Annual report and accounts 2000

STATOIL

Den norske stats oljeselskap a.s - Statoil - was founded as a wholly state-owned limited company by a unanimous vote of the Storting (parliament) on 14 June 1972. Over almost 30 years, the group has developed in line with its articles of association into a fully integrated oil company. It has operations today in 23 countries through an organisation with 16 800 employees.

The group ranks today as the leading player on the Norwegian continental shelf (NCS) in exploration for as well as production and transport of oil and gas. It possesses refining capacity in Norway, Denmark and the Netherlands. In addition, Statoil has developed into an important gas company in Europe and a leading retailer of petrol and other oil products in Scandinavia.

Statoil has a 50 per cent interest in the Borealis petrochemicals group and owns 80 per cent of the Navion shipping company, a world leader for offshore loading.

Over the past decade, the group has gradually built up strong positions in selected countries within exploration for and production of oil and gas.

The state's interests on the NCS were divided in 1985 between Statoil and the state's direct financial interest (SDFI) because the authorities wished to channel a larger share of petroleum revenues directly to the Treasury. Statoil manages the SDFI and markets its oil and gas.

Statoil ranks today as a purely commercial company with a focus on profitability and growth in selected core areas, both upstream and downstream.

The government proposed in December 2000 that Statoil should be listed on the stock market, and that part of the SDFI's portfolio should be sold to the group. This is intended to strengthen value creation in Statoil and Norway's offshore industry, as well as the group's opportunities for further development in the European gas market.

To develop Statoil, an optimisation of its Norwegian offshore portfolio has been necessary. An extensive restructuring of its exploration and production organisation and its overall portfolio on the NCS was carried out in 2000. This has laid the basis for value creation where resources are concentrated on those areas in which the group has the best basis for commercial and technological success.

Review of 2000

PRODUCTION FROM ÅSGARD B, the world's largest floating gas platform, began on 1 October. At the same time, the Åsgard Transport gas trunkline to Kårstø north of Stavanger came into operation. This opened the Norwegian Sea as a gas province with deliveries to major customers in continental Europe via the Europipe II trunkline.

OPERATIONAL, ADMINISTRATIVE AND EXPLORATION costs in Statoil have been reduced by NOK 1.3 billion over the past year, and by a total of NOK 3 billion compared with 1998.

STATOIL PARTICIPATED IN SIX new oil discoveries on the Norwegian continental shelf during the year, including four operated by the group and two operated by partners.

INTERNATIONAL EXPLORATION AND PRODUCTION operations recorded their first-ever profit. Oil and gas discoveries were made in Azerbaijan, Kazakhstan, Angola and Nigeria.

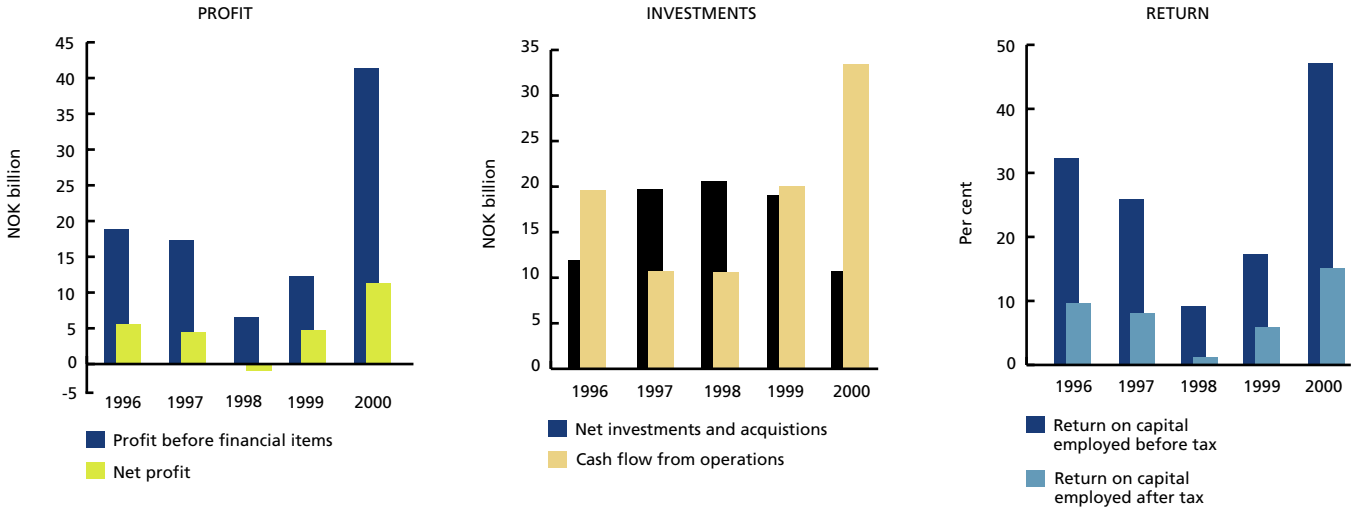
AN AGREEMENT ON A NEW OIL PIPELINE from Baku in Azerbaijan to the Turkish port of Ceyhan on the Mediterranean was signed. Oil is already being piped from Baku to the Black Sea ports of Novorossiysk in Russia and Supsa in Georgia. With production capacity increasing in Azerbaijan, additional transport facilities will be needed in the longer term.

CONSTRUCTION WORK STARTED on a power station outside Dublin owned by Statoil and Ireland's ESB electricity utility. The group also has an interest in the Corrib gas field west of Ireland, the country's first offshore discovery since two small finds in the 1970s. On the retailing side, Statoil is now market leader in the Irish Republic.

Contents

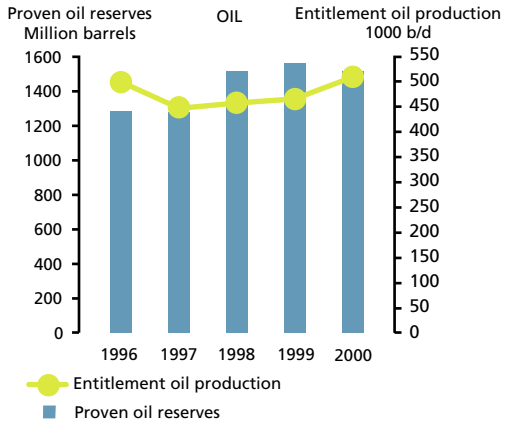
Front cover: The colours of the Norne production ship are reflected in the Norwegian Sea on a calm day.

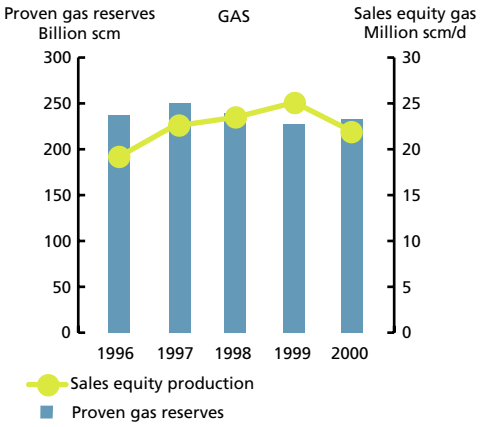
Financial highlights

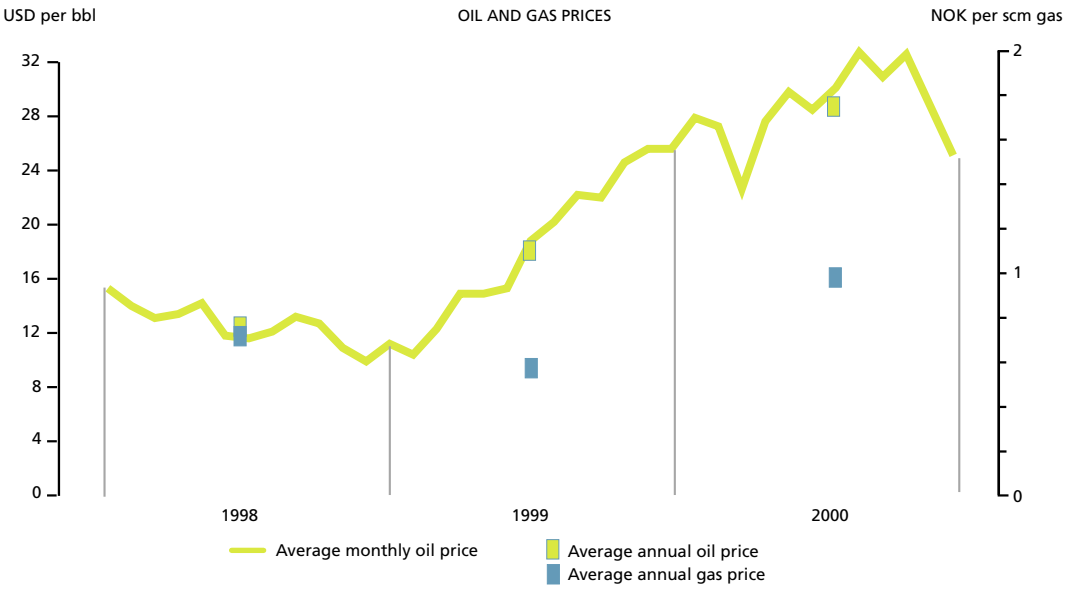


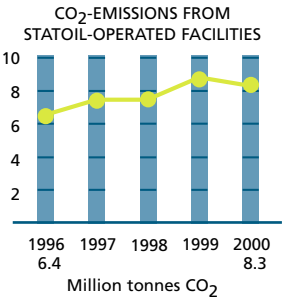
FINANCIAL HIGHLIGHTS (NOK MILLION)	*2000*	*1999*	*1998*	*1997*	*1996*
Operating revenue	208 156	138 788	104 778	122 230	104 689
Profit before financial items	41 351	12 302	6 467	17 323	18 793
Profit before taxation	38 071	13 470	4 214	14 321	18 480
Net profit/(loss)	11 335	4 696	(56)	4 402	5 493
Net investments	10 714	19 036	20 533	19 667	11 910
Cash flow from operations before taxation	50 073	25 753	16 278	23 275	27 860
Net cash flow from operations	33 459	20 037	10 562	10 656	19 638
Interest-bearing debt	37 861	49 534	44 719	29 739	26 955
Shareholder's equity	52 435	44 821	42 967	41 918	38 881
Return on capital employed before tax	47.1 %	17.3 %	9.1 %	25.8 %	32.2 %
Return on capital employed after tax	15.1 %	5.9 %	1.2 %	8.0 %	9.6 %
Return on equity	24.4 %	10.0 %	(0.2 %)	11.0 %	14.9 %
Equity ratio	30.2 %	27.2 %	30.9 %	33.6 %	31.9 %
Net interest-bearing debt/equity	0.46	0.93	1.01	0.66	0.54
Exploration expenditure, in NOK million	2 685	2 265	3 433	3 473	1 644
Entitlement oil production *, in thousands of bpd	509	465	457	448	499
Sales of equity gas, in millions of scm per day	21.9	25.1	23.5	22.5	19
Refinery throughput, in thousands of bpd	315	268	268	273	250
Proven oil reserves *, in millions of barrels	1 517	1 562	1 513	1 279	1 285
Proven gas reserves, in billions of scm	233	227.4	239.4	250.3	237.2

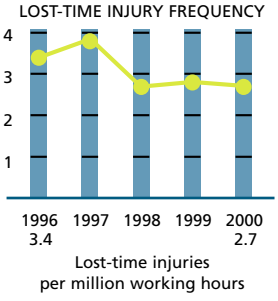
** Including condensate and NGL*

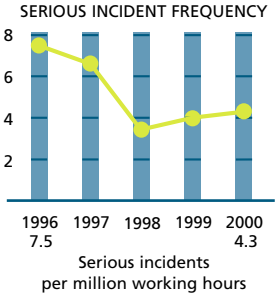












DEFINITIONS:

Capital employed =
Average total assets less non-interest-bearing debt

Return on capital employed before tax =
Profit before tax plus borrowing costs as a percentage of capital employed

Return on capital employed after tax =
Net profit plus borrowing costs after tax as a percentage of capital employed

Return on equity =
Net profit as a percentage of average shareholder's equity and minority interests

Equity ratio =
Shareholder's equity and minority interests, as a percentage of the total balance sheet less accounts payable related to the state's direct financial interest (SDFI)

Cash flow from operations before taxation =
Cash receipts from and cash disbursements to operations less net financial disbursements

Net cash flow from operations =
Cash receipts from and cash disbursements to operations less net financial disbursements and taxes paid

Reserves =
Proven oil and gas reserves are the estimated volumes of crude oil, natural gas and NGL which geological and engineering data demonstrate with a reasonable degree of certainty to be recoverable from known reservoirs under prevailing economic and operating conditions

Lost-time injury frequency =
Number of lost-time injuries per million working hours. Lost-time injury is defined as occupational injury causing absence from work (excluding the day the injury occurred)

Serious incident frequency =
Number of incidents with a high loss potential per million working hours. Such an incident is an event or sequence of events which has or could have caused injury, illness and/or damage to or loss of material assets, damage to the environment or harm to a third party

Åsgard B on stream

Picture: Stern

Åsgard B, the world's largest floating gas platform, sits like a looming giant in the Norwegian Sea at the start of a long life as one of Norway's major production units. Gas deliveries from Åsgard began on 1 October 2000, as specified in the contract with the European buyers. Pipeline links run from the field to Kårstø north of Stavanger and on to continental Europe. Completion of the Åsgard chain has tied a large new gas province in the Norwegian Sea to the country's gas transport system. Åsgard will contribute large volumes of gas to meet Europe's daily energy requirements for many years to come. An important component in the Norwegian gas machine has been put in place for the group, its partners, the Norwegian community, and customers in continental Europe.

The chief executive: A stronger Statoil

Statoil has delivered a record result. Like other oil companies, we have benefited from high oil and gas prices as well as good refinery margins. Our own restructuring programme is yielding results. Costs have been reduced. In addition, we have strengthened our portfolio by selling interests outside our core assets. We have become more efficient, also by comparison with other operators on the Norwegian and UK continental shelves.

Our oil and gas production is increasing. New fields have been brought on stream. Others are under development. We have made interesting discoveries, both on the NCS and internationally. Our oil and gas reserves have been maintained despite rising production.

A systematic commitment to improved oil recovery is yielding results. Fifteen years ago, we expected Statfjord to have a recovery factor of just under 50 per cent. Five years ago, this had been raised to 61.4 per cent. It is now put at 65.6 per cent, and we believe we can get it even higher. Expectations are the same for other fields we operate.

One of our most important production areas is the Tampen region of the NCS, which includes Statfjord, Gullfaks, Snorre, Visund and Kvitebjørn. These fields have so far been developed independently. We now need to eliminate the boundaries between nine licences and take an integrated view of further development in the area. The licensees have to agree on a common strategy. Adjustments in equity interests will be needed if we are going to find the best solution.

Since we are the key player on Tampen, this will be one of our most important assignments.

The upside for the licensees is high:

- a billion barrels in additional recovery
- NOK 50 billion in value added.

But we are more than the NCS. We have moved into promising petroleum provinces world-wide. Strong positions have been established in the global oil market, the European gas market and the retail sectors in Scandinavia, Ireland, Poland and the Baltic states. We have become a valuable brand.

Few people could have imagined when we were founded in June 1972 that Norway would be one of the world's largest oil and gas exporters at the start of the 21st century, or that our group would rank as the leading operator on the NCS. We are responsible as operator for more than half of Norway's total oil and gas production.

On the contrary, the debate in the Storting (parliament) on the creation of a state oil company was characterised by prudence and a recognition that this represented a new industry involving substantial risks. Norway could have experienced losses and failure. The country's decision-makers nevertheless believed it was important to have a wholly state-owned company to derive the maximum benefit from and achieve the desired control over national petroleum resources.

In the early phase of Norwegian offshore development, we were given responsibilities which extended beyond the purely commercial. These have gradually been taken over by the state as the regulatory authority. Today, we compete on an equal footing with other companies for new tasks on the NCS. Our objective is to be as efficient and profitable as our best competitors.

We are no longer an industrial instrument for the authorities. Our privileges have gone.

Enlarged ownership is accordingly a natural development. It will enhance our commercial freedom of action. We will operate on the same terms as our competitors. That will make us more competitive and be an important instrument in our continued development.

We are well placed for the meeting with new owners.

We have a substantial — and long-term – resource base. We have very competent technological specialists and strong positions in oil and gas markets.

We will deliver what we promise. That means a focus on efficiency and profitability. On capital discipline. On new commercial opportunities, at home and abroad. On health, safety and the environment. On maximum value creation.

We will develop into a strong and competent company with a horizon which extends beyond the NCS.

Olav Fjell

Directors' report

INTRODUCTION

The Statoil group achieved a net profit of NOK 11.3 billion in 2000. This represents an improvement of NOK 6.6 billion from the year before. Profit before financial items came to NOK 41.4 billion, up by almost 240 per cent from 1999. Operating revenue rose by 50 per cent to NOK 208.2 billion, while return on capital employed improved from 5.9 per cent in 1999 to 15.1 per cent.

The board is satisfied with these results, which are the best the group has achieved. This strong improvement can principally be attributed to:

- higher oil prices, NOK/USD exchange rate and refining margins
- increased oil production
- cost reductions.

Work on change, cost reductions and restructuring is yielding the desired improvements. The board is maintaining its focus on enhanced efficiency and strong capital discipline in all the business segments. The group's improvement programme will be continued in 2001.

Good results for health, safety and the environment are crucial for value creation by the group and its position. Unfortunately, four fatal accidents were suffered by contractors working for the group during 2000. This underlines the need for increased vigour in pursuing improvement efforts, so that serious accidents are avoided and the level of safety is further improved.

The government has made proposals in its Proposition no 36 (2000-2001) to the Storting (parliament) which will strengthen Statoil. In the board's view, expanded ownership and acquisition of assets from the state's direct financial interest (SDFI) will enhance the group's competitiveness and ability to implement its strategy. The board would note that opportunities for creating value in important areas of the Norwegian continental shelf (NCS) could be strengthened if the authorities were to utilise an even higher proportion of the SDFI for value-creation purposes.

DEVELOPMENTS IN STATOIL'S PRINCIPAL MARKETS

Developments in the global oil market over the past year have been affected by the measures taken by the Opec countries to manage oil

Ole Lund is chairman of the board. A Supreme Court attorney, he has previously been chairman of Den norske Bank and the Oslo Stock Exchange. He was appointed to the Statoil chairmanship in 1999.

prices. Opec is seeking to balance the market by matching production levels to the anticipated growth in demand. The average price of Brent Blend reference crude rose from USD 18 (NOK 140) per barrel in 1999 to USD 28.5 (NOK 251) in 2000.

Demand for gas is continuing to expand in western Europe. There is a growing market for gas sales on shorter contracts. Oil price developments have boosted prices for the gas exported by Statoil to continental Europe. The average gas price was NOK 0.99 per standard cubic metre, an increase of roughly 70 per cent compared with the year before.

Average margins at the Mongstad and Kalundborg refineries almost doubled from 1999.

Restructuring of the oil and gas industry continued in 2000 through mergers, acquisitions and the formation of new alliances. Structural change is accelerating in the European energy sector, where the gas market is being deregulated. The Statoil board expects the liberalisation of Europe's energy markets to sharpen competition and prompt further structural change.

STATOIL'S PROFITABILITY IS IMPROVING

Statoil has cut its operating, administration and exploration costs by NOK 3 billion compared with the 1998 level. NOK 1.3 billion of the reduction was achieved in 2000. These cuts are in line with the improvement programme established in 1999. The board is satisfied with these results, which make a significant contribution to strengthening Statoil's underlying profitability.

The efficiency of the various operators on the Norwegian and UK continental shelves is surveyed annually by McKinsey. Statoil's position substantially improved in the latest of these studies, and it now ranks among the most efficient operators. Positive progress has also been made with the group's finding and development costs. Its average finding cost has declined from USD 2.1 per barrel to USD 1.6 over the past three years. Figures for unit operating costs for oil and gas production by the group also fell from USD 3.5 per barrel to USD 3.3 over the same period. The board places great emphasis on the need for Statoil, as the leading operator on the NCS, also to be the most efficient.

Since 1996, Statoil has been working to introduce common administrative processes in the group. The whole organisation and all employees have been affected to a greater or lesser extent by these changes. Completed within the cost framework, this project has laid the basis for more efficient and simplified work processes which will yield cost savings.

Restructuring the group's portfolio has reduced capital employed by NOK 15 billion, corresponding to 17 per cent in relation to 31 December 1998. Operations on the NCS are being concentrated on core assets where the group has the opportunity to achieve the highest value creation. A number of interests in fields and licences outside these core assets have been sold. Internationally, operations are concentrated on four core assets. Statoil has therefore sold its interests in the Gulf of Mexico and completed the sale of Statoil Energy in the USA. The group's overall portfolio will continue to be developed through purchases, sales and swaps. The sale of the holding in the Kashagan field off Kazakhstan in February 2001 forms part of this process.

A HIGH LEVEL OF ACTIVITY IN THE GROUP

Exploration and production

Profit before financial items for exploration and production amounted to NOK 36 191 million, as against NOK 12 593 million in 1999. This result breaks down into a profit of NOK 35 373 million from Norwegian offshore operations, and a profit of NOK 818 million from international exploration and production. Higher oil prices, a high NOK/USD exchange rate and cost savings were the most important reasons.

Statoil's overall oil and gas production averaged 647 000 barrels of oil equivalent (boe) per day as against 624 000 boe the year before. At 67 000 boe per day, international output was rather lower as a result of the Statoil Energy sale. Operating regularity for Statoil's production facilities and transport systems was good.

On the NCS, Statoil brought the Sygna and Heidrun north flank projects on stream and started gas production from the Åsgard field with exports via Åsgard Transport and Kårstø. Åsgard is the largest and most complex development to be brought on stream off Norway. Completing its installations on schedule and within the revised cost estimates meant a very high level of activity on the field. Repairs are now needed to the subsea installations because of deliveries which failed to meet the agreed specifications.

As operator, Statoil has begun developing

the Kvitebjørn and Glitne fields, and is working on plans to develop the Mikkel, Snøhvit and Kristin discoveries.

The group's booked reserves of oil, natural gas liquids and gas totalled 2 983 million boe at 31 December 2000. This was the same level as the year before. Production during 2000 was offset by new discoveries, revision of earlier reserve estimates and upgrading of existing discoveries. Oil and NGL account for just over 50 per cent of the group's proven reserves. International booked reserves are primarily oil, and represent roughly 30 per cent of Statoil's total oil and NGL reserves. The principles for booking proven gas reserves on the NCS have changed. Proven reserves are now defined as gas volumes covered by contracts or with market access.

In the board's view, one of Statoil's most important tasks is to create increased value on the NCS. The group is working on plans for further development of the Tampen area, one of the mature regions, which embraces Statfjord, Gullfaks and Snorre. In addition to improving recovery of oil and gas resources even further, the goal is to reduce costs through greater integration between the various fields. Major assets could also be recovered from the Halten region of the Norwegian Sea through more coordinated development of the area.

Statoil's international exploration and production operations are still in a build-up phase. These activities now show a profit, but the board has noted that it takes longer than previously expected to develop a number of the oil and gas discoveries made internationally.

