the capitalised lease cost of crude tankers, Statoil has chartered 14 crude oil and product tankers with remaining lease periods ranging from one to 10 years.



Current commitments under non-terminable charter-parties and lease agreements are:

| *NOK million* | |
|---|---|
| For 1994 | 1 412 |
| For 1995 | 1 160 |
| For 1996 | 757 |
| For 1997 | 485 |
| For 1998 | 438 |
| Thereafter | 1 441 |

**Contractual commitments**

| *NOK million* | *1994* | *Thereafter* | *Total* |
|---|---|---|---|
| Contractual commitments made | 5 521 | 3 591 | 9 112 |

These contractual commitments comprise acquisition and construction of properties, plant and equipment, including financial leases.

**Other commitments**
As a condition for being awarded oil and gas exploration and production licences, participants are committed to drill a certain number of wells. At the end of 1993, Statoil was committed to participate in 27 wells offshore Norway and five wells abroad, with an average interest of 20-25 per cent.

## AUDITORS' REPORT FOR 1993

To the annual general meeting of Den norske stats oljeselskap a.s:

We have audited the annual report and accounts of Den norske stats oljeselskap a.s for 1993, which show a net profit for the year of NOK 2 554 million for the parent company, a consolidated profit for the year of NOK 3 003 million based on Norwegian accounting standards and NOK 3 394 million based on international accounting standards . The annual report and accounts, which comprise the annual report proper, income statement, balance sheet, cash flow statement, notes to the accounts and consolidated accounts, are presented by the company's board of directors and its president. The consolidated accounts are prepared both in accordance with Norwegian accounting standards and international accounting standards as issued by the International Accounting Standards Committee.

Our responsibility is to examine the company's annual report and accounts, its accounting records and other related matters.

We have conducted our audit in accordance with relevant laws, regulations and Norwegian generally accepted auditing standards. We have performed those audit procedures which we considered necessary to confirm that the annual report and accounts are free from material misstatements. We have examined selected parts of the evidence supporting the accounts and assessed the accounting principles applied, the estimates made by management and the content and presentation of the annual report and accounts. To the extent required by Norwegian generally accepted auditing standards, we have reviewed the company's internal control and the management of its financial affairs.

The board of directors' proposal for the appropriation of the net profit and transfers between the owner's equity accounts in the parent company is in accordance with the requirements of the Norwegian Joint-Stock Companies Act.

In our opinion, the annual report and accounts have been prepared in accordance with the requirements of the Joint-Stock Companies Act and present fairly the financial position of the company and the group as of 31 December 1993 and the result of the operations for the financial year, in accordance with Norwegian generally accepted accounting principles and international accounting standards.

STAVANGER, 10 FEBRUARY 1994
ERNST & YOUNG & CO AS

ERNST ALSAKER
STATE AUTHORISED PUBLIC ACCOUNTANT (NORWAY)

## RECOMMENDATION FROM THE CORPORATE ASSEMBLY

**Resolution:**
At its meeting on 17 February 1994, Statoil's corporate assembly discussed the annual report of the board of directors and the annual accounts of Den norske stats oljeselskap a.s and the Statoil group for 1993.

The corporate assembly recommends that the general meeting approve the annual report as submitted, and adopt the annual accounts in accordance with the proposal presented by the board of directors.

The matter is to be submitted to the general meeting.

STAVANGER, 17 FEBRUARY 1994

OLUF ARNTSEN
CHAIRMAN, CORPORATE ASSEMBLY

**Article 1**
The corporate object of Den norske stats oljeselskap a.s is, either by itself or through participation in or together with other companies, to carry out exploration, production, transportation, refining and marketing of petroleum and petroleum-derived products, as well as other business.

**Article 2**
The Company shall be situated in Stavanger.

**Article 3**
The share capital of the Company is NOK 4 939 714 000 divided into 49 397 140 shares of NOK 100 each.

**Article 4**
The Board of Directors of the Company shall be composed of a maximum of nine directors. A maximum of six of the directors including chairman and vice-chairman, shall be elected by the General Meeting. A maximum of three of the directors shall be elected by and among the employees in accordance with regulations made under provisions of the Norwegian Companies Act concerning the right of employees to be represented on the Board of Directors and in the Corporate Assembly of companies limited by shares. Five alternate directors shall be elected in respect of the directors elected by and among the employees, and these alternates shall be summoned in the order in which they are elected. Two alternate directors may be elected in respect of the other directors, one as first alternate and one as second alternate. 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 President and stipulate his salary.

**Article 7**
The Company shall have a Corporate Assembly consisting of 12 members. Members and alternates shall be elected for two years at a time. The General Meeting shall elect eight members and three alternate members for these eight. Four members and alternates for these four shall be elected by and among the employees of the Company in accordance with regulations pursuant to the Norwegian Companies Act concerning the rights of employees to be represented on the Board of Directors and in the Corporate Assembly of companies limited by shares.

The Corporate Assembly shall elect a chairman and a vice-chairman from and among its members.

The Corporate Assembly shall hold at least two meetings annually.

**Article 8**
The ordinary General Meeting shall be held each year before the end of June. General Meetings shall be held in Stavanger or in Oslo. Extraordinary General Meetings shall be summoned at the request of the Shareholder, the Board, or two members of the Corporate Assembly.

**Article 9**
The ordinary General Meeting shall deal with and decide the following matters:

a) Adoption of the profit and loss account and the balance sheet.
b) Application of the annual profit or coverage of loss as shown in the adopted balance sheet, and the declaration of dividends.
c) Adoption of the consolidated profit and loss account and the consolidated balance sheet.
d) Any other matters which are referred to the General Meeting by law or the Articles of Association.

**Article 10**
The Board shall submit to the General Meeting, ordinary or extraordinary, all matters which must be presumed to be of political importance or importance in principle and/or which may have essential effects on the nation and its economy.

Such matters shall be deemed to include, but not be limited to:

a) Plans for the subsequent years, as well as perspectives for the intermediate term, including economic surveys. Such submission shall take place every two years.
b) Essential changes in such plans and perspectives as mentioned in a) above.
c) Plans for projects of significant importance in relation to the Company's overall business.
d) Matters which may necessitate State appropriation of shareholder's equity or loan capital.
e) Plans for establishing new types of business of any essential extent.

Matters which the Board submits to the General Meeting pursuant to this Article and to the extent possible such matters as the Ministry may have announced its wish to consider at such a General Meeting, shall, to the extent possible, be presented in writing and delivered to the Ministry in ample time prior to the General Meeting.

Should there be no opportunity to submit the above-mentioned matters in advance to the General Meeting, the General Meeting shall be notified promptly of the Board's resolution.

Whenever possible, matters as mentioned in item a) above should be submitted to the Corporate Assembly for comments.

The General Meeting shall decide whether to take note of the Board's proposals under this Article, to approve them or alter them.

**Article 11**
The Company is responsible for managing the interests of the Government related to the direct financial involvment the Government retains for itself in joint ventures for exploration, development, production and transportation of petroleum on or in association with the Norwegian continental shelf.

This task is executed through the Company's general professional and managerial organization and in accordance with the guidelines applicable to the Company's own involvement on the Norwegian continental shelf.

The Company prepares accounts for the Government's direct financial involvement. These accounts are carried out in accordance with the regulations governing economic administration in the ministries stipulated by Royal Decree and the economic instructions stipulated by the Ministry of Petroleum and Energy.

**Article 12**
The provisions of the Norwegian Companies Act shall be supplementary to these Articles of Association.

*The Sleipner A production platform was towed offshore in early June 1993. Its route from the Gands Fjord outside Stavanger took it past the concrete gravity base structure for another Norwegian gas platform - Troll Gas. This unit is the tallest of its kind in the world.*



*The Exploration & Production business area is responsible for exploration, project planning, development and operation of offshore installations, and for the government's direct financial interest (GDFI) in petroleum operations.*
*At 31 December 1993, the business area had 4 933 employees.*

**Highlights**

- Gas deliveries from the Sleipner East field began as planned on 1 October.
- Estimated recoverable reserves in Statoil's Gullfaks and Statfjord fields were upgraded by 144 and 126 million barrels of oil respectively.
- The Norne field was the largest discovery on the Norwegian continental shelf for a decade.
- Gullfaks South and the oil field in block 9/2 were declared commercial.
- Important international progress, including agreements on three deepwater blocks off Nigeria and on participation in a seismic survey consortium in Kazakhstan.

**Results**

Exploration & Production achieved an operating profit of NOK 8 735 million in 1993, as against NOK 8 562 million the year before. This increase was primarily due to cost-curbing measures. Production volumes and prices in Norwegian kroner were on a par with 1992.

**NORWEGIAN SHELF**

**Resources**

The Norwegian continental shelf has become a mature exploration area. Exploratory drilling results during 1993 were not satisfactory. The discovery rate was lower than before, and finds were generally small. One exception was Statoil's discovery on the Norne field in well 6608/10-3. This trend emphasises the need to improve efficiency in both exploration and production.

Exploration in 1993 proved 223 million barrels of oil, of which Statoil's share is 50 million barrels. Corresponding figures for gas were six billion and one billion cubic metres.

At the end of 1993, Statoil estimated total recoverable reserves on the Norwegian continental shelf at 59 billion barrels of oil equivalents, of which 33 billion have been proven by drilling. Statoil's equity share is five billion barrels of oil equivalents.