Hydrocarbons were proven in 12 of the 19 exploration wells in which Statoil participated internationally during 2000. Particularly interesting discoveries were made off Nigeria and Angola and in the Caspian. Production has begun from the Sincor project in Venezuela, while development of the LL 652 field is taking longer than expected. Plans call for the Girassol field off Angola to come on stream during 2001. Statoil resolved to participate in a major gas project in Vietnam and in the development of Ireland's Corrib field. The company decided later to sell its share in the Vietnam project.

Agreements on laying an oil export pipeline from Azerbaijan to Ceyhan in Turkey have been approved by the authorities in these two countries and in Georgia. The agreements lay the basis for establishing a framework for the pipeline project and the technical solutions. Progress with this work is important for the continued development of the Azeri-Chirag-Gunashli field off Azerbaijan.

Statoil concluded interesting cooperation agreements in Iran with the national oil company, NIOC.

The board is very concerned to see that Statoil develops as an operator internationally. This will give greater opportunities to exploit the group's technology and expertise base on the NCS. Statoil is a substantial technology company, and the board is concerned that the group should extend this position through a focused commitment to key priority areas. These include improved geological understanding and exploration, better reservoir utilisation, subsea solutions and conversion of gas to liquids.

Gas

The bulk of the group's gas production is sold under long-term contracts with European buyers. Over the past year, Statoil has also used the market for short-term gas sales with customers in the UK, Germany, France and Belgium. In response to developments in the British gas market, the Alliance Gas subsidiary will reorganise its operations to concentrate on fewer and larger customers. The board places great emphasis on the development of a more robust and cost-effective business in the UK.

Statoil is the operator for an extensive transport network from the NCS to markets in continental Europe. This system embraces 6 000 kilometres of pipeline and industrial plants at Tjeldbergodden, Kollsnes, Mongstad and Kårstø. The new pipeline from Åsgard to Kårstø ties a new area of the NCS into European gas markets, and is important for further development of gas resources in the Norwegian Sea. Norway's gas transport system is highly flexible, and once again operated with 100 per cent regularity towards gas buyers over the past year.

The government has proposed the creation of a new transport company for gas from the NCS. This enterprise will not own pipelines or land-based facilities, but have overall responsibility for operating the system. Statoil will continue to carry out its present technical operating duties under contract to the new transport company.

Under the government's proposals, Statoil will also continue to be responsible for marketing the SDFI's gas resources. The group has built up both positions and expertise in the European gas market over many years, and is well equipped to meet challenges on the gas side.

The board is concerned that Statoil should work actively to find solutions which can

Lill Heidi Bakkerud trained as a process technician and has worked at the petrochemical complex in Rafnes and on the Gullfaks field. She is now a full-time union official in Statoil, and was elected to the board of the parent company in 1998.

Marit Bakke has a degree in petroleum technology and joined Statoil in 1992 after working for an oil service company. She is now a staff engineer with the group, and works on Gullfaks wells. She was elected to the Statoil board in the spring of 2000.

Stein Bredal has worked for 25 years on offshore platforms, including seven years outside Norway. His jobs have included roughneck, derrickman, materials manager and chief safety delegate. He has served for almost three years as Statoil branch chair of the Confederation of Vocational Unions and was elected to the Statoil board in 2000.

Kirsti Koch Christensen is a professor and vice-chancellor at the University of Bergen. She became a director of Statoil in 1999.

expand gas use in Norway while still meeting the group's required rate of return.

Refining and marketing

Refining and marketing showed a profit of NOK 4 557 million, compared with a loss of NOK 276 million the year before.

Statoil traded an average of two million barrels of oil per day during 2000. These sales embrace its entitlement oil, volumes purchased from the SDFI and trading with third-party crude. The financial results were not as good as the year before, principally because the 1999 figures included a substantial gain on stocks. The government intends to retain important aspects of the present organisation for oil sales in order to ensure that revenues for the state's oil are maximised and adapted to structural conditions in the oil market. Statoil will therefore be responsible for selling all SDFI crude.

The group's refineries achieved their best-ever results, primarily because of high refining margins, a high NOK/USD exchange rate and good capacity utilisation. Improvement programmes at Mongstad and Kalundborg are yielding results, but new measures are nevertheless needed to make these refineries as efficient as their leading competitors. The cooperation agreement between Mongstad and the Pernis refinery in Rotterdam ensures greater market flexibility and contributes to more effective operation at Mongstad.

Statoil Detaljhandel Skandinavia, which embraces the service stations in Norway, Sweden and Denmark and is now owned 50 per cent by the group, achieved better results than in 1999. Results for the rest of the marketing business were weaker. The main reason is declining demand for heating and gas oils in Scandinavia, which has reduced margins. The results also reflect the fact that the group's non-Scandinavian retail marketing operations are still in a build-up phase.

Operating results for Navion strengthened considerably by comparison with 1999, principally because of increased activity for and improved utilisation of the shuttle tanker fleet as well as better rates for crude oil and product carriers. Work on restructuring Navion continues.

Petrochemicals

Profit for petrochemicals came to NOK 441 million as against a loss of NOK 23 million in 1999. Overall results were nevertheless rather weaker because NOK 500 million in write-downs were made in 1999.

The methanol business reported a profit for the first time, reflecting high prices, efficient operation and good cost control.

However, results from Borealis were weakened by high raw materials costs and lower output at several of its production facilities. A new plant based on its own technology was opened by the group in Austria. Work on building a new petrochemicals facility in Abu Dhabi is on schedule. Combined with current improvement efforts, these new plants will strengthen the group's position in Europe and lay the basis for expanded operations in other continents.

HEALTH, SAFETY AND THE ENVIRONMENT

Statoil's objective for health, safety and the environment is zero harm, accidents or losses. The board would emphasise that great attention is devoted to safety work in the group. However, strengthening this commitment is important because signs of stagnation can be seen after several years of positive progress.

Four fatalities were suffered by contractors working for Statoil and Navion. The board is concerned to ensure that these accidents are thoroughly investigated in order for measures to be initiated which can help to avoid similar incidents in future.

The number of recordable and lost-time injuries has been reduced. Calculated per million working hours, the total recordable injury frequency declined from 10.3 in 1999 to 10.1. The number of lost-time injuries per million working hours fell from 2.8 to 2.7, while sickness absence was cut from 3.6 per cent to 3.5 per cent.

While the number of serious incidents fell from 342 in 1999 to 310, their frequency — calculated as the number of incidents with a high loss potential per million working hours — increased from four to 4.3. The board notes that some of these incidents were very serious and require thorough follow-up. Work currently under way to strengthen the group's safety culture and the role of managers is very important. Great emphasis is placed on identifying weaknesses in safety work and thereafter implementing the necessary improvement measures.

A major project has also been initiated to review, survey and describe the technical safety condition of each of the group's facilities offshore and on land. This work will make it possible to identify where measures are needed.

Jérôme M Contamine has been executive vice president and CFO of Vivendi Environnement since June 2000. Before this he was employed in TotalFina-Elf. Earlier posts include adviser at the French auditor-general. He has been a director of several companies and head of Elf in Norway. He joined the Statoil board in 2000.

Finn A Hvistendahl has previously held senior posts in Norsk Hydro, served as chief executive of Den norske Bank and is now chairman of Orkla. He became a Statoil director in 1999.

Bente Rathe is deputy chief executive of Gjensidige Nor. She became a Statoil director in 1999.

Ellen Stensrud is now chief information officer for the Norwegian Federation of Trade Unions (LO), where she has worked since 1990. She sits on a number of boards and committees and she became a Statoil director in 2000.

Developments will be monitored over the producing life of the facility and form the basis for systematic improvement efforts on the safety side.

Total carbon dioxide emissions from the group's oil and gas operations declined in 2000 because of the sale of Statoil Energy. Emissions from Statoil installations on the NCS increased slightly because new fields were brought on stream.

Measures have been implemented by Statoil over several years to limit carbon dioxide emissions from its operations. Large volumes of this greenhouse gas are removed and injected on the Sleipner fields. About a million tonnes of carbon dioxide are returned annually to an underground reservoir. This project has attracted considerable interest, also internationally. Other recovery and optimisation measures on the Sleipner fields have further reduced emissions by about 300 000 tonnes. Taken together, these measures represent a 13 per cent cut in annual carbon dioxide emissions from the NCS. New technology has been adopted on Åsgard to ensure that its greenhouse gas emissions per unit produced are among the lowest in the world.

The board is positive to the introduction of a Norwegian system for emission trading with greenhouse gases in line with the Kyoto protocol. However, this system must be designed in such a way that industrial operations in Norway are not placed at a cost disadvantage with competing industries abroad.

Statoil carries out regular health, working environment and organisation surveys. The survey for 2000 shows that the group has a good working environment. However, the extensive restructuring process in the group means that attitudes on the working environment, motivation and job satisfaction are somewhat less positive than in earlier surveys. Building a strong corporate culture is important. Work has therefore been initiated to update the group's fundamental values, and the whole organisation is being actively involved in these efforts.

Further details relating to health, the environment and safety are provided in the review of Statoil's operations.

FINANCIAL DEVELOPMENTS FOR THE GROUP

Overall gross revenues for Statoil in 2000 totalled NOK 208 156 million. A profit of NOK 41 351 million was achieved before financial items, as against NOK 12 302 million the year before. Profit before tax came to NOK 38 071 million, while net profit for the year rose from NOK 4 696 million in 1999 to NOK 11 335 million.

Profit before financial items for exploration and production amounted to NOK 36 191 million, as against NOK 12 593 million in 1999. This result breaks down into a profit of NOK 35 373 million from Norwegian offshore operations, and a profit of NOK 818 million from international exploration and production. Refining and marketing showed a profit of NOK 4 557 million, compared with a loss of NOK 276 million the year before. Profit for petrochemicals came to NOK 441 million as against a loss of NOK 23 million in 1999.

Net investment by Statoil totalled NOK 10 714 million, compared with NOK 19 036 million in 1999. This spending was financed by cash flow from operations, which totalled NOK 33 459 million as against NOK 20 037 million the year before.

Interest-bearing debt for the group at 31 December 2000 totalled NOK 37 860 million, a decline of roughly NOK 11 674 million over the year. The group has a debt-equity ratio of 46.3 per cent, which the board regards as satisfactory.

The group had NOK 13.6 billion in bank deposits and other liquid assets at 31 December 2000. Overall interest-bearing debt is denominated mainly in US dollars and currencies within the euro zone. The average maturity of the group's long-term loans was stable at roughly 13 years. Interest charges in 2000 averaged 6.2 per cent as against 5.2 per cent the year before.

At 31 December, Statoil managed a portfolio of NOK 19.8 billion in bonds, certificates and shares. Fund management by the group relates primarily to assets in Statoil Forsikring (insurance) and in Statoil's pension funds, which are not consolidated in the accounts. The average return on these financial assets in 2000 was 4.7 per cent.

In addition to its own equity interests, Statoil manages the SDFI in Norwegian oil and gas operations. Separate financial statements are kept by the group for the SDFI. Only the group's own equity interests appear in the Statoil accounts.

To provide a better basis for comparisons with competitors, and to give easier access to capital, the group's financial reporting will be amended to accord with US generally-accepted accounting principles (USGAAP) from 2001.

Ingvar M Sviggum is vice president for European sales operations at Ford of Europe Inc, and became a Statoil director in 1999.

Knut Åm has previously held a number of key management posts with Phillips Petroleum. He joined the Statoil board in 1999.

The USGAAP provide what amounts to a virtual industry standard for the international oil companies. To the extent that this is compatible with Norwegian generally-accepted accounting principles (NGAAP), Statoil has modified its accounting principles in some areas for 2000 to bring the NGAAP closer to the USGAAP.

As required by section 3-3 of the Norwegian Accounting Act, the board confirms that the going concern assumption has been fulfilled. The annual accounts for 2000 have been prepared on that basis.

Net profit for the parent company, Den norske stats oljeselskap a.s, came to NOK 9 431 million.

The board recommends that 50 per cent of the group's net profit be paid as dividend, and proposes the following allocation of net profit in the parent company, Den norske stats oljeselskap a.s (in NOK million):

Dividend	5 668
Transferred to retained earnings	3 763
Net profit for the year	9 431

FUTURE DEVELOPMENTS FOR THE GROUP

Over the past two years, Statoil has implemented a demanding restructuring and improvement process which has enhanced the group's cost efficiency. Profitability and the financial position are good and give the group freedom of action. The government's proposals in its Proposition no 36 (2000-2001) to the Storting will yield a stronger Statoil.

Under the government's proposals, up to 33 per cent of the group's shares can be sold to others, including 10-25 per cent on the stock market. The board is concerned to ensure a liquid market for the share, so that the group is regarded as an attractive investment.

The government has proposed that SDFI assets corresponding to 20 per cent of the arrangement's total value should be included in a restructuring of state involvement in the petroleum sector. The government's proposal to sell 15 per cent of the SDFI's assets to Statoil could increase the group's oil and gas production by 30-35 per cent.

In the board's view, the proposed ownership model will help to give Statoil a clearer identity, with the emphasis on financial profitability and long-term value creation. The board also considers it important that the ownership structure can give the group the same freedom of action in financial and market terms enjoyed by its competitors both in Norway and abroad.

Statoil will be developed in accordance with commercial criteria in order to create the best possible return on capital invested over time. The board has initiated work on a special prospectus for an initial public offering (IPO), which will cover all relevant details about the group.

The basis for this prospectus is the group's principal strategy, which involves a focused commitment in its various business segments.

Statoil will continue to have a larger proportion of its operations upstream than most of its competitors.

The group occupies a strong commercial position on the NCS. Statoil is an efficient operator with a solid technological base. Operations on the NCS are very important for its earnings. Statoil will exploit its competitive advantages in order to exploit the value creation potential of its core assets.

International upstream operations represent an extension of the group's position and expertise, and will be important for its ability to grow. Statoil's focus internationally will be on a limited number of assets, and on developing commercial opportunities which could provide operatorships.

Continuing to develop as a gas company forms a central element in the group's strategy. As a major gas supplier to Europe, Statoil has a good foundation for developing a larger involvement in European gas operations. The return on existing contracts and facilities must be maximised at the same time as markets are developed for new gas sales.

Statoil has a good foundation in the manufacturing and marketing sector for increased value creation by exploiting its brand, its customer base and opportunities for synergies between upstream and downstream operations.

In the board's view, the improvement measures have strengthened Statoil as a robust, profitable company. The government's proposals for privatising Statoil and providing it with SDFI assets will put greater force behind the implementation of group strategy. At the same time, the board will maintain strict capital discipline.

The board is organising its work to ensure that the group will be ready to implement an IPO at the time determined by the Ministry of Petroleum and Energy. In connection with the preparations for a stock market listing, the parent company will change its name from Den norske stats oljeselskap a.s to Statoil ASA.

STAVANGER, 21 FEBRUARY 2001

THE BOARD OF DIRECTORS OF DEN NORSKE STATS OLJESELSKAP A.S

OLE LUND
CHAIRMAN

KIRSTI KOCH CHRISTENSEN

FINN A HVISTENDAHL

BENTE RATHE

ELLEN STENSRUD

KNUT ÅM

JÉRÔME M CONTAMINE

MARIT BAKKE

STEIN BREDAL

LILL HEIDI BAKKERUD

INGVAR M SVIGGUM

OLAV FJELL
PRESIDENT AND CEO

Operations for the year

Oil samples arrive on the drill floor during the discovery of the Falk field in the Norwegian Sea.

EXPLORATION AND PRODUCTION NORWAY

Norway *(NOK million)*			
Income statement	**2000**	**1999**	**1998**
Operating revenues	56 839	32 567	25 674
Operating expenses	(13 976)	(11 984)	(11 016)
Depreciation and write-downs	(7 674)	(6 176)	(6 111)
Share of result associated companies	184	182	207
Profit before financial items	**35 373**	**14 589**	**8 754**
Balance sheet items at 31 Dec			
Fixed assets	63 570	62 877	46 699
Current assets	11 128	7 254	6 217
Non interest-bearing debt	(52 580)	(37 649)	(29 221)

NCS

Statoil's operations on the Norwegian continental shelf (NCS) embrace exploration and production, and it ranks as the leader in these areas. A profit before financial items of NOK 35 373 million was achieved in 2000, as against NOK 14 589 million the year before.

An independent industry survey shows that the group is the most efficient operator in these waters and among the three most efficient off north-west Europe as a whole. The group's ambition is to defend this position, and results were created during 2000 which contribute to reinforcing its good positions.

The NCS is well on its way today to becoming a mature petroleum province, but considerable opportunities still exist for making profitable new discoveries. As a result, these waters will remain the most important basis for Statoil's upstream operations for many years to come.

Substantial changes were implemented by Statoil during 2000 in its organisation and its operations on the NCS. Activities there have been organised in core areas. The group's core area strategy has been adopted in order to operate more efficiently and to lay the basis for maximum value creation on the NCS. Statoil is working actively to strengthen its position in these areas, not least through increased licence interests. E&P Norway ranks today as a competitive organisation in relation to the group's present and future assignments on the NCS.

Operations off Norway are now divided into the following business clusters:

- Troll/Sleipner
- Tampen
- Halten/Nordland
- New areas
- Production support
- Technical project services.

Statoil's conscious commitment to its core areas reflects the fact that it now participates in open competition on the same terms as the other companies. The group's strategy requires it to commit the best resources where the opportunities for value creation are greatest. This approach will determine the direction of Statoil's future development on the NCS.

As part of its commitment to core areas, Statoil has agreed to sell interests in four fields and two exploration licences. The sales also strengthen the position of the buyers in these waters, and include 12 per cent of Snøhvit to Gaz de France. Statoil operates this field and will have an interest of 22.3 per cent after the sale. The sales came into effect on 1 January 2001, subject to government approval. They will accordingly not be recorded as income until 2001.

The NCS is Statoil's domestic arena and the cornerstone of its oil and gas production. This has given the group a solid base for building up an international upstream business. Parts of the NCS rank as a mature exploration province, but large areas above the 62nd parallel are less explored and therefore represent future challenges and opportunities. Within the well-explored areas, primarily the North Sea, a large potential still remains for identifying oil and gas deposits. These could form the basis for new developments, possibly combined with utilising existing infrastructure. Statoil is concerned to achieve positive synergies between existing infrastructure and new field developments.

Production and discoveries

Statoil's share of overall production from Norwegian offshore fields in 2000 came to 581 000 barrels of oil equivalent per day, which broke down into 452 000 barrels as oil and 129 000 barrels as gas. The equivalent figures for 1999 were 537 000, 407 000 and 130 000 respectively. Additional daily production from the interests acquired by the group in connection with the take-over of Saga Petroleum by Norsk Hydro and Statoil came to 21 000 barrels of oil equivalent in 1999 and 62 000 in 2000.

Production is declining from the large, old fields in the North Sea, primarily Statfjord and Gullfaks. But this fall has been moderated by purposeful commitment to improved recovery, with very satisfactory results.

Statoil made four discoveries on the NCS in 2000. The most interesting are Svale and Falk, which both lie close to Norne in the Norwegian Sea. The group also participated in two discoveries with Norsk Hydro as operator. Overall reserves declined by 2.9 per cent for oil in 2000 and rose by 2.5 per cent for gas.

Finding and development costs in Statoil have made positive progress on a group basis. While the average finding cost has sunk from USD 2.10 per barrel to USD 1.60 over the past three years, the unit cost of oil and gas production by the group is down from USD 3.50 per barrel in 1999 to USD 3.30.

Minister-president Sigmar Gabriel (left) in the German state of Lower Saxony and Norwegian petroleum and energy minister Olav Akselsen symbolically inaugurate gas exports from Åsgard.

New installations

The most important event in the group's Norwegian offshore operations during 2000 was the start to production from Åsgard B, the world's largest floating gas platform. This completed the Åsgard chain from the oil and gas production facilities in the Norwegian Sea, via the gas pipeline to Kårstø, the treatment plant there and onward gas transport, to continental Europe. In addition to the B platform, the development embraces Åsgard A, the world's largest oil production ship, extensive subsea installations and the Åsgard C storage ship. Oil production began from the field in May 1999.

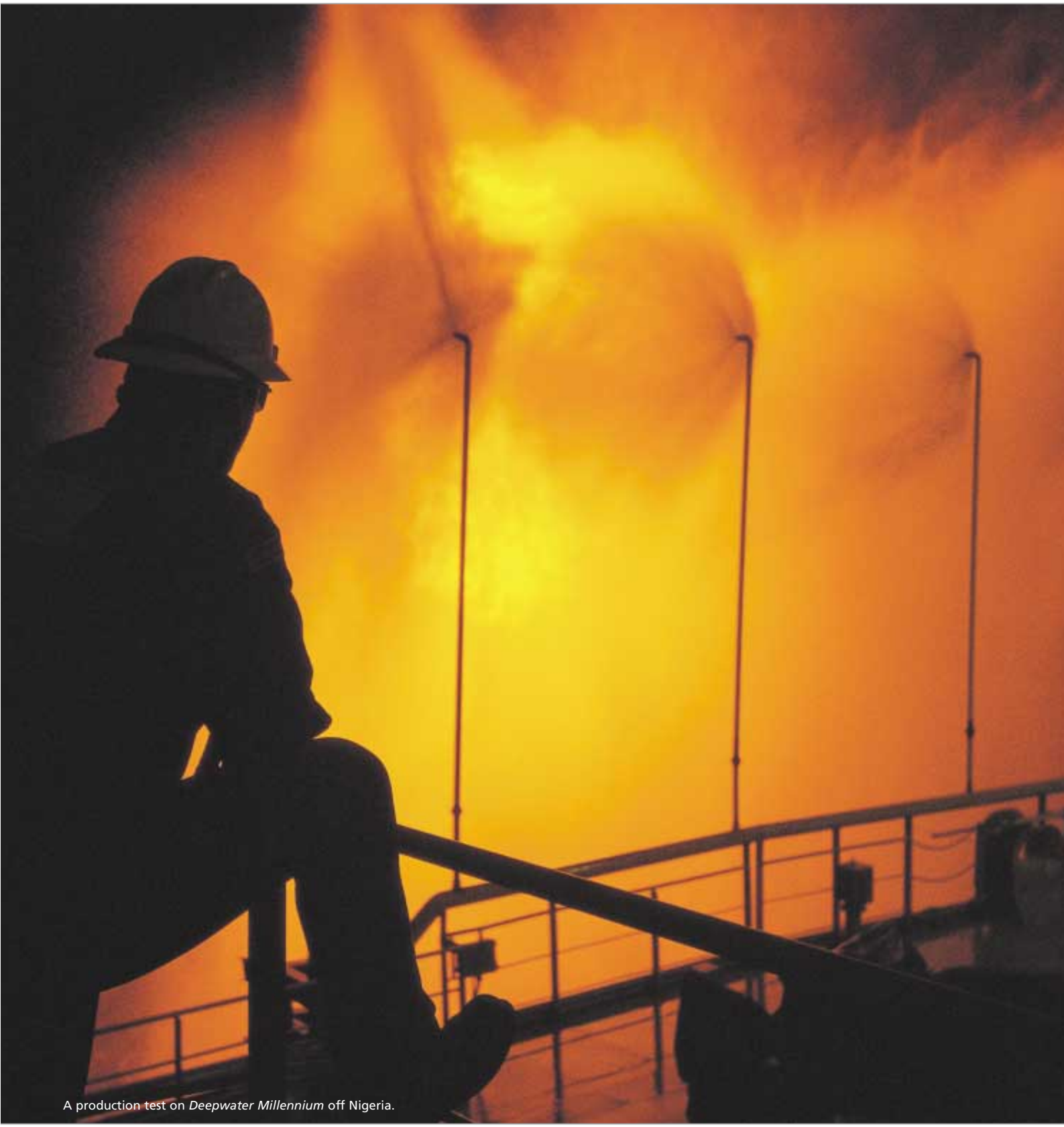
Developing the Åsgard chain has been one of the largest and most demanding jobs undertaken by a company in the oil and gas industry. The final cost of the development is expected to lie within the estimate of NOK 65.7 billion set in April 1999.