Oil accounts for about 45 per cent of overall petroleum resources on the Norwegian continental shelf. Some 20 per cent of total proven reserves has been produced.

Statoil's share of commercially recoverable oil reserves corresponds to 11 years of production at the present rate. The picture is significantly different for gas, where Norway holds reserves for 50 years based on current Troll sales agreements. This also applies to Statoil's equity share.

**Exploration**

Exploration wells completed on the Norwegian continental shelf in 1993 break down as follows:

| Operator | Exploration wells | Appraisal wells |
|---|---|---|
| Statoil | 6 | 2 |
| Others | 15 | 3 |

The overall level of exploration on the Norwegian continental shelf declined in 1993 from the year before. A total of 26 exploration wells were completed, against 44 in 1992.

Four oil discoveries were made on the Norwegian continental shelf in 1993, including two with Statoil as operator.

Exploration activity remains concentrated in the North Sea, where 19 wells were drilled for this purpose in 1993. Six exploration wells were drilled off mid-Norway and in the Nordland area, and one in the Barents Sea.

Statoil secured operatorships in four licences from Norway's 14th offshore licensing round, one in the northern North Sea, one on Nordland II, one off Møre and one in the Barents Sea. The group was awarded interests in a further 13 licences.

**Operations**

Production from the Statfjord, Gullfaks, and Veslefrikk fields operated by Statoil was extremely good in 1993, totalling almost 444 million barrels. Both Statfjord and Gullfaks produced far more than expected. Production from Statfjord is nevertheless declining after remaining at a high level for many years. This field averaged over 650 000 barrels per day during the year. Statfjord A processed more than 408 000 barrels per day at its best, including oil from both Statfjord and the Snorre fields. Gullfaks produced more than 20 million barrels more than originally planned, and yielded some 600 000 barrels per day at its best.

Estimated recoverable oil reserves were upgraded in 1993 from 3 554 to 3 680 million barrels for Statfjord and from 1 447 to 1 591 million barrels for Gullfaks. These increases reflect improved reservoir understanding and the ability to convert such knowledge into improved recovery. Drilling horizontal and extended-reach wells makes an important contribution.

Gas deliveries began from Sleipner East on 1 October. Building up gradually, production from this field was at the contractual level of 10.5 million cubic metres per day at the end of the year.

Safety efforts at Statoil suffered a heavy setback when two people were killed in an accident on the Statfjord C platform on 7 November 1993.

The overall lost-time injury rate on Statoil-operated installations declined in 1993, as it has been doing for several years. While the total number of oil and gas leaks also fell, there were more major leaks on Statfjord than in the previous two years. An extensive programme to prevent such incidents has therefore been initiated.

Restructuring the operations organisations and reducing operating costs have been central priorities in 1993. Statoil's aim is to trim NOK 2 billion from earlier estimates of 1995 operating costs for fields it operates. Major changes were made in the land-based organisation, and significant opportunities for future cost savings have been identified. Employment will be maintained by staffing new fields in the main within the current payroll.

Work on environmental improvements yielded positive results in several areas during 1993. After lengthy trials, oily drill cuttings were successfully reinjected underground on both Statfjord and Gullfaks. Patents are being sought by Statoil for some of the equipment used. It was decided to modify the Gullfaks A and C platforms in order to restrict gas flaring to the absolute minimum consistent with safety. A ship able to process and take care of oil produced when testing subsea wells on the Statfjord satellites was chartered. Each of these measures contributes to protecting the environment, with substantial reductions in emissions to air and water. Environmental action is being taken in a large number of areas relating to platform operation, with many positive contributions to reducing emissions.

**Project development**

A declaration of commerciality for Gullfaks South was prepared by its licensees in 1993.

This field contains recoverable reserves totalling 62 billion cubic metres of gas and 210 million barrels of oil. It could come on stream in 1998-99. Development plans for Gullfaks South involve an unmanned wellhead platform on the actual field and a processing platform linked to Gullfaks A.

The Norne field's extent and reserves were confirmed by drilling an appraisal well in 1993. Recoverable reserves are put at 370-500 million barrels of oil. The authorities are expected to approve a plan for development and operation in late 1994, allowing production to begin in 1998 from a production ship. Shortening the time between discovery and production is an important element in Statoil's strategy for adding greater value on the Norwegian continental shelf. The Norne project provides an example of this approach. Further financial gains will also be sought by involving suppliers at an early stage in order to gain a broad and detailed basis for reaching decisions.

Statoil declared the oil field in block 9/2 west of Egersund commercial in 1993, and submitted a plan for development and operation to the authorities. This scheme calls for production from a chartered mobile installation. An appraisal well spudded on the field in late 1993 is expected to confirm estimated reserves of 19-25 million barrels of oil. Should this expectation be disappointed, Statoil will have the opportunity to withdraw the development plan.

The Norwegian continental shelf will be characterised by a growing number of small fields, and finding profitable development solutions for them will be a challenge. The 9/2 field is a pilot project which aims to lay the basis for new approaches to profitable production from this type of field.

If all gas negotiations currently under way result in sales, the Smørbukk, Smørbukk South and Midgard fields on the Halten Bank are among the candidates for delivering the necessary gas. Statoil and Saga Petroleum have agreed to cooperate over field development concepts on the Halten Bank to optimise added value. Statoil has carried out a field evaluation study for Smørbukk and Smørbukk South. These fields could be ready to deliver gas in 1999.

Ross Rig *tests the Norne well.*

**Development**

Despite the loss of its first gravity base structure, the Sleipner A platform came on stream as planned. This allowed the first gas deliveries under the Troll sales agreements to begin on 1 October 1993. The project was brought in below its original budget. An insurance settlement of NOK 2.3 billion for the loss of the first GBS covers the cost of a new unit and part of the expenses incurred in temporarily stacking the topsides and modules.

Development of Sleipner West is proceeding on budget and in line with the new schedule, which calls for production to start on 1 October 1996. Most of the major contracts for this project, which is costed at about NOK 11 billion, were awarded in 1993.

The Statfjord satellites project is proceeding as planned. However, it has been decided that a start-up on Statfjord North should be postponed until 1995-96 because considerably higher production than expected on Statfjord limits available processing capacity there. Statfjord East will come on stream as planned in autumn 1994. The project is otherwise keeping to the original timetable and budget.

Production is due to begin from the Heidrun field in 1995. While Conoco is operator for the development phase, Statoil will take over once the field comes on stream. The two operators are collaborating closely on preparations for the production phase. Statoil's Heidrun organisation moved to Stjørdal in autumn 1993.

Troll Phase I is on schedule. Statoil will be taking over as production operator for this project, and preparations for the operational phase are being pursued in close cooperation with development operator Norske Shell. The operatorship is due to be transferred in summer 1996, with contractual gas deliveries set to begin on 1 October of the same year.

The Troll Oil development, which involves a floating concrete platform, is on budget. Construction of the concrete hull has fallen slightly behind schedule, but improvements have been implemented. The authorities resolved in late 1993 that the oil pipeline from Troll West should come ashore at Mongstad. A separate partnership has been established for this line, with Statoil as operator on behalf of the partners.
Production began in late 1993 from the Draugen field, operated by Norske Shell. Development costs were somewhat higher than originally planned. The field is due to produce 95 000 barrels of oil per day at plateau level. Its recoverable oil reserves were upgraded in 1993 from 428 to 585 million barrels.

The Brage field, operated by Norsk Hydro, came on stream in late 1993, just two and a half years after the development plan was approved.

Seabed subsidence on Ekofisk has prompted Phillips Petroleum to draw up several alternative development plans. All these options assume that the Statpipe and Norpipe gas trunklines will be linked directly at a point away from Ekofisk.

Key figures (NOK million)

| **Income statement** | *1993* | *1992* | *1991* |
|---|---|---|---|
| Operating revenue | 23 188 | 23 179 | 22 810 |
| Operating costs (excl depreciation) | 9 196 | 9 411 | 8 607 |
| Exploration costs | 1 427 | 1 508 | 1 421 |
| Depreciation | 3 830 | 3 698 | 3 550 |
| Operating profit | 8 735 | 8 562 | 9 232 |

| **Balance sheet at 31 December** | | | |
|---|---|---|---|
| Fixed assets | 35 200 | 32 180 | 29 375 |
| Current assets | 3 636 | 3 499 | 3 007 |
| Total assets | 38 836 | 35 679 | 32 382 |

**INTERNATIONAL OPERATIONS**

Substantial progress was again made during 1993 with our international commitment. Production sharing agreements were signed for three deepwater blocks in Nigeria. An extensive seismic survey programme was executed on this acreage. As part of a portfolio adjustment plan, Statoil and BP also agreed to farm into Nigerian block 210, which lies in shallower water.

An agreement on participation in a seismic survey consortium with BP and a number of other Western companies was signed in Kazakhstan. This group has the opportunity to shoot seismic in the Caspian Sea, and will receive options on a number of blocks in the first licensing round.

Together with a number of other Western companies, Statoil and BP are engaged in final negotiations on a production sharing agreement with the authorities in Azerbaijan. This agreement relates to the Azeri and Chirag fields in the southern Caspian. The unitised fields contain more than three billion barrels of oil.