Commitments to the gas buyers began on 1 October 2000, and gas flowed on the same day from the Midgard reservoir to the platform. Delays in the final stages of the project and strikes earlier in the year meant that testing and commissioning of the equipment on Åsgard had to be carried out after 1 October. Customers have not been affected, because other fields provided the volumes required to fulfil delivery commitments. Contracted gas sales from Åsgard total about 212 billion cubic metres over 27 years. Statoil has a 13.55 per cent interest in the field.

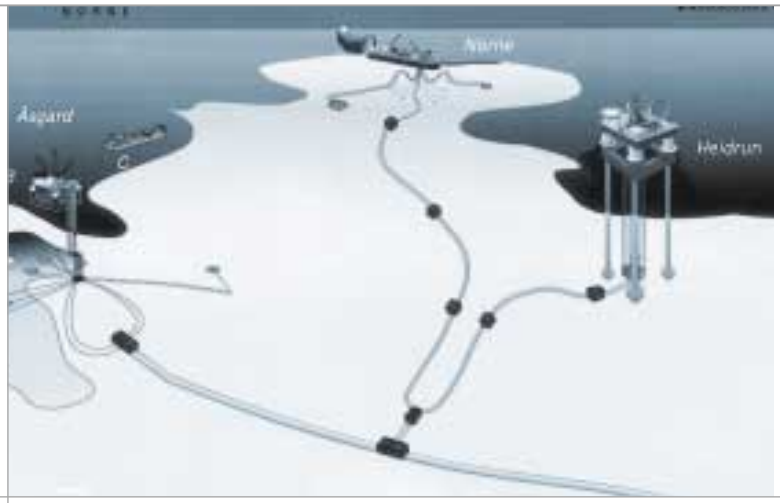
Bringing Åsgard's large and complex production facilities on stream has presented Statoil with major challenges. Oil production has initially been lower than planned because

Statoil — important interests on the NCS

Fields on stream			
Field	**Licence**	**Interest**	**Operator**
Statfjord	PL 037/UK	44.34%	Statoil
Statfjord North	PL 0372	1.88%	Statoil
Statfjord East	PL 037/089	14.55%	Statoil
Sygna	PL 037/089	15.28%	Statoil
Sleipner East	PL 046	20.00%	Statoil
Sleipner West	PL 029/046	17.13%	Statoil
Gullfaks	PL 050	18.00%	Statoil
Gullfaks East	PL 050	18.00%	Statoil
Rimfaks	PL 050	18.00%	Statoil
Gullveig	PL 050	18.00%	Statoil
Yme	PL 114	35.00%	Statoil
Veslefrikk	PL 052	18.00%	Statoil
Heidrun	PL 095/124	12.43%	Statoil
Åsgard	PL 062/074/094/134/237	13.55%	Statoil
Norne	PL 128/128B	24.00%	Statoil
Troll Gas	PL 054/085	13.88%	Statoil
Troll Oil	PL 054/085	13.88%	Norsk Hydro
TOGI	PL 054/085	13.88%	Norsk Hydro
Brage	PL 053/055/185	12.70%	Norsk Hydro
Brage Sognefjord	PL 055	12.60%	Norsk Hydro
Oseberg	PL 053/079	14.00%	Norsk Hydro
Oseberg South	PL 079/104/17	118.22%	Norsk Hydro
Oseberg East	PL 053	14.00%	Norsk Hydro
Heimdal	PL 036	20.00%	Norsk Hydro
Borg	PL 089	7.22%	Norsk Hydro
Snorre	PL 089	13.00%	Norsk Hydro
Tordis	PL 089	7.22%	Norsk Hydro
Vigdis	PL 089	7.22%	Norsk Hydro
Visund	PL 120	13.30%	Norsk Hydro
Varg	PL 038	28.00%	Norsk Hydro
Ekofisk	PL 006/011/018/018B	0.95%	Phillips
Fields under development			
Huldra	PL 051/051	19.66%	Statoil
Kvitebjørn	PL 193	40.00%	Statoil
Glitne	PL 048B	28.90%	Statoil



A production test on *Deepwater Millennium* off Nigeria.



New pipelines tie Norne and Heidrun with Åsgard Transport.

the wells produced more gas than expected. Running-in the gas facilities is also very demanding.

Åsgard represents an investment with a very long-term perspective. Through its development, a large and important gas province on the NCS has been opened and a pipeline link established between the Norwegian and North Seas. This creates an infrastructure which could prove significant beyond Åsgard's own transport requirements. In addition, the field has contributed to the development and application of technology which will be very significant for future developments both off Norway and internationally.

The new ethane plant at Kårstø was put into production during October as an important part of the Åsgard chain. This facility is due to produce 620 000 tonnes of ethane annually for sale to two petrochemical companies — Borealis, owned 50 per cent by Statoil, at Stenungsund and Rønningen south of Oslo, and Norsk Hydro at Rafnes. These use ethane to produce plastic.

Production began from Statoil's Sygna development in the North Sea on 1 August, and the field has flowed 40 000 barrels of oil per day since 1 January 2001. Sygna is expected to produce until 2014. The development was completed ahead of schedule and below the original cost estimate, and will show satisfactory profitability even at an oil price of USD 7 per barrel. Statoil has 12.98 per cent of the field.

Oil production began from Heidrun North Flank on 13 August. With this new satellite, plateau production on Statoil's Heidrun platform can be extended by about four years. Heidrun North Flank lies 4.5 kilometres north of the main field, and production is expected to be around 38 000 barrels per day. Statoil's interest in Heidrun is 12.43 per cent.

During the third quarter, Statoil finished laying gas pipelines from Gullfaks A and C to Statpipe, and from Huldra to Heimdal. These projects were completed ahead of schedule and below budget. Norne and Heidrun were also tied back to Åsgard Transport, and gas exports from these fields began in February 2001.

The final stage of the Vestprosess project was completed in March 2000. In addition to natural gas liquids from Oseberg, this system pipes Troll condensate from Kollsnes to Mongstad.

The Ministry of Petroleum and Energy has allocated delivery responsibility for gas to the Mikkel field on the Halten Bank. This field is accordingly secured gas sales from the planned start of production in 2003 until 2010. A development solution is now under

Transport systems and operators

In operation	Operator	Statoil's share (incl SDFI)
Statpipe	Statoil	58.25
Sleipner Øst Kondensat	Statoil	49.6
Zeepipe II A (Zeepipe)	Statoil	70
Zeepipe II B (Zeepipe)	Statoil	70
Zeepipe I (Zeepipe)	Statoil	70
Europipe I (Zeepipe)	Statoil	70
TOR I (Troll Oil Pipeline I)	Statoil	76.62
Haltenpipe	Statoil	76.59
Heidrun Gas Export	Statoil	76.87
Franpipe	Statoil	69.71
Europipe II	Statoil	60.01
TOR II (Troll Oil Pipeline II)	Statoil	76.8
Vestprosess	Statoil	58
Åsgard Transport	Statoil	60.50
Norne GTS (Norne Gas Export)	Statoil	79
Norpipe (Norpipe Gas AS)	Phillips	50
Norpipe (Norpipe Oil AS)	Phillips	20
Vesterled	Hydro	72.28
Oseberg Gas Transport (OGT)	Hydro	64.78
FNP	Total/Fina/Elf	29
Frostpipe	Total/Fina/Elf	50
Oseberg Transport System (OTS)	Hydro	64.78
Draugen Gas Export	Shell	57.88
Under construction	**Operator**	
Gullfaks Satellites Gas Export	Statoil	85
Kvitebjørn	Statoil	80

The process plant on Åsgard B.

Åsgard points the way ahead

Implementing the Åsgard project has great commercial, technological and strategic significance. This complicated deepwater field in the Norwegian Sea is now producing oil and gas as intended. It has given Statoil experience which few other companies can claim.

Lessons from Åsgard will make a valuable contribution to developing other fields in the Caspian and off western Africa, believes Odd Mosbergvik. Formerly project director for Åsgard, he has now moved via Baku to Abu Dhabi. In his view, the lessons learnt in the Norwegian Sea project are particularly valuable in three areas: reservoir understanding, subsea solutions, and pipelines and transport systems.

Overall investment in the Åsgard chain is NOK 65 billion, including NOK 41 billion on the field itself. Facilities there include Åsgard A, the world's largest production ship, and Åsgard B, the world's largest floating gas platform.

Conditions on Åsgard are very complex in terms of both water depth and reservoir conditions. Its development has been controversial, primarily because costs proved higher than planned. However, the project has moved technological boundaries which will be significant for Statoil and the industry. In terms of area, the field has been compared with Manhattan island.

Through the development of Åsgard, which comprises the Midgard, Smørbukk and Smørbukk South deposits, Statoil has secured unique technological experience in several areas:

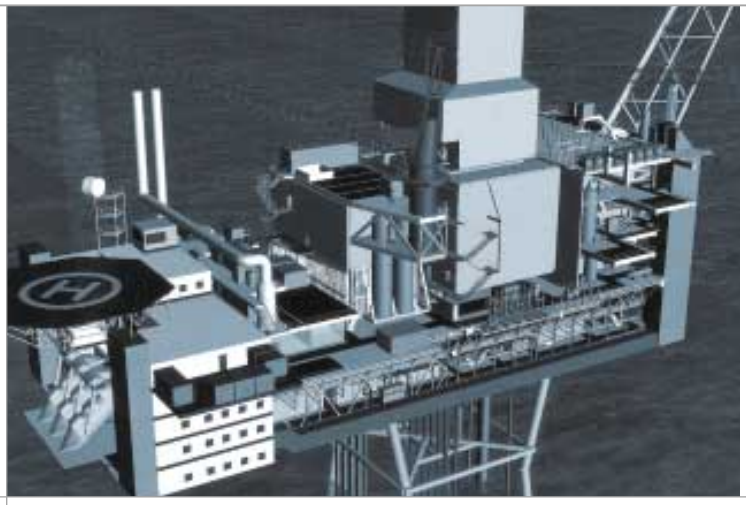
- subsea systems
- transport solutions
- unitised development.

In addition, Åsgard has linked the Norwegian Sea with gas transport systems in the North Sea. This is crucial for a gas export solution on fields in these waters. Completing the Åsgard development has tied the NCS together in a large and flexible gas transport network tied to markets in continental Europe and the UK.

The field installations and gas transport systems are designed to operate for 50 years, which means that Åsgard will be significant for oil and gas output far beyond its own producing life. From that perspective, Åsgard is a forward-looking investment in infrastructure which will be significant for further development of offshore operations throughout the Norwegian Sea.

This is part of the experience Statoil can offer as it now gradually builds up international operations in selected core assets.

"Implementing the Åsgard project also incorporates important experience of cooperating with other oil companies — and with the supplies sector — over one of the most difficult assignments ever undertaken by the industry," says Mr Mosbergvik.



Kvitebjørn is under development.

consideration. The plan for development and operation should be submitted to the authorities in the first quarter of 2001. Statoil's interests in the two licences covered by Mikkel are 20 and 30 per cent respectively.

Regularity and operations

Statoil's production operations on the NCS showed good regularity, but some start-up problems were encountered on Åsgard. All delivery commitments for oil and gas have been fulfilled.

Extensive maintenance turnarounds were carried out as planned on the Sleipner fields and Statfjord. Brief production shut-downs also occurred on these fields and Veslefrikk to repair damage.

Statoil's operations on the NCS require extensive logistics. During 2000, 116 000 passengers were carried to and from installations operated by the group, and the catering function had 600 000 guest-nights. A total of 360 000 tonnes of equipment, materials and consumer goods were shipped to the fields.

Partner-operated licences

The group participates in a number of licences on the NCS which are operated by other companies. Declining production on Visund has attracted great attention from operator and partners in recent years, with a number of measures initiated to boost output.

Production failed to reach the planned level on Snorre, partly as a consequence of a fire in the seawater pumps on the B platform. A number of measures to boost output have been initiated.

Similar action has been taken for Tordis and Vigdis.

Statoil actively contributes its knowledge and experience to the licences as part of a collective effort to optimise production.

With effect from 1 July 2003, the group is due to take over as operator for Snorre, Visund and the fields in the Tordis and Vigdis area under the agreement reached with Norsk Hydro on the Saga take-over.

These new operatorships will make Statoil the sole operator in the Tampen area, significantly strengthen its position and provide good opportunities for coordination gains.

Business development

Two operatorships and interests in three other licences were awarded to Statoil in Norway's 16th offshore licensing round. The operatorships embrace one licence in the deepwater Møre West area and another covering the extension of the Erlend and Ragnfrid discoveries on the Halten Bank. Through these assignments, and a 20 per cent interest in the "President" block, the group has strengthened its position at the southern end of the Halten Bank.

As part of the agreement with Norsk Hydro on the Saga take-over, Statoil took over operator responsibility for Halten Bank South at 31 December 1999. This area embraces the Kristin, Lavrans and Tyrihans South and North fields as well as the Erlend and Ragnfrid gas structures. Statoil thereby became the sole operator on Halten Bank South. That has strengthened its position and opened opportunities for coordinating fields.

Development plans for Kvitebjørn were approved by the Storting. The Ministry of Petroleum and Energy resolved to allocate delivery responsibility for gas to the field from the autumn of 2004 until 2014. This carries a commitment to deliver 49 billion cubic metres of gas in total. Kvitebjørn will be developed with a fully-integrated fixed steel platform carrying drilling and processing equipment as well as living quarters. Gas and condensate will be separated and piped to Kollsnes and Mongstad respectively. The fabrication contracts have been awarded, and the construction cost of platform, transport system and land-based facilities is put at roughly NOK 8.1 billion in 1999 money. Statoil has a 40 per cent interest in Kvitebjørn.

The group has upgraded reserves in the field and submitted a revised plan for development and operation to the authorities. According to the original plan, Kvitebjørn was estimated to contain 47 billion cubic metres of gas and 105 million barrels of condensate. Following a new survey, Statoil also wants to recover volumes from the field's flanks and include them in the development. This would increase estimated recoverable reserves to 52 billion cubic metres of gas and 135 million barrels of condensate.

A plan for development and operation of Glitne was submitted to the authorities in June. This concept is based on chartering a production ship. Advanced technological expertise has been applied to achieve the smallest independent field development on the NCS so far. Production is due to start in the third quarter of 2001, and should continue for about two years. After the sale of 10 per cent, Statoil's interest in Glitne is 28.9 per cent.

Laying gas pipelines to Åsgard.

Completing the new facilities at Kårstø.

GAS

Statoil is responsible for marketing its equity gas and volumes belonging to the SDFI, and for operating the transport systems from Norwegian offshore fields with associated receiving terminals.

As chair of the Gas Negotiating Committee (GFU), the group has overall responsibility for leading negotiations on the sale of and price revisions for Norwegian gas.

Statoil's equity gas sales increased from 7.4 billion cubic metres in 1999 to 8.2 billion. At NOK 0.99 per standard cubic metre, the average gas price achieved was roughly 70 per cent higher than the year before.

A contract was concluded to deliver a total of 11 billion cubic metres of gas to the Grane field for injection purposes.

Regularity of Norwegian gas deliveries was 100 per cent. Statoil continued its systematic efforts to improve efficiency and costs, and operating expenses for the transport systems were reduced in relation to 1998 and 1999.

The gas trunkline from Åsgard to Kårstø began operating in October 2000. This ties a new province of the NCS to continental Europe, and soon to the UK as well. At the same time, the new treatment facilities at Kårstø for gas and natural gas liquids from Åsgard and other Norwegian Sea fields became operational.

Market conditions

In addition to its equity gas sales, the group was responsible for selling 24.1 billion cubic metres on behalf of the SDFI. Overall sales of gas from the NCS came to 50.8 billion cubic metres. Exports to continental Europe accounted for about 50.1 billion. In addition, about 654 million cubic metres have been sold for methanol production at Tjeldbergodden and to Tjeldbergodden Luftgassfabrikk, the Gasnor distribution company and Naturgass Vest. Minor volumes were used in operating Norwegian offshore installations.

Preliminary figures for 2000 in the European Union show a 2.8 per cent increase in gas consumption. As in 1999, the Spanish gas market showed strong growth. This reached 12.7 per cent, with increased usage by both industry and the power sector. Among the established gas markets, growth was highest in France, the UK and Italy, which had an increase of roughly four per cent. Ireland, Portugal and Greece represent new gas markets under development, and percentage growth is accordingly also large in these countries. Mild weather reduced gas consumption in the household sector and produced an overall decline in those markets where this sector represents a large share of gas demand.

Statoil's biggest gas deliveries go to Germany, France, Belgium and the Netherlands, where it and the SDFI had combined market shares of 14, 20, 21 and seven per cent respectively in 2000. The European gas market is generally well developed. But penetration of this fuel varies from country to country, largely depending on sources of supply and reliance on locally-produced coal.

Gas has taken market share from both coal and oil, and is now the second-largest energy source in Europe. It accounted for 22 per cent of primary energy consumption in 1999.

Households and the commercial sector are the biggest consumers in Europe, but structural changes in the gas market mean that this picture will be modified.

In the UK, Statoil marketing subsidiary Alliance Gas confirmed its position as a supplier of gas to industrial customers. This business is being restructured. A concentration on the market for large users means that 40 employees are redundant, and these will be offered severance packages. Statoil recorded a loss of NOK 300 million for 2000 on its gas operations in Britain.

The UK ranks as Europe's largest gas market and an important local market for Statoil. It is still expanding, and the group sees interesting future opportunities there. Alliance Gas was placed second by major British customers in December.

Competition and deregulation

The deadline for member countries to adopt the EU's gas directive in their national legislation was 10 August 2000. One consequence is that major — or "qualified" — gas customers can freely chose their gas supplier. In addition, third parties have gained access to pipelines they do not own themselves. The directive also limits the amount of gas which can be delivered to a country by any one company. This appears to be prompting some repositioning among key buyer companies in the European gas market. The purpose of the directive is to create more competition in the market. Norway has not incorporated it into Norwegian law as yet.

Chef de cuisine Michel deBurgo prepares a new dish on gas at the Taillevent restaurant in Paris.

New gas sales

The GFU signed a contract with the Grane licence on 25 September 2000 on the purchase and sale of gas for injection. Covering 11.1 billion cubic metres over eight years, with an annual delivery plateau of roughly two billion cubic metres, this agreement represents the largest gas sales contract concluded by the GFU over the past three years. Deliveries will begin some time between 1 August 2003 and 1 April 2004, coinciding with the start of production from the field.

During 2000, the GFU also concluded two contracts with the Ekofisk group on delivering 1.5 billion cubic metres in all during 2000 and 2001.

Deliveries to Poland under the gas sales contract concluded on 5 May 1999 began on 1 October 2000. The GFU was negotiating at the end of the year with the Polish Oil and Gas Company on deliveries which would build up to a total of five billion cubic metres per year under a new long-term sales agreement.

Etanor DA began operations at Kårstø in October 2000. This partnership produces some 600 000 tonnes of ethane per year, which is sold under long-term contracts to Borealis and Norsk Hydro. Demand for ethane is high.

Development projects and business development

The new treatment facilities at Kårstø for gas from Åsgard and other Norwegian Sea fields were ready on 1 October as planned. Because of the large volumes arriving, storage capacity for propane, normal butane and iso-butane have also been expanded. Port capacity has been increased with the addition of a new jetty, while seabed excavation makes it possible to accommodate ships of up to 110 000 deadweight tonnes. Developments at Kårstø also embrace new processing, storage and export facilities for producing about 600 000 tonnes of ethane per year.

Further expansion at Kårstø is now under consideration to service new liquid-rich fields, primarily on the Halten Bank (Mikkel, Kristin). Studies are looking at expanding capacity for gas treatment and ethane recovery. In addition, solutions are being assessed for separating carbon dioxide from gas to improve the environment and ensure that sales gas accords with specifications.

Together with Ireland's Electricity Supply Board (ESB), Statoil is building a power station in Dublin. This facility will be ready for operation in the first quarter of 2002, with an overall output of more than 400 megawatts. Statoil has a 30 per cent interest in the project.

It was resolved in the autumn of 2000 to bring the operational start of the Vesterled system forward from October 2002 to October 2001. This development embraces a pipeline from Heimdal which ties into the line running from Frigg to St Fergus in the UK. Statoil is a partner in Vesterled, with TotalFinaElf , ExxonMobil and operator Norsk Hydro.

INTERNATIONAL EXPLORATION AND PRODUCTION

Key figures *(NOK million)*			
Income statement	**2000**	**1999**	**1998**
Operating revenues	9 105	20 797	15 573
Operating expenses	(6 571)	(21 207)	(16 113)
Depreciation and write-downs	(1 683)	(1 605)	(2 097)
Share of result associated companies	(33)	19	41
Result before financial items	**818**	**(1 996)**	**(2 596)**
Balance sheet items at 31 Dec			
Fixed assets	19 465	14 813	15 703
Current assets	7 598	13 493	6 361
Non interest-bearing debt	(6 689)	(7 265)	(6 969)

Statoil's international upstream operations made good progress in 2000. For the first time, an operating profit was achieved by this part of the group's business.

The business area reported a profit before financial items of NOK 818 million, as against a loss of NOK 1 996 million in 1999.

International upstream operations in Statoil are concentrated on the four core assets of western Africa, the Caspian, Venezuela and western Europe.

Production for Statoil from fields outside Norway averaged 66 000 barrels of oil equivalent per day, a reduction from 1999 as a result of the sale of Statoil Energy in the USA. Output came from Statoil's Siri and Lufeng fields, off Denmark and China respectively, and partner-operated fields in the UK, Azerbaijan and Venezuela.

Venezuela's 35-year-old LL 652 field is increasing its production after new platforms for oil output and gas treatment became operational on 2 April. A water injection platform for this Lake Maracaibo development came on stream in December 1999. The field is operated by Chevron, with Statoil holding a 27 per cent interest.

Production began from Venezuela's Sincor heavy crude project, in which the group has a 15 per cent interest, on 20 December. This was less than 36 months after development began in 1998.

The addition of new reserves during the year was good. New discoveries were made off Azerbaijan, Kazakhstan, Angola and Nigeria.

Statoil drilled two exploration wells in deep water off Nigeria with the *Deepwater Millennium* drill ship. Oil was found in the Ekoli-1 well in block 217, which lies 150 kilometres west of Port Harcourt. The well was drilled on an extension of the Agbami structure, which was proven by Texaco in the neighbouring 216 block with the Agbami-1 well in 1999. The find helped to increase proven reserves in this field. Negotiations are now starting on a unitisation of the field. Statoil is operator for block 217 with a 53.85 per cent interest. The group also drilled exploration well Bilah-1 in block 218, where hydrocarbons were proven. This find is now being assessed.