Extensive activities were pursued in Vietnam by Statoil and BP during 1993. Three wells were drilled on the Vietnamese continental shelf, where the two partners are involved in a total of four licences covering seven blocks. Gas was found, and opportunities for quickly supplying a growing energy market in Vietnam are now being evaluated.

The Bongkot gas field off Thailand, in which Statoil has a 10 per cent interest, came on stream in 1993. Recoverable reserves in this field were upgraded, and new finds have been made in the area. The gas is sold to Thai state oil company PTT.

Statoil now has interests in 23 licences on the UK continental shelf. Completed in spring 1993, development of the Hyde gas field employed a new partnering model between client and suppliers which produced a 20 per cent saving on the original budget. Statoil also has interests in the producing Victor gas field, where the Jupiter satellite is now under development. In addition, the group is a participant in two new discoveries made on the UK continental shelf in 1993.

In cooperation with operator Norsk Hydro and Saga Petroleum, Statoil participated in exploration drilling on a block off Namibia.

*The concrete pipes being used to line the tunnel which will carry Europipe under Lower Saxony's protected coastal wetlands have an internal diameter of three metres - big enough to accommodate two gas pipelines.*
*Natural Gas president Peter Mellbye is briefed by Statoil's project director, Ola Aanestad.*



*The Natural Gas business area is responsible for the Statoil group's activities related to marketing, source planning, development and operation of transport systems for natural gas, as well as production and marketing of methanol.*
*Natural Gas had 851 employees at 31 December 1993.*

**Highlights**

- Deliveries under the Troll gas sales agreements commenced on 1 October to gas companies in Germany, Austria, the Netherlands, Belgium, France and Spain.
- The Zeepipe gas trunkline came on stream and the Etzel gas storage facility in Germany was taken into use.
- The Sleipner condensate pipeline was put in operation, as were the condensate terminal and expanded compressor capacity at Kårstø.
- Three new natural gas export contracts, involving annual deliveries of almost eight billion cubic metres, were concluded during 1993.
- Statoil's methanol division was incorporated in the Natural Gas business area.

**Results**

The business area showed a 1993 operating profit of NOK 3 599 million, as against NOK 3 715 million the year before. This decrease was principally due to an increase in costs associated with the planning and start-up of new operations. Results from current operations were largely unchanged from 1992.

**Markets**

After several years of growth, gas consumption in western Europe declined by roughly one per cent in 1992, from 289 billion cubic metres in 1991 to 285 billion. Consumption rose again in 1993 and is expected to match the 1991 level. A continued expansion in demand is forecast.

The biggest rise in consumption is expected in the electricity generating sector, where new technology, greater environmental awareness and structural changes will prompt growing use of gas.

Statoil's equity gas exports came to 2.7 billion cubic metres in 1993, as against 2.8 billion the year before. Gas from the Statfjord field accounted for 61 per cent of this figure. Total Norwegian gas exports amounted to 24.9 billion cubic metres, compared to 26.4 billion in 1992.

Gas deliveries under the Troll sales agreements began on 1 October 1993. Involving almost 1 000 billion cubic metres in exports over 28 years, these contracts represent the largest delivery and investment commitment in world gas history. When deliveries reach their plateau level in 2005, total annual Norwegian gas sales will be around 55 billion cubic metres if the remaining options under the Troll agreements are exercised.

Three new export contracts were concluded by the Gas Negotiating Committee (GFU) in 1993. Belgium's Distrigaz contracted to buy 1.9 billion cubic metres annually on behalf of Electrabel for use in power generation, with deliveries starting in 1996.

German Ruhrgas signed a contract for two billion cubic metres annually from 1997, and also exercised half of its final option under the Troll agreements. Outstanding options now amount to only five billion cubic metres of the 43 billion in annual deliveries covered by the Troll contracts.

The GFU and Germany's Verbundnetz Gas signed a contract in December 1993 for gas deliveries to the east German market. Due to commence in 1996, these sales will build up over a two-year period to an annual plateau of four billion cubic metres. This contract is the largest

*Norway's Gas Negotiating Committee (GFU) celebrates the sale of 52 billion cubic metres Troll gas to VNG, the state-owned gas distributor in eastern Germany. From left: chief executive Dr Klaus Ewald Holst, VNG, president Peter Mellbye, Statoil, senior vice president Bengt Lie-Hansen, Norsk Hydro, and senior vice president Arne Westeng, Saga Petroleum.*

single gas sales deal concluded by Norway since the Troll agreements.

Price renegotiations under the Troll gas sales agreements were completed with the German buyers in 1993. The other renegotiations remain to be finalised.

As chair of the GFU, Statoil plays the central and coordinating role in marketing Norwegian gas. The group's share of contracts concluded by the GFU amounts to 15-20 per cent. In addition to the contracts concluded in 1993, negotiations are being pursued with other potential buyers. The Ministry of Industry and Energy modified the terms of the GFU's work in 1993. A separate Gas Supply Committee was established, with the three GFU members - Statoil, Hydro and Saga - joined by Conoco, Elf, Esso, Neste, Phillips, Shell and Total. Also chaired by Statoil, this new committee will advise the ministry on matters relating to gas supply solutions as well as infrastructure development and utilisation.

**Transport systems on stream**

Statpipe carried the following volumes in 1993:

- 6.9 billion cubic metres of rich gas to Kårstø
- 8.2 billion cubic metres of dry gas to Emden
- 1.9 million tonnes of NGLs and condensate shipped from Kårstø.

Statfjord accounted for 32 per cent of total dry gas carried by Statpipe, Heimdal for 40 per cent and Gullfaks for 24 per cent.

Zeepipe transported 1.7 billion cubic metres of dry gas to Zeebrugge.

The Ula transport system carried 75 million barrels of oil and condensate.

Exports through the Norpipe system came to 195.5 million barrels of oil and 19.3 billion cubic metres of dry gas.

Frigg Transport delivered 4.5 billion cubic metres of dry gas from the Frigg, North-East Frigg, East Frigg, Lille-Frigg and Odin fields. Zeepipe delivered 1.2 billion cubic metres of dry gas after 1 October, including 0.8 billion from Sleipner East.

Daily processing capacity at the Kårstø gas terminal expanded from 22 to 25 million cubic metres.

The regularity of gas deliveries to continental Europe improved significantly by comparison with 1992, when a number of operational interruptions occurred at the Ekofisk Centre. Revised development plans have been submitted to the authorities.

These development plans also assume that gas carried in Statpipe will be diverted around the Ekofisk area and tied in to the Norpipe line further south.

**New transport systems**

Natural Gas was involved in executing and planning several major pipeline projects in the North Sea and on the Halten Bank during 1993.

Statoil brought Zeepipe Phase I on stream in 1993 in connection with the start of gas deliveries under the Troll agreements. The 810-kilometre trunkline from Sleipner East to Zeebrugge in Belgium is the world's longest submarine pipeline. It is also tied back to the Statpipe system through a pipeline from Sleipner East to the 16/11-S riser platform. The gas reception terminal at Zeebrugge was completed in 1993.

The condensate pipeline from Sleipner East to Kårstø came on stream, with first supplies reaching the terminal in September. Compressor capacity at Kårstø was expanded with the installation of three new booster units.

The Etzel gas storage facility was taken into use and filled as specified in the Troll gas sales agreements.

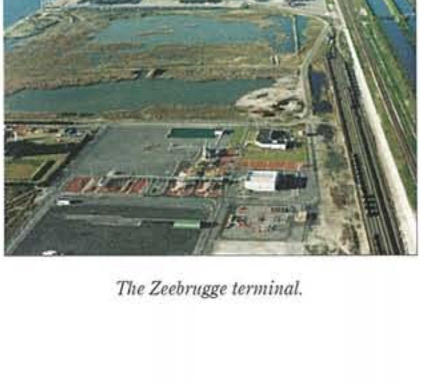
An agreement on selling a 70 per cent interest in the facility was concluded with Ruhrgas in 1994. This sale will take effect in 1994.

As operator for Europipe, the third Norwegian gas trunkline to continental Europe, Statoil finally obtained permission in October 1993 from the Lower Saxony authorities to cross the Niedersächsisches Wattenmeer national park. During the 1993 summer season, 432 kilometres of Europipe were laid at sea.

It has been decided to bring the Troll Oil pipeline ashore at Mongstad, with Statoil as operator. Pipelaying will take place in 1995, with the line starting operations on 1 January 1996. It will run through waters up to 540 metres deep.

Detail engineering of the Haltenpipe and Kollsnes-Sleipner gas pipelines has begun, and the most important contracts have been awarded. These pipelines are due to be completed in 1996.

*Six European countries are supplied with gas from the Kårstø terminal.*



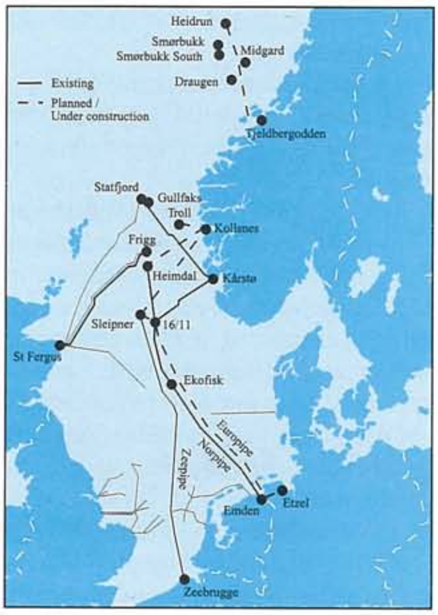
*The Zeebrugge terminal.*

### Methanol

In connection with the merger of petrochemical operations at Statoil and Neste, the methanol division was transferred to Natural Gas on 1 July 1993. Statoil and Conoco/Du Pont, with interests of 81.875 and 18.125 per cent respectively, are currently constructing a methanol plant at Tjeldbergodden in Sør-Trøndelag county. Due to be completed at the end of 1996, this plant will have an annual production capacity of about 800 000 tonnes based on gas deliveries from the Heidrun field.

Methanol is a base product for the chemical industry and a raw material in a number of chemical products. The largest markets are in the USA and western Europe - close to the markets for end products - while the biggest production facilities stand in gas-rich areas such as Saudi Arabia or Central and South America.

Methanol based on natural gas represents a new product area for Statoil. The Tjeldbergodden plant will represent about 25 per cent of production capacity in western Europe and more than 13 per cent of consumption in this region.

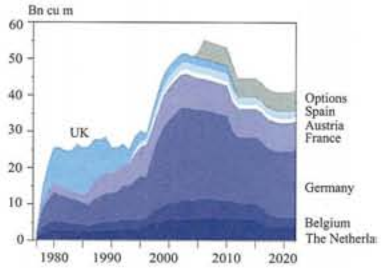



*Gas pipelines from the Norwegian continental shelf.*

Key figures (NOK million)

| Income statement | 1993 | 1992 | 1991 |
|---|---|---|---|
| Operating revenue | 8 191 | 7 936 | 7 265 |
| Operating costs (excl depreciation) | 3 681 | 3 407 | 2 881 |
| Depreciation | 911 | 814 | 936 |
| Operating | 3 599 | 3 715 | 3 448 |

| Balance sheet at 31 December | | | |
|---|---|---|---|
| Fixed assets | 11 045 | 10 332 | 9 496 |
| Current assets | 2 446 | 1 681 | 1 550 |
| Total assets | 13 491 | 12 013 | 11 046 |




*Norwegian gas exports. Contract volumes.*


Berit Rydholm in her new Statoil uniform at the former BP station in Västeras and Mats Holgerson, then head of Svenska Statoil's motorist division.

*The Refining & Marketing business area is responsible for the Statoil group's refining operations and retailing of oil products in northern Europe. Until 31 December 1993, it also handled the sale of crude oil supplies, including the Norwegian government's crude oil, sale of refined products and natural gas liquids, and maritime transport. From 1 January 1994, these activities have been hived off into a separate business area, Oil Trading & Shipping. At the end of 1993, the business area had 4 595 employees in 13 countries.*

**Highlights**

- Statoil is the largest trader of North Sea oil, selling 1.4 million barrels of crude per day in 1993 as against 1.3 million in 1992.
- The acquisition of BP's Swedish service station network made Statoil the leading retailer of petrol in Scandinavia, with an overall market share of about 25 per cent.
- Service stations were opened by Statoil in four more European countries.
- The Mongstad and Kalundborg refineries significantly improved their operating results compared with the year before.

**Results**

Operating profits for Refining & Marketing totalled NOK 701 million in 1993.

This represents an increase of NOK 70 million from the year before. Improved profits from the refining and shipping businesses have contributed to the improvement.

**Crude oil sales**

The average price of Brent Blend marker crude in 1993 was about USD 17 per barrel. Prices fluctuated considerably during the year, from a peak of USD 19.50 to a low of USD 12.90, but the overall trend was down.

During the first few months of 1993, the Organisation of Petroleum Exporting Countries (Opec) achieved reasonable success in matching production to demand. Crude oil stocks increased substantially in the second and third quarters, and Opec was forced to abandon efforts to bring about an accord on new production quotas for July-September. Continuing deep uncertainty over the resumption of Iraqi oil exports and higher production both inside and outside Opec contributed to a sharp fall in prices during the fourth quarter.

Statoil's crude oil sales rose by eight per cent in 1993, from 466 million barrels the year before to 505 million. This increase was largely due to higher production from the Gullfaks and Oseberg fields.

*The Kalundborg refinery in Denmark.*

Northern Europe remains Statoil's principal market. However, increased exports to the USA and Canada have helped to strengthen the competitiveness of and market differentials for Statoil's various crude oil grades in relation to other crudes on the market.

**NGL sales**

Statoil's supplies of NGL (propane and butane), naphtha and condensate in 1993 totalled about two million tonnes, roughly the same as the year before. The start of production from Sleipner East in October 1993 will mean a substantial increase in Statoil's output of NGL and condensate from the Norwegian continental shelf.

**Refining**

Statoil produced about 10.6 million tonnes of refined products in 1993, compared with 10 million the year before.

Output from Statoil Mongstad came to 7.3 million tonnes, as against seven million in 1992.

Refining margins at highly upgraded refineries remained relatively low for most of 1993. However, these margins rose somewhat in the third quarter and were markedly higher in October-December. Mongstad's financial performance in 1993 showed a significant improvement from the two preceding years. This primarily reflects the results of the improvement programme being pursued in 1992-94.

The refinery recorded good environmental and safety figures. Only one lost-time injury was registered among its own workforce in 1993. All emissions were below the ceilings specified by the regulatory authorities.

Kalundborg saw good refining margins, particularly in the second half-year, and its plant availability remained high. The refinery is being expanded with a plant for refining condensate, which will increase overall annual capacity by 50 per cent to 4.8 million tonnes. This plant is due to be completed in the first half of 1995, some later than originally planned. Its estimated cost will be DKK 2.6 billion, up from about DKK 2.2 billion.

**Product sales**

Like the crude oil market, the international market for oil products was affected by falling prices during 1993. The decline was particularly sharp in the fourth quarter.

Product prices in the USA were below the European level for most of the year, so Mongstad shipped fewer cargoes of products across the

Atlantic in 1993. Most of the refinery's output was sold to northern Europe.

Statoil has expanded its markets to include the Mediterranean and Far East.

**Maritime transport**

Results from Statoil's shipping business in 1993 were significantly better than the year before, thanks to higher freight rates in the conventional tanker business and increased lifting of cargoes from offshore fields.

Several new contracts on the Norwegian and British continental shelves have expanded Statoil's involvement in offshore loading and reinforced its leading position in this sector. Shuttle tanker operations are now pursued on four Norwegian fields - Statfjord, Gullfaks, Snorre and Draugen. On the UK continental shelf, the group is responsible for shipping oil from the Gryphon, Maureen and Emerald fields. Offshore loading contracts have also been secured for the Alba and Forth fields.

Considerable international interest has been shown in the new storage-free submerged turret loading (STL) system developed by Statoil in cooperation with Norwegian engineering company MCG. A separate company, Advanced Production and Loading (APL), has been established by Statoil and MCG to market technology, equipment and technical services.

The STL solution was adopted in 1993 on Britain's Fulmar field, which is operated by Shell. Statoil UK owns m/t *Vinga*, the storage vessel used on Fulmar. Also adopted for the Heidrun field off mid-Norway and Britain's Forth field, the STL system offers substantial savings and higher plant availability to field developers. Statoil is cooperating with APL to adapt this technology for use on production ships as well.

At the end of 1993, Statoil operated an overall fleet of 33 vessels totalling 2.8 million deadweight tonnes. With the exception of the *Vinga*, all these vessels were chartered in. The average age of the fleet, which embraces purpose-built shuttle tankers and conventional crude oil, product and gas carriers, is 5.5 years. This compares with 15 years for the world fleet as a whole.

*M/t* Vinga.

**Marketing**

Statoil became Scandinavia's leading petrol retailer in 1993, with an overall market share of some 25 per cent. Its share of total oil product sales came to roughly 23 per cent in 1993, compared with an average of about 22 per cent for both 1992 and 1993.

Acquisition and construction of service stations, rationalisation and efficiency improvements won Statoil new market share and further strengthened its relations with customers.

Apart from rebranding about 400 former BP stations in Sweden and Ireland, Statoil opened service stations in Germany, Poland, Latvia and Russia during 1993.

At the end of the year, the group operated some 1 900 stations in nine countries.

Statoil Norge achieved a significantly improved operating result in 1993, and confirmed its position as Norway's largest and leading petrol retailer.




*W Iwanowski, mayor of Warsaw suburb Zakroczym, opened Statoil's first service station in Poland. Staffan Riben, then president of Refining & Marketing, is to the left and Jan Blix Nilsen, head of Statoil's Warsaw office, stands on the right.*

Its overall market share rose by one per cent to 31.5 per cent, and its share of petrol sales climbed from 28.2 to 28.3 per cent.

Statoil Norge became the first oil company in Norway to introduce a new unleaded and environment-friendlier petrol aimed at cars unable to use conventional unleaded grades. The new petrol had been introduced nationwide by December, and all the group's service stations were fully unleaded by the end of the year.

Acquiring 240 BP stations in Sweden made Svenska Statoil the country's leading petrol retailer, with a market share of 26 per cent compared with 18 per cent before the acquisition. Svenska Statoil's 1993 results were weaker than the year before. The Swedish market for oil products contracted under the impact of sharp tax increases, recession and a mild winter. However, Statoil's share of the overall market in Sweden rose from about 17 per cent in 1992 to roughly 20 per cent by the end of 1993.