More oil was found with an eighth discovery in block 17 off Angola, which now appears to have reserves on a par with Eokfisk in the North Sea. The earlier finds in this block are Girassol, Dalia, Rosa, Lirio, Cravo, Orquidea and Tulipia.

Three oil discoveries were made in Angola's block 15, where nine finds have been made with 10 exploration wells. Further studies will show whether the basis for an independent development exists. Other options could include a satellite tie-back to Kizomba A or B. Statoil has an interest of 13.3 per cent. ExxonMobil is operator.

Statoil has participated in the Kashagan field in Kazakhstan's sector of the Caspian, where a substantial oil discovery was made. The group had a 4.76 per cent interest. Its strategy is to concentrate international upstream operations on selected core assets with the goal of securing operatorships with substantial equity holdings. As a consequence, Statoil sold its interest in Kashagan and a contract has been concluded with TotalFinaElf. The sale will be recorded as income in 2001. The sale does not affect the group's view of the Caspian as an important priority area.

Drilling of the first exploration well on Statoil's Fylla licence west of Greenland was completed. The well proved dry. Evaluation work will be completed during the spring of 2001, and its outcome will be crucial for possible further activity. Statoil is operating here in an environmentally-sensitive region which demands high levels of expertise on health, safety and the environment. The drilling operation for the first well was completed without serious incidents or unintentional spills of oil or chemicals. Statoil is operator and has an interest of 38.25 per cent.

In the first Faeroese offshore licensing round, Statoil received two operatorships with interests of 35 and 27.5 per cent respectively.

Divestment of operations in the Gulf of Mexico was completed. Statoil's Houston office has been closed down. All the licence holdings were sold to Kerr-McGee. This divestment was carried out within the cost provisions made in 1999.

On 17 October, Statoil and seven other companies signed a framework agreement on engineering an oil pipeline from the Azerbaijan capital of Baku, via Georgia, to the Turkish port of Ceyhan. This line will be the most important export route for oil from Azerbaijan, and the agreement will ensure the continuance of plans for the first development phase on the Azeri-Chirag field. Statoil's interest in the preparatory phase is 6.37 per cent.

Testing the Ekoli-1 well off Nigeria.

The group concluded an agreement with the state-owned National Iranian Oil Company (NIOC), covering several specific cooperation projects. These include the mapping of possible exploration prospects in an area near the Strait of Hormuz in the Persian Gulf and the Sea of Oman. The deal also embraces technological cooperation, and the NIOC has requested collaboration over improving oil recovery from Iranian fields on land. In addition, the Iranian authorities have asked Statoil to play an advisory role in studying various operatorship models.

Statoil resolved to participate in developing the integrated Nam Con Son gas project in Vietnam. This embraces the Lan Tay and Lan Do gas fields, a gas pipeline to land and an associated receiving terminal. The group has since decided to sell its interest in the Nam Con Son project.

An agreement signed by the group with Turkey's KOC Holding industrial combine lays the basis for a jointly-owned Turkish gas company. Plans call for the new venture to become operative as soon as Turkey's gas market has been liberalised.

Fields on stream

International	Interest	Operator
The Caspian region		
Azeri/Chirag/Gunashli (early oil)	8.56%	AIOC (BP)
Western Europe		
Denmark: Lulita Unit	18.8 %	Maersk
Denmark: 6/95 Siri	40.00%	Statoil
UK: Alba	17.00%	Chevron
UK: Schiehallion	5.88%	BP
UK: Merlin	2.35%	Shell
UK: Dunlin	28.76%	Shell
UK: Jupiter	30.00%	Conoco
Venezuela		
LL652 reactivation	27.00%	Chevron
Other		
China: CA 17/22 Lufeng	75.00%	Statoil

A production platform on Azeri-Chirag in the Caspian.

Important Caspian breakthrough

An important breakthrough was achieved for Statoil's operations in the Caspian during 2000. The group has now organised its operations there through a regional office based in Baku, capital of Azerbaijan, and headed by senior vice president Rolf Magne Larsen.

He identifies three important milestones:

- the big Kashagan oil discovery in Kazakhstan's sector of the Caspian, where the company has resolved to sell its 4.76 per cent interest
- the confirmation of Shah Deniz off Azerbaijan as a large gas and condensate discovery
- the signing of an agreement to build an oil export pipeline from Baku via Georgia to Ceyhan in Turkey.

Statoil also made its first operating profit in Azerbaijan. This reflects the fact that oil production from Azeri Chirag has got well under way, with good regularity and high crude prices. This field, in which Statoil has an 8.5 per cent interest, is currently flowing about 120 000 barrels per day. Production from the first development phase is currently being carried through two pipelines to the Black Sea coasts of Georgia and Russia. Statoil is selling its share of crude from the Caspian through its well-established global trading network.

The group became involved in Azerbaijan at the early stage when the country was opened to foreign oil companies, and has secured a very solid position for a long-term presence with large and promising commercial opportunities in this important Caspian oil nation.

"Over the next 15-20 years, the Caspian region will develop into one of the world's leading suppliers of oil and gas," observes Mr Larsen. "We can see this on the basis of the discoveries made off Azerbaijan and in Kazakhstan. Statoil is already sitting with substantial oil and gas reserves in these countries. The Caspian region is one of Statoil's most important core assets today. It has the potential to become just as important for the group as the NCS is today."

Statoil has participated in the largest discoveries made in the Caspian during recent years, both in Azerbaijan and Kazakhstan. The group is also involved in major exploration prospects which will be pursued over the next few years. Its ambition is to secure operatorships, either for overall field assignments or for part of a field. Mr Larsen believes that Statoil's gas expertise gives it a particularly strong position, and the group has already contributed by carrying out a regional gas study for the Azerbaijan authorities.

The group has signed an agreement with Turkey's KOC Holding industrial group which forms the basis for a jointly-owned gas company in Turkey. This venture is due to become operational as soon as the Turkish gas market has been liberalised.

This marks a step into the Turkish market for Statoil, which will be an important factor in achieving profitable sales of the group's gas reserves in Shah Deniz. Statoil has a 25.5 per cent interest in that discovery.

The environmental laboratory in Baku.

REFINING AND MARKETING

Key figures

(NOK million)

Income statement	2000	1999	1998
Operating revenues	184 639	104 872	76 647
Operating expenses	(178 586)	(99 689)	(74 524)
Depreciation and write-downs	(1 551)	(3 796)	(1 850)
Share of result associated companies	55	(1 663)	(39)
Result before financial items	**4 557**	**(276)**	**234**
Balance sheet items at 31 Dec			
Fixed assets	24 463	22 808	28 214
Current assets	30 291	32 891	17 948
Non interest-bearing debt	(17 374)	(27 367)	(14 103)

This segment embraces the oil trading and supply, refining, Nordic energy and retailing units as well as Navion.

These operations achieved a profit before financial items of NOK 4 557 million in 2000, the best result ever recorded by Statoil for its downstream business. This compares with a loss of NOK 276 million in 1999.

OIL TRADING AND SUPPLY

The oil market in 2000

The crude oil market in 2000 was characterised by a high level of prices and extraordinary price fluctuations. Per barrel prices moved over a range of USD 17.40, from USD 20.40 in April to USD 37.80 during September. The average price of Brent Blend reference crude rose from USD 18 (NOK 140) per barrel in 1999 to USD 28.50 (NOK 251) in 2000.

Generally high demand, low oil stocks — particularly in the USA — uncertainty over oil deliveries from Iraq and active efforts by Opec to influence the market were the most important factors underlying price movements during the year.

The level of prices for refined products was significantly higher across the board in 2000 compared with 1999. It rose substantially during the first half-year. This increase is primarily attributable to rising crude prices and high refining margins. Stocks have been low and there has been some demand pressure on the market.

CRUDE OIL TRADING

An efficient international trading function is an important condition for achieving maximum value from crude oil production by Statoil and the SDFI.

The group is a substantial player in crude oil trading. It traded two million barrels of oil per day during 2000, primarily entitlement crude and volumes marketed on behalf of the SDFI. Statoil's large crude supplies have given it a solid position in the market, which has been exploited beneficially for value creation by the group and the SDFI.

North-western Europe is the principal market for oil from the NCS. Crude exports to the USA and Canada have been an important part of Statoil's sales strategy for many years, and the group has been highly successful in building up positions for Norwegian oil in the world's largest energy market. The Asian market has also become increasingly significant for Norwegian crude, although sales to south-east Asia declined somewhat in 2000. The year was characterised by high crude prices, which helped to make the European market more attractive for Norwegian oil. That resulted in increased crude sales to this part of the world, with the exception of a decline in the Nordic region. Oil exports to the USA were stable at 25 per cent.

Oil trading operations nevertheless yielded weaker results in 2000 than the year before. This can largely be attributed to the sharp price fluctuations for crude during the period, and the reduced value of stocks at 31 December.

PRODUCT AND NGL SALES

The principal market for the group's refined products, condensate and natural gas liquids is north-west Europe, where Statoil ranks as one of the major product players. It is among the biggest suppliers of condensate to European refining operations. In addition, substantial product volumes are exported to more distant markets — principally the USA.

Statoil traded 22.6 million tonnes of refined products in 2000. The bulk of this volume came from its own refineries at Mongstad and Kalundborg, and most of the products were delivered to its own retailing organisation in Scandinavia. However, a substantial business has been established with external customers, particularly in north-west Europe but also in the USA, the Mediterranean area and south-east Asia. Sales of natural gas liquids — naphtha and liquefied petroleum gases — totalled 5.5 million tonnes.

REFINING

Statoil's refining operations embrace Mongstad (owned 79 per cent), Kalundborg (wholly-owned) and Pernis (owned 10 per cent). The group is operator for Mongstad and Kalundborg, while Shell operates Pernis and has an interest in Mongstad. These facilities give Statoil a combined annual refining capacity of roughly 15 million tonnes of feedstock. It converts 28 per cent of this raw material to petrol, eight per cent to naphtha, seven per cent to jet fuel, 19 per cent to diesel oil, 22 per cent to heating oil, and 11 per cent to heavy fuel oil.

After many years of pressure on margins, the refining unit delivered its best-ever result in 2000. This good performance reflects a combination of in-house commitment to restructuring and cost improvements, very favourable refining margins and a high NOK/USD exchange rate.

Laden with Norne crude, the tanker *Marble* has just berthed at Coastal's Eagle refinery outside Philadelphia on the US east coast.

The refining industry has undergone a far-reaching restructuring process in recent years, partly because of long-standing pressure on margins and stricter environmental standards. Statoil has worked purposefully to improve the competitive position of its refineries.

To achieve this goal and respond to the challenges facing the industry, the group's refining strategy builds on the following elements:

- safe and efficient operation on a level with the best 25 per cent in Europe
- exploiting the group's feedstock position, the product requirements of its marketing organisation and the location of the refineries
- meeting new product quality standards at the right time and the lowest possible costs
- strengthening the business through cooperation/alliances.

Statoil's port at Mongstad set new records for ship calls and for exported volumes. At 435 million barrels, crude shipments were up by 48 million barrels from 1999. Product exports rose by 900 000 tonnes to almost 11 million. These volumes confirmed Mongstad's position as the biggest port in Norway and the second-largest European oil port in tonnage terms after Rotterdam. After ship-to-ship loading of crude began in the autumn of 1999, 2000 was the first full year with such operations. Twenty-five were carried out.

The group has a 15 per cent interest in Malaysia's Melaka refinery. A letter of intent on selling Statoil's stake to co-owners Conoco and Petronas was signed in February 2001, and a final agreement is due to be concluded during the first half of 2001.

RETAILING

Statoil ranks as the leading retailer in Scandinavia and Ireland, and has established a solid position in the Baltic states and Poland. Two additional service stations were opened in the Russian port of Murmansk during 2000, bringing the number of Statoil forecourts on the Kola peninsula to five.