Svenska Statoil's service stations also converted completely to unleaded petrol in 1993.

Statoil's 1993 result in Denmark was significantly better than the year before. Improved profitability in the motorist market contributed to this improvement.



Total market share declined from 22.7 per cent in 1992 to 21.7 per cent because Danish imports of bunkers rose during 1993. Statoil's sales to this market are relatively insignificant.

The share for Denmark's petrol market remained stable during 1993, at about 20 per cent.

Statoil's business in Ireland showed good results after the first full operating year.

Statoil's total market share in Ireland rose from 9.6 per cent in 1992 to 10 per cent. Its share of petrol sales rose from 11 per cent to 11.4 per cent.

**Market prospects**

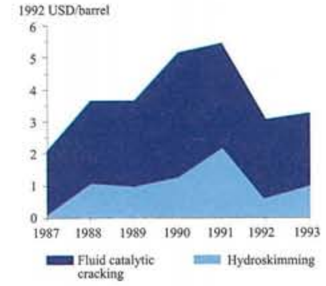
Scandinavian markets are affected by stagnant demand for oil products and keener competition over market share. The need to restructure and to improve efficiency will grow, while environmental standards for refinery processes, distribution and product quality are set to become more stringent. Statoil is continuing its efforts to strengthen the group's market position in Scandinavia, while also pursuing gradual expansion in new markets around the Baltic.

In the crude oil market, Statoil expects prices to remain low in the short term, with some improvement in a longer perspective.

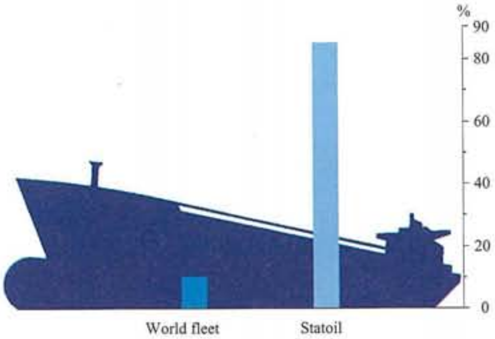
Key figures (NOK million)

| Income statement | 1993 | 1992 | 1991 |
|---|---|---|---|
| Operating revenue | 64 344 | 58 112 | 58 609 |
| Operating costs (excl depreciation) | 62 064 | 55 972 | 56 526 |
| Depreciation | 1 579 | 1 509 | 1 425 |
| Operating profit | 701 | 631 | 658 |

| Balance sheet at 31 December | | | |
|---|---|---|---|
| Fixed assets | 16 396 | 14 486 | 14 612 |
| Current assets | 12 502 | 13 099 | 12 985 |
| Total assets | 28 898 | 27 585 | 27 597 |




*Gross refining margins.*




*Ships with double hull.*

*Statoil and Neste signed the agreement to merge their petrochemical operations in the new Borealis company on 10 January 1994. From left: Statoil chief executive Harald Norvik, Borealis chief executive Juha Rantanen, deputy Borealis chief executive Svein Rennemo and Neste chief executive Jaakko Ihamuotila.*

*The Petrochemicals & Plastics business area is responsible for product development, production and marketing of basic petrochemicals, plastic raw materials, specialty products and finished plastic components. There were 2 394 employees at 31 December 1993. With financial effect from 1 January 1994, the business area's operations have been transferred to Borealis. This company is owned 50-50 by Statoil and Finland's Neste group.*

**Highlights**
- Statoil and Finnish oil company Neste negotiated an agreement to merge their respective petrochemical operations in a new company, Borealis. Owned on a 50-50 basis by Statoil and Neste, this company will have more than 6 000 employees, a turnover of NOK 18 billion and a head office in Copenhagen.
- Profitability in the petrochemicals sector during 1992-93 was at its lowest since the early 1980s.
- Efforts to cut costs and improve efficiency in the various businesses yielded substantial results.
- Greater uncertainty in the market prompted Statoil to cancel plans for building an MTBE plant at Kårstø.

**Results**
The operating loss was reduced from NOK 446 million in 1992 to NOK 423 million. This includes NOK 177 million in extra investment and winding-up costs relating to the cancelled MTBE project at Kårstø.

The underlying improvement in results from operations compared with 1992 can be attributed to rather higher margins and reduced costs. However, the result remains unsatisfactory and must be viewed in relation to the recession affecting the principal markets and the industry's structural problems. At the same time, considerable progress was made in reducing costs and improving the efficiency of the business area's operations.

Prices for the principal products - ethylene, propylene, polyethylene and polypropylene - from the fourth quarter of 1992 (the lowest for 10-15 years) persisted throughout 1993, with the exception of a brief recovery in plastic raw material prices during the second and third quarters.

In addition, the propylene plant at North Sea Petrochemicals in Antwerp was shut down at the beginning and end of the year for market reasons.

Results achieved by Statoil EuroParts with polymer components are moving in a positive direction after a far-reaching improvement programme. Volume has increased in the car components part of its business through contracts for new Swedish vehicle models. Car sales for EuroParts' customers have been rising since the end of the year after reaching their lowest level since the 1950s.

Costs related to preparations for the Statoil-Neste petrochemicals merger have been charged to the business area's operating results for the year.

**The market**
Pressure on prices and low demand continued to affect the west European petrochemical industry in 1993 due to a combination of weak economic growth in Europe and substantial spare production capacity for petrochemical products. In addition, Europe has become more exposed to pressure from imports.

Reducing the present overcapacity will take considerable time. Capacity utilisation at existing plants still averages 80-85 per cent, compared with more than 95 per cent at the end of the 1980s. This difference means a great deal for profitability. Capacity utilisation at most of Statoil's plants was around 90 per cent.

Profitability in the petrochemical sector is at its lowest since the early 1980s, and many players have reported losses. With no visible signs of early improvement, the petrochemical industry must continue to work hard to improve cost efficiency and restructure in order to improve profitability. Structural changes will be particularly important in western Europe over coming years. Several petrochemical producers are therefore involved in talks on collaboration through mergers or alliances to strengthen their competitive positions.

Overall growth in western Europe's consumption of polyethylene and polypropylene was weaker during 1993 than in earlier years. Growth declined from around five to 10 per cent in the late 1980s to about one per cent during 1993. Expansion is nevertheless expected to lie somewhat above the general growth rate for most product categories, particularly polypropylene.

In a stagnant market for polyethylene and polypropylene, Statoil achieved a 10 per cent increase in sales volume during 1993. Much of this growth occurred in European Union countries, and reflects customer-oriented product development and a high level of service.

**Operations**
No serious injuries, fires or emissions occurred during the year. However, the overall lost-time injury rate was slightly higher than in 1992. The cracker at Stenungsund has operated for almost three years without lost-time injuries to its own personnel.

Apart from a couple of minor emissions at the

BOREALIS

*Borealis' logo is inspired by the Northern Lights.*

Bamble facility and from gas cleaning at Euro-Parts in Ljungby, all plants stayed below the emission ceilings specified by the regulatory authorities.

Statoil produced 528 000 tonnes of ethylene and 337 000 tonnes of propylene at its wholly- and partly-owned plants. Ethylene production was on a par with 1992. Total propylene production was higher than in 1992, but the Antwerp propylene plant experienced low capacity utilisation on an annual basis. This facility was shut down at the beginning and end of the year due to very weak margins.

Production of polyethylene and polypropylene rose to 260 000 and 183 000 tonnes respectively, up by about 10 per cent from the year before. Plant availability and capacity utilisation were high at the polyolefin plants in Bamble and Antwerp. Production quality at the latter is now steadily improving, and the complex has a greater potential for capacity increases than previously assumed.

Commercial production of PlyTron, a specialty product based on glassfibre-reinforced polypropylene, began at the Hamburg plant.

Statoil EuroParts in Sweden implemented a far-reaching programme to improve quality and productivity. Its payroll was reduced by about 200.

The new MTBE plant at the Stenungsund cracker came on line in June. With an annual capacity of 50 000 tonnes, this facility is based on processing isobutane, a cracker by-product. MTBE is sold to refineries as a substitute for lead in petrol.

**Investment**

Petrochemicals & Plastics invested NOK 184 million in 1993, the lowest spend for many years. Factors accounting for this contraction include an adjustment to the business area's weak results, the cancellation of the MTBE project at Kårstø and the transfer of the planned methanol plant at Tjeldbergodden to the Natural Gas business area in connection with the Statoil-Neste petrochemicals merger.

Investment in an MTBE plant with a capacity of 50 000 tonnes per annum was completed on schedule at Stenungsund in 1993.

Other investments included modifications and streamlining at the Bamble polypropylene plant and the installation of production facilities for PlyTron at the Hamburg plant.

It was decided in 1993 to build a recycling plant for plastic waste together with Norsk Hydro. Sited in south-east Norway, this NOK 80 million facility is expected to be ready at the beginning of 1995. Capacity will be 6 000 tonnes per annum.

**The Statoil/Neste merger**

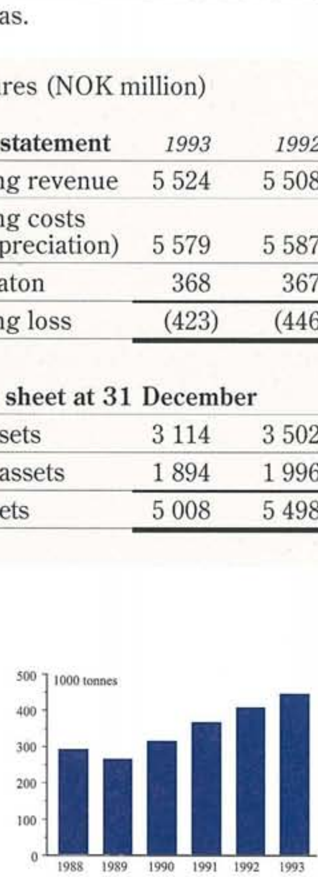
Statoil and Neste signed a letter of understanding in June on establishing a petrochemical company to be owned on a 50-50 basis by the two groups. The final agreement was signed in Copenhagen on 10 January 1994, and the new company has been given the name Borealis.

Borealis will begin operating on 1 March 1994, with its head office in Copenhagen. It will be Europe's biggest producer of polyolefins and the fifth largest in the world, with forecast revenues of NOK 18 billion and more than 6 000 employees. Possessing its own production facilities in eight countries, the new company will include Statoil's entire petrochemicals business after the transfer of the methanol division to Natural Gas.

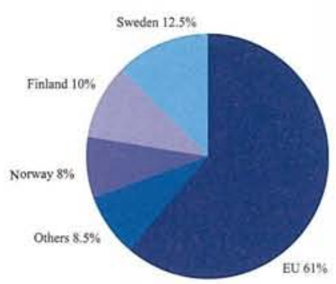
Key figures (NOK million)

| Income statement | *1993* | *1992* | *1991* |
|---|---|---|---|
| Operating revenue | 5 524 | 5 508 | 6 002 |
| Operating costs (excl depreciation) | 5 579 | 5 587 | 5 719 |
| Depreciaton | 368 | 367 | 315 |
| Operating loss | (423) | (446) | (32) |

| Balance sheet at 31 December | | | |
|---|---|---|---|
| Fixed assets | 3 114 | 3 502 | 3 485 |
| Current assets | 1 894 | 1 996 | 2 024 |
| Total assets | 5 008 | 5 498 | 5 509 |




*Production of polyethylene and polypropylene.*




*Sales of plastics raw materials by markets.*

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Statoil manages overall state participation in petroleum operations on the Norwegian continental shelf through its own equity share and the government's direct financial interest (GDFI).

Commercial principles are observed in adding value to and developing the state's overall participation in the petroleum business.

Statoil prepares separate financial statements for revenue, expenditure and investment related to the GDFI, and pro forma consolidated figures for the GDFI and the Statoil group's upstream operations on the Norwegian continental shelf.

**Production**

Crude oil availability for the state's overall involvement came to 410.5 million barrels in 1993, an increase of 10.2 per cent or 37.8 million barrels.

Overall production is expected to continue expanding over the next few years, with the relative share of the GDFI set to increase substantially.

**Reserves**

Exploration operations on the Norwegian continental shelf in 1993 proved 233 million barrels of oil and 17 billion cubic metres of gas for the state's overall involvement.

Together with an upgrading of earlier probable reserves, these discoveries helped to increase total reserves by three per cent for oil to 6 648 million barrels, and by 0.5 per cent for gas to 1 519 billion cubic metres.

Annual production and reserves put Statoil among the world's leading oil industry players.

**Results**

Operating profit for the overall state involvement on the Norwegian continental shelf came to NOK 28 800 million in 1993, an increase of NOK 4 800 million from the year before.

**Investment**

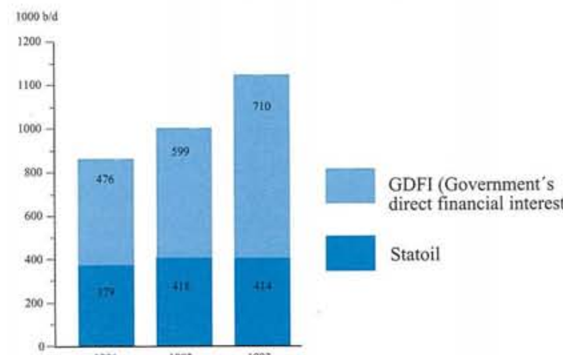
Overall investment in 1993 totalled NOK 34 000 million, a rise of 27 per cent or NOK 8 500 million on the year before.

Key figures (NOK million)[1]

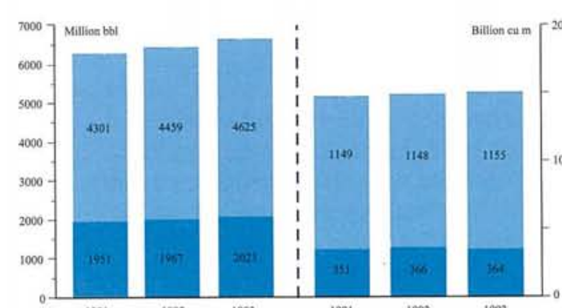
| | *1993* | *1992* | *1991* |
|---|---|---|---|
| Operating revenue | 68 100 | 62 200 | 56 400 |
| Operating expenses (excl depreciation) | 23 700 | 22 800 | 19 500 |
| Exploration costs | 2 200 | 2 900 | 1 800 |
| Depreciation | 13 400 | 12 500 | 10 900 |
| Operating profit | 28 800 | 24 000 | 24 200 |
| | | | |
| Fixed assets at 1 Jan | 127 800 | 114 800 | 106 300 |
| Investment | 34 000 | 25 500 | 19 500 |
| Depreciation | 13 400 | 12 500 | 11 000 |
| Fixed assets at 31 Dec | 148 400 | 127 800 | 114 800 |

*[1]Pro forma consolidation of overall Statoil and GDFI operations on the Norwegian continental shelf.*

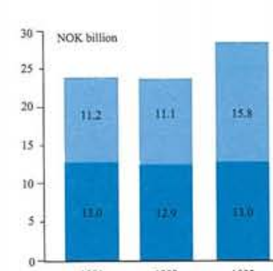




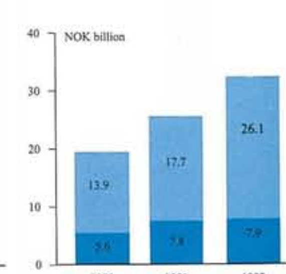

*Oil production*




*Reserves*




*Operating profit*




*Investment*

Continuous improvements in health, the environment, safety and quality represent central values and goals for the Statoil group. Training, motivation and strict standards are important tools in reaching this target. Improvements to work processes, management and controls are needed to prevent accidents.

**Health and the work environment**
An extensive culture and work environment survey was carried out in 1993, with an emphasis on such factors as managerial, organisational and social conditions in the organisation. Results indicate that our employees generally regard the work environment as good, while areas capable of improvement have been identified.

In cooperation with our suppliers, efforts have been intensified to build work environment quality into the engineering base and the construction phase. New contract models adopted for development projects aim to increase the commitment of suppliers to health, the environment and safety.

**The environment**
A separate environmental report published by the group provides an overview of environmental measures, environment-related investment, emissions to air and water, and waste production.

Statoil met regulatory emission requirements in 1993, apart from a few minor emissions at Bamble and a cleaning column failure at Statoil EuroParts.

Much was done in 1993 to incorporate environmental considerations in strategies and business plans as part of a total environmental management system. Requirements for environmental impact assessments were tightened. Environmental requirements are also being imposed on suppliers.

Statoil is involved in the work of the International Organisation for Standardisation (ISO) on standards for environmental management. Through its membership of the World Industry Council for the Environment, the group also participates in shaping industry attitudes.

Several environmental research projects are supported by Statoil. In-house research focuses on the development of products, processes and technology which aim to reduce emissions and waste. Work is also being pursued in cooperation with others on new technology, new products and recycling or recovery of materials. Examples are the planned plastics recycling plant in south-east Norway and the industrial symbiosis project in Kalundborg.

Leaded petrol has been almost eliminated from Statoil's service stations. All the stations in Sweden and Norway converted to petrol containing potassium for cars which previously needed leaded petrol.


*Statoil's internal Safety Cup quiz attracted 4 500 participants. It was won by a team from the research and development division in Trondheim. From left: Trygve Lægreid, Jorunn Steinsland and Morten Rønnekleiv.*

Agreement was reached on landing Europipe through northern Germany's Wadden See conservation zone, with a tunnel beneath the most sensitive area. Statoil is contributing to an environmental fund for the region.

*Statoil Mongstad won the chief executive's safety award for 1993. Signy Midtbø Riisnes, senior vice president environment, accepted the award.*

**Safety**
Statoil places great emphasis on avoiding accidents at work. The lost-time injury rate continues to fall, but this decline has slowed in recent years. To achieve further improvements, attention has focused on follow-up, with increased registration of near-miss injuries and accidents. The group lost two employees in a tragic accident on the Statfjord field in November.

Norway's offshore sector, including some of Statoil's operations, has seen a general increase in the number of gas leaks with a serious potential for damage in recent years. A major programme has been launched by the group to identify underlying reasons for this trend so that effective counter-measures can be instituted.

Statoil has a significant role as the operator of gas pipelines to Europe. Security measures in the various stages of these transport systems have been assessed. A greater focus on security aspects and risk management associated with internationalisation is being followed up. No serious security breaches occurred in 1993.

**Quality**
Projects aimed at achieving continuous improvements are being pursued in all parts of the group. Several units can report encouraging results, and this work will continue.

Work on gaining certification to the ISO 9000 quality assurance standard continues, with the number of ISO-certified units rising from six to 10 during 1993.

*Statoil's new research centre at Rotvoll in Trondheim.*



**Highlights**

- The new Research Centre at Rotvoll in Trondheim was taken into use.
- A strong focus on technology that can help to make small oil and gas fields profitable.
- Major advances in drilling technology.
- Good results in multiphase flow.
- Good progress with catalyst technology.

**Important for competitiveness**

Successful research and development is extremely important for competitiveness in the oil industry. A conscious commitment in selected areas and cooperation with private and public research institutes form the basis for the Statoil group's research efforts.

Statoil's new Research Centre at Rotvoll in Trondheim was taken into use at the end of 1993.

**Exploration and production technology**

Oil and gas production based on a number of small fields, located mainly in deep water and far from established infrastructure, will be among future challenges on the Norwegian continental shelf. Tying such fields back to existing processing and transport facilities will be an important element in converting Norwegian oil and gas resources to reserves that can be produced profitably.

Improved well productivity and an enhanced ability to take full production advantage of long highly-deviated and horizontal wells make a significant contribution to improved recovery. Our ability to understand and describe production processes, and to estimate reserves and production profiles, is crucial for reducing uncertainty and thereby for optimising resource utilisation and adding more value from both new and existing fields.

Major advances have been made in drilling horizontal and extended-reach wells over the past decade. The results are reduced development costs and better opportunities for improved recovery. A new computer programme developed at the Research Centre to simulate oil, gas and water flows in highly-deviated and horizontal wells yields a significant improvement in the recovery factor.

Statoil has been working for several years to develop gas-based and chemical methods for improving oil recovery. The Research Centre is pursuing laboratory experiments to promote understanding of the processes involved with a view to developing and applying models and simulation tools that can provide reliable results. Gas-based methods have already been adopted to improve recovery, with good results on Gullfaks and Statfjord.

**Development and operations technology**

Multiphase technology is a collective term for transferring a wholly or partly unprocessed wellstream in one pipeline from the reservoir to the production facility. Using multiphase transport from small fields to existing platforms or directly to processing facilities on land will be crucial for the profitability of future field developments. Statoil plays a central role in multiphase research. The Institute for Energy Technology (IFE) near Oslo and the Sintef research foundation in Trondheim support work on flow modelling, reducing corrosion rates and hydrate control. Bergen-based Framo Engineering has cooperated with Statoil in developing and commercialising multiphase pumps and meters. One result is that the Poseidon multiphase pump was ready for testing on the Gullfaks A platform at the beginning of 1994.

Results from multiphase research have simplified the development of the Troll field.

Multiphase flow is also utilised to transfer wellstreams from subsea wells on Tommeliten and Gullfaks. The Statfjord North and Statfjord East satellites exemplify a new generation of subsea solutions. Blends of gas, condensate and water are piped from seabed templates on the Sleipner East and Loke fields to the Sleipner A platform. On stream since August 1993, these seabed systems have achieved the highest production rate per well ever recorded for subsea installations.

During the start-up of Sleipner A, Statoil employed for the first time simultaneous computer simulation of the production process and actual offshore processing. Researchers and operations personnel cooperated on finding immediate solutions to technical problems. Similar collaboration schemes have been developed on land and with other offshore installations.

**Coordination technology**

Statoil is working with the University of Trondheim and Norwegian Telecom in a research programme on applied coordination technology. This five-year scheme aims to develop tools and methods that permit effective transfer of experience. A core objective for Statoil is to reduce the time between the award of an exploration licence and the start of production with the aid of this programme.

**Downstream technology**

All Statoil's process facilities employ catalysts. Effective operation and new product quality requirements call for continuous development of catalyst technology. Chemical reactors play a vital part in adding value at Statoil's refineries and petrochemical plants. The Research Centre has contributed to significant improvements in catalysts, reactors and processes.

The gas to middle distillates (GMD) project has involved laboratory experiments and process assessments. Five patents have been acquired, and the project places Statoil among the three leading companies in this area.

Statoil's research programme on fuel cells is continuing. New technology developed by the group converts natural gas directly to electricity with the aid of high-temperature fuel cells in which paper-thin wafers serve as the electrolyte. This solution offers opportunities for more effective and environment-friendly power generation both on land and offshore.

**Environment**

The Research Centre's environmental expertise has been developed with an eye to the possible impact of Statoil's operations and products on health and the environment. Life-cycle analyses and studies of the health effects of our operations are performed. Detailed tests have been carried out in the field of emissions, with a particular emphasis on greenhouse gases.

*The XVII Olympic winter games opened in Lillehammer on 12 February 1994. A member of the Birkebeiner Team, Statoil was one of the principal sponsors.*

Statoil has been using sponsorship for several years as a marketing instrument and a means of enhancing the group's image.

**Sport**

Statoil has been a principal sponsor of the 1994 winter Olympics at Lillehammer, and a member of the Birkebeiner Team of such sponsors. As the only oil company in the team, the group delivered motor fuel for the Olympic fleet of almost 1 800 vehicles during the games. Statoil also supplied the gas for the Olympic torch and torch relay as well as the Olympic flame.

The group exploited its agreement with the Olympics to pursue a major employee motivation programme - the Statoiliad. This focused on three important areas: the environment, safety and employee fitness. A total of 10 000 employees in Scandinavia participated in these activities. An extensive corporate identity campaign and a number of sales promotions have been linked to the Olympic commitment.

Statoil has also been a principal sponsor of the Paralympics winter games for the disabled, which were staged at Lillehammer shortly after the Olympics.

Under a major framework agreement concluded with the Norwegian Olympic Committee in November 1993, Statoil will become the principal sponsor for top-class sport and the development of Norwegian sporting talent in Norway for a three-year period. The agreement makes Statoil the leading backer for developing such talent in Norway. As part of its cooperation with the NOC, the group is concluding agreements with the various governing bodies for both summer and winter sports in Norway.

**Culture**

Over the past few years, Statoil has cooperated with four promising young Norwegian musicians: cellist Truls Mørk, trumpet player Ole Edvard Antonsen, pianist Leif Ove Andsnes and violinist Marianne Thorsen. All four have won wide national and international acclaim.

The group was also the principal sponsor during 1993 for the Winterland travelling exhibition of Norwegian paintings on winter themes. These works were presented in the Olympic cities of Atlanta, Tokyo, Barcelona and Munich, and have been shown in Lillehammer both during and after the Olympics. HM Queen Sonja has been the artistic adviser to the exhibition. Winterland formed part of the cultural programme for the winter Olympics, and is the responsibility of the Lillehammer Olympic Organising Committee.

Statoil also cooperated in 1993 with Ministry of Foreign Affairs and the organiser of the 150th anniversary of the birth of Edvard Grieg to celebrate this occasion in Norway and abroad. The start of gas deliveries under the Troll sales agreements was also linked to the Grieg anniversary in several European cities.

The group has been an important contributor for many years to several Norwegian music festivals, such as the Bergen International Festival. A sponsorship agreement with the Stavanger Symphony Orchestra was also renewed last autumn.

**Nature conservation**

The group had a principal sponsorship agreement with the Norwegian Society for the Conservation of Nature during 1993. This covered an information campaign focusing on marine areas along the Norwegian coast that are particularly worth protecting.

Statoil Finance is responsible for corporate financing, insurance and management of the group's financial risks. These operations are handled by the parent company's finance department, the Statoil Coordination Center NV and Statoil Forsikring a.s subsidiaries in Brussels and Stavanger respectively, and the finance departments of the principal subsidiaries.

Financial risk is managed through established group strategies for foreign exchange, interest rates and funding. Trading is also conducted in shares, foreign currencies and interest instruments.

The Statoil group's annual net cash flow in foreign currencies corresponds to about NOK 60 billion, of which roughly 90 per cent is in US dollars. This US dollar exposure is partly offset by the fact that most of the group's borrowing is made in or converted to US dollars. The strengthening of the US dollar against the Norwegian krone in 1993 has produced an unrealised currency loss, which has been charged in its entirety to the income statement for the year.

Average interest charged in US dollars on the group's long-term debt stood at 7.6 per cent in 1991. It fell to 4.6 per cent in the following year and was 4.4 per cent in 1993. As a result, the group's interest costs were about NOK 700 million lower in both 1992 and 1993 when compared with 1991.

Partly as a result of the decline in interest rates, a substantial share of the group's liquid assets has been replaced with committed credit facilities. A five-year revolving credit facility of USD 1 billion was established during 1993 with a consortium of 19 international banks.

The group's liquid reserves totalled about NOK 9.4 billion at the end of 1993, as against 9.2 billion 12 months earlier. Relatively little use was made of the group's US commercial paper programme at the end of the year. Moody's and Standard & Poor's Corporation have given the Statoil group their highest ratings for short-term debt.

At the end of the year, the group's long-term loan portfolio totalled NOK 22.2 billion with an average maturity of 7.6 years. Statoil raised a 10-year loan of JPY 6 billion in Japan during 1993, and issued USD 100 million in 30-years bonds through a private placement, primarily in the US market. A five-year bank loan of GBP 30 million was also established.

Statoil Finance is responsible for fund management of three separate securities portfolios: the parent company's, Statoil Forsikring (insurance) and Statoils Pensjonskasse (pension fund). Assets of the pension fund, which is organised as an independent trust, are not consolidated in Statoil's balance sheet. Some NOK 5.5 billion of the total funds under management - which amount to roughly NOK 6.6 billion (including NOK 3.5 billion in the pension fund) - was held in the form of bonds, including NOK 0.5 billion in foreign government bonds. The remainder, roughly NOK 1.1 billion, was placed in the Norwegian stock market.

Property insurance is managed by Statoil Forsikring a.s, which provides the group with cover for offshore and land-based operations as well as transport and third-party liability risks. Statoil Forsikring retains an average of 15-20 per cent of the risk for its own account, with the remainder placed in the international reinsurance market. Statoil Forsikring's 1993 net profit before allocations came to NOK 638 million, and total reserves at the end of the year amounted to NOK 2.6 billion.

November 1993

This announcement appears as a matter of record only

STATOIL

**Den norske stats oljeselskap a.s**

**U.S.$1,000,000,000**
**Multicurrency Revolving Credit and Swingline Facility**

**Participating Banks**

| | |
|---|---|
| ABN AMRO Bank N.V. | The Bank of Tokyo, Ltd. |
| Banque Nationale de Paris | Barclays Bank PLC |
| Bayerische Landesbank Girozentrale | The Chase Manhattan Bank, N.A. |
| Christiania Bank og Kreditkasse | Citibank, N.A. |
| Credit Suisse | Den Danske Bank |
| Deutsche Bank Luxembourg S.A. Co-ordinator and Facility Agent | Dresdner Bank Luxembourg S.A. |
| The Mitsubishi Bank, Limited | Morgan Guaranty Trust Company of New York Co-ordinator and Swingline Agent |
| The Royal Bank of Canada Group | Skandinaviska Enskilda Banken |
| Société Générale | Swiss Bank Corporation |
| Union Bank of Switzerland | |

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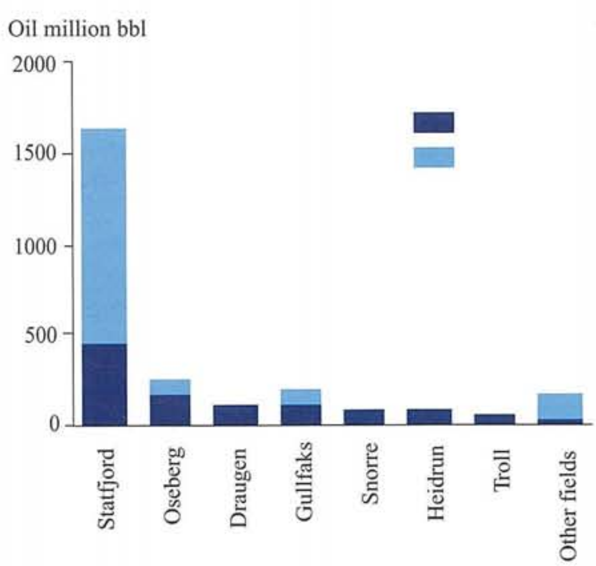
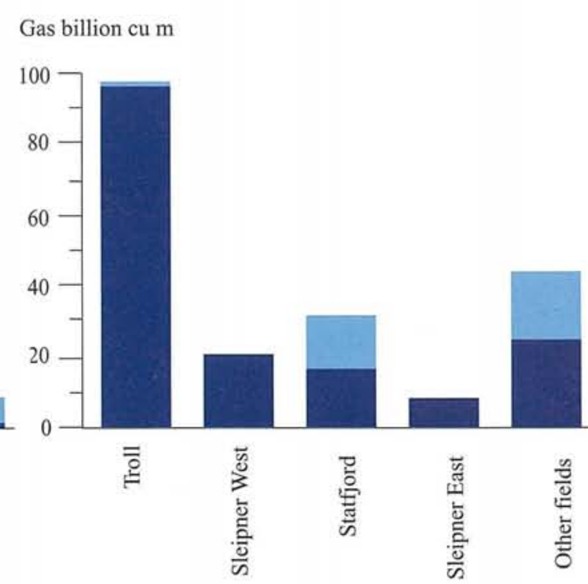
**Statoil's equity share**

| *Oil* in millions of barrels*<br>*Gas in billions of cu m* | *1993*<br>*Oil* | *Gas* | *1992*<br>*Oil* | *Gas* | *1991*<br>*Oil* | *Gas* |
|---|---|---|---|---|---|---|
| **Probable reserves** | | | | | | |
| Beginning of year | 1 967 | 366 | 1 951 | 351 | 2 098 | 352 |
| Revisions of previous estimates | 149 | (5) | 132 | 14 | (103) | (7) |
| Extensions and discoveries | 85 | 7 | 60 | 3 | 127 | 9 |
| Purchases of reserves | 11 | 1 | - | 2 | 6 | 1 |
| Sales of reserves | (12) | - | - | - | (13) | - |
| Production | (177) | (5) | (176) | (4) | (164) | (4) |
| End of year | 2 023 | 364 | 1 967 | 366 | 1 951 | 351 |
| Of which: | | | | | | |
| Fields in production | 1 081 | 44 | 934 | 36 | 930 | 30 |
| Fields under development | 313 | 125 | 441 | 116 | 370 | 87 |
| Fields awaiting development | 629 | 195 | 592 | 214 | 651 | 234 |
| **Proven reserves** | | | | | | |
| End of year | 1 870 | 340 | 1 830 | 340 | 1 810 | 320 |

*) Oil includes natural gas liquids



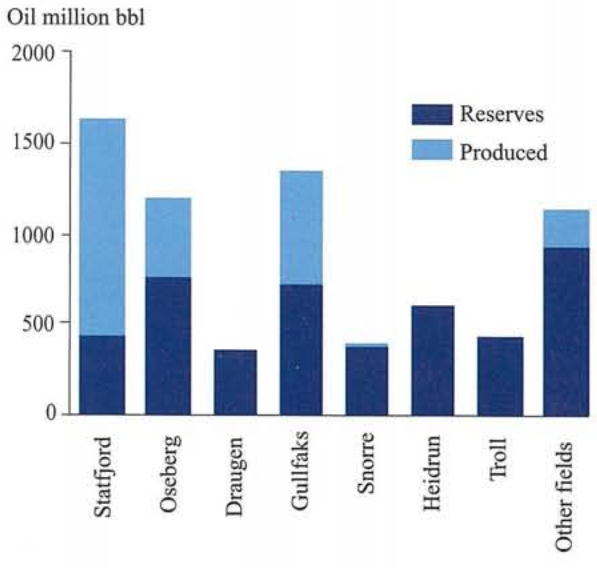


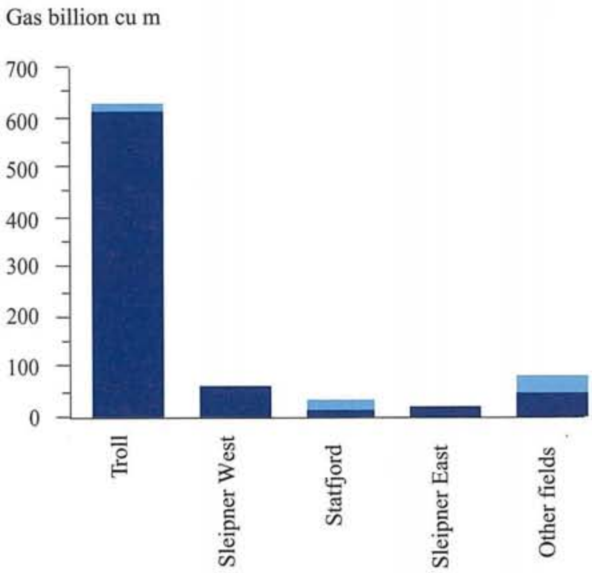



**Statoil's participating share (equity share + GDFI)**

| *Oil* in millions of barrels* *Gas in billions of cu m* | *1993* Oil | *Gas* | *1992* Oil | *Gas* | *1991* Oil | *Gas* |
|---|---|---|---|---|---|---|
| **Probable reserves** | | | | | | |
| Beginning of year | 6 426 | 1 514 | 6 252 | 1 500 | 5 993 | 1 491 |
| Revisions of previous estimates | 441 | (2) | 344 | 14 | 280 | (6) |
| Extensions and discoveries | 233 | 17 | 226 | 8 | 326 | 22 |
| Purchases of reserves | 11 | 1 | - | 2 | 6 | 1 |
| Sales of reserves | (24) | - | - | - | (13) | - |
| Production | (439) | (11) | (396) | (10) | (340) | (8) |
| End of year | 6 648 | 1 519 | 6 426 | 1 514 | 6 252 | 1 500 |
| Of which: | | | | | | |
| Fields in production | 3 054 | 80 | 2 555 | 65 | 2 483 | 64 |
| Fields under development | 1 584 | 674 | 1 895 | 556 | 1 603 | 481 |
| Fields awaiting development | 2 010 | 765 | 1 976 | 893 | 2 166 | 955 |
| **Proven reserves** | | | | | | |
| End of year | 6 240 | 1 370 | 6 030 | 1 360 | 5 860 | 1 350 |

*) Oil includes natural gas liquids



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