Virtually all the petrol supplied to the group's own pumps comes from its refineries in Norway and Denmark.

Statoil has 1 500 service stations in Scandinavia and a market share of 24-25 per cent. Market share contracted slightly in 2000, primarily because of sharper competition from automated forecourts in Denmark. The group's stations are primarily based on a full-service concept. Established with effect from 1 January 1999, Statoil Detaljhandel Skandinavia is owned 50-50 by Statoil and ICA. Two years of experience with the new ICA Express service concept have yielded very positive results, and above all confirmed Statoil Detaljhandel Skandinavia's position as a leading market player. A similar concept has been established under the Fareplay label in Ireland, where Statoil has 308 forecourts.

The first five fully-automated stations in the Baltic states were opened under the 1-2-3 trademark. Experience with unstaffed forecourts is so far positive.

The strategy of being a leading player in established core markets in Scandinavia, the Baltic states and Poland remains unchanged. Statoil has expanded purposefully in the Baltic states and Poland during recent years, with 85 and 113 stations respectively in these markets.

NORDIC ENERGY

As a total supplier of energy, Statoil now provides customers with heating oil, paraffin, wood pellets and electricity. The group has 225 000 private and 80 000 corporate customers for oil products and 100 000 customers for power. Statoil's share of the traditional Scandinavian market for oil products is about 20 per cent, making it the market leader in the area.

The first in a series of fully-automated Statoil service stations being opened in Lithuania under the 1-2-3 brand.

The group supplies a large range of oil and energy products to the large-user and retail markets in Scandinavia. It delivers seven billion litres of automotive fuels annually, spread over 5 400 daily deliveries made mostly by road tanker. In the aviation market, 750 flights a day from 70 airports are supplied by Statoil. This corresponds to a billion litres per year. Three blending plants owned by the group deliver 70 million litres of lubricating oils per year to 8 000 customers. In addition, Statoil is a leading supplier of liquefied petroleum gases to the industrial, transport, heating and leisure markets.

Results for the Nordic energy unit have made poor progress in recent years. Increased competition and a shift away from oil have gradually reduced margins and volumes, and consequently profitability. Measures have been initiated both to cut costs, through a more efficient distribution and logistics system and through reduced staffing, and to establish a new platform for the business. The latter includes structural changes to exploit economies of scale and an expanded product portfolio.

Through positions on the NCS, receiving terminals for natural gas and the group's positions in Naturkraft, Industrikraft Midt-Norge (IMN) and local gas distribution companies, Statoil sees opportunities to continue developing the Nordic gas market.

The unit has concluded an agreement with Gasnor on supplying potential gas customers in the south Rogaland area with liquefied petroleum gases until natural gas is available there.

Organic growth has quickly given the group a significant position in the Norwegian and Swedish electricity markets. However, increased competition in the end-user market for electricity calls for a reassessment of

Statoil's overall strategy in this sector. At the same time, the commitment to new energy solutions such as wood pellets and heat pumps has confirmed a shift in the market towards renewables.

From 2001, Statoil will also start selling wood pellets in Denmark and has signed a purchasing agreement with Danish pellets producer Spanvall. This contract gives the group a substantial market share in Denmark. Statoil sells around 22 000 tonnes of pellets annually in Sweden. High oil prices and new taxes on heating oil make biological fuels attractive to consumers.

The Nordic energy portfolio also includes interests in gas infrastructure companies and firms assessing gas-fired power generation. Such projects depend for their practicality on satisfactory profitability and will involve substantial investment if implemented. In that event, electricity generation would form a key element in the future strategy for Scandinavia. The same applies to the position for renewable energy, which could gradually compensate for the long-term decline in oil supplies.

NAVION

Owned 80 per cent by Statoil and 20 per cent by Rasmussengruppen AS, Navion ASA was established in 1997. The company has its head office in Stavanger and had 134 employees at 31 December. At 1 January 2001, Navion operated an overall fleet of 58 ships, including 24 shuttle tankers, 30 vessels engaged in conventional shipping and three involved in offshore production and storage. The company has 12 wholly- and three partly-owned vessels. These holdings include 50 per cent of the *West Navion* drill ship operated by Smedvig.

Navion's results improved significantly compared with 1999. This progress reflects substantially higher rates in conventional shipping, increased offshore loading activity, a higher NOK/USD exchange rate, lower costs, and good regularity for the production ships and *West Navion.*

The company ranks as the world's leading operator of shuttle tankers, and transports crude oil with specially-equipped vessels from Norwegian, British and Danish fields to terminals in Europe and North America. During 2000, Navion strengthened its position off north-west Europe. Increased production from a number of existing fields and the start to production by two new developments meant high utilisation for the shuttle tanker fleet. In addition, good rates in the market for conventional crude transport have given opportunities for good earnings by the vessels in periods with spare capacity.

A new contract was secured from Shell to ship oil from four fields on the UK continental shelf. Long-term charters have also been awarded to Norwegian shipping companies for two new shuttle tankers, which will replace older tonnage in the second half of 2003. Navion has developed a business concept based on contracts of affreightment (CoA) as an alternative to dedicated vessels for each field. A CoA means that Navion undertakes to transport an agreed volume for the customer. Because these contracts are independent of the vessels used, they ensure high contractual regularity in loading from the offshore installations. Combined with its size, this concept puts Navion in a unique competitive position — not least because new offshore developments are unlikely to be able to employ field-dedicated ships in a cost-effective manner.

Conventional transport of crude oil, refined products, natural gas liquids, methanol and petrochemical gases is pursued through Navion Shipping AS, a wholly-owned Navion subsidiary. Tanker rates were high in 2000, yielding a substantial improvement in rates compared with 1999.

In the autumn of 2000, Navion commenced a 15-year contract with Borealis to ship ethane from Kårstø north of Stavanger to Rafnes south of Oslo and Stenungsund in western Sweden. Covering roughly half the ethane output from Kårstø, these shipments are being made by the new *Navion Dania* carrier.

Navion's two production ships, *Berge Hugin* and *Navion Munin*, operate on Britain's Pierce field and Lufeng in the South China Sea respectively. They both had high regularity and stable output. Upgrading production capacity on *Berge Hugin* and a volume/price-based rate structure for Lufeng yielded positive progress for results from 1999. *Navion Munin's* charter has been extended by a further two years until February 2004. The charter for the *Navion Saga* storage ship has been extended until May 2001, when production from Statoil's Yme field will cease.

While the market for production ships is expanding sharply, it remains very fragmented in terms of players. Vessel standards also vary considerably from one geographical area to another. The basis is accordingly present for a substantial consolidation of the business, but its implementation would be capital intensive. In that context, Navion wants to reduce its exposure to floating production.

The *West Navion* drill ship concluded a contract with Statoil on 1 December 2000. It is now employed off Egypt, and will then move to deepwater assignments off Shetland, Scotland and Ireland. The vessel currently has work until the late autumn of 2001. *West Navion's* capacity has been extended to allow drilling in waters up to 2 500 metres deep. An exploration well due to be drilled for Conoco off Shetland in more than 1 900 metres will be the deepest operation of its kind in European waters to date.

Navion has earlier decided that drilling is not a core business, and is accordingly considering a sale of its 50 per cent share in *West Navion.*

Ronny Andvik and Jane Feste at the Mongstad refinery.

Mongstad oil terminal creates value

The crude oil terminal at Mongstad near Bergen represents a very profitable infrastructure investment. Crude arriving by shuttle tanker from Statoil's fields on the NCS is stored in six rock caverns. The terminal is perfectly sited in relation to Norway's prolific offshore fields.

When Erling Øverland, executive vice president for Manufacturing & Marketing in Statoil, looks westwards from Mongstad towards the North Sea, his eyes are turned to the major oil fields: Statfjord, Gullfaks, Oseberg and Troll. The terminal is tied directly to the last of these discoveries by two pipelines. Other oil arrives by ship. Even further west, across the Atlantic, lies North America –– a market which has become increasingly important for Statoil over the past decade. The group ships more than 500 000 barrels of crude to the world's largest energy consumer every day.

"Our shuttle tankers cover much of the European market," explains Mr Øverland. "At Mongstad, we fill tankers which sail west to North America. This terminal is one of the best assets in our crude oil chain. It gives us flexibility and strength."

Statoil ranks today as the world's third largest trader of crude in international markets. This position has been built up over the past 20 years on the basis of its own oil and the volumes it markets on behalf of the state's direct financial interest (SDFI). The group currently has trading offices for oil in Stavanger, London, the USA and Singapore, allowing it to trade 2.3 million barrels daily on world markets.

PETROCHEMICALS

Key figures (NOK million)			
Income statement	**2000**	**1999**	**1998**
Operating revenues	1 243	884	868
Operating expenses	(875)	(731)	(750)
Depreciation and write-downs	(157)	(825)	(219)
Share of result associated companies	230	649	524
Result before financial items	**441**	**(23)**	**423**
Balance sheet items at 31 Dec			
Fixed assets	8 408	8 403	9 190
Current assets	300	268	397
Non interest-bearing debt	(170)	(459)	(431)

This segment embraces the Borealis petrochemical group and the methanol plant at Tjeldbergodden, owned 50 and 82 per cent respectively by Statoil.

The petrochemicals business achieved a profit before financial items of NOK 441 million as against a loss of NOK 23 million in 1999.

BOREALIS

Borealis was established in 1994 by merging petrochemical operations at Statoil and Neste. Borealis ranks as one of the largest European petrochemical companies, with 5 200 employees, and has production facilities in 11 countries. Its principal products are the plastic raw materials polyethylene and polypropylene (polyolefins), as well as the base petrochemicals ethylene and propylene (olefins).

This group ranks as Europe's second biggest producer of polyolefins and the fourth largest globally. Its ownership changed in 1998 when Neste sold its 50 per cent interest to a holding company owned 50-50 by Austrian oil company OMV and the International Petroleum Investment Company (IPIC), Abu Dhabi's national company for foreign investment in the petroleum business. In connection with the change, Borealis acquired the PCD petrochemicals company from OMV. This increased its polyolefin production capacity by almost 40 per cent.

Results were somewhat lower for Borealis than in 1999, reflecting two important factors. One was increased feedstock costs in line with higher crude oil prices, which put pressure on petrochemical margins as the year progressed. The other was lower production at several of the group's facilities, reflecting both a larger number of shut-downs than in 1999 and more challenging market conditions as a result of weaker expansion in demand compared with the extraordinarily high growth experienced in 1999.

A number of projects were implemented by Borealis during 2000 to improve its competitive position and achieve further growth. The site development programme to improve costs continued, and Borealis has reduced its payroll by 10 per cent over two years. Two new polyolefin plants were completed in Europe, both based on the group's own Borstar technology. A new plant in Austria is the first in the group to utilise Borstar for polypropylene production. The first sale of this technology to an external customer was made in 2000, for a polyethylene plant to be constructed in China.

Borealis and Brazil's OPP have established a joint venture to make special products from polyolefins at two Brazilian plants. The group also formed a joint venture with DuPont for special products at its polyethylene plant in Antwerp. In Norway, Borealis and Norsk Hydro reorganised the Noretyl ethylene plant at Rafnes as a limited company, owned 50-50 and responsible for its own operation. This plant was previously owned 51 per cent by Norsk Hydro — which was also the operator — and 49 per cent by Borealis.

Construction work for one ethylene and two polyethylene plants in Abu Dhabi is on schedule, with start-up planned towards the end of 2001. These facilities will be owned by Borealis and national oil company Adnoc, which have established the Borouge joint venture with a production company in Abu Dhabi and a sales operation in Singapore. Borealis will own 40 per cent of the production company and 50 per cent of the sales venture. The polyethylene plants are based on Borstar.

With the improvements implemented by Borealis, the new projects for special products, the expansions at the European plants and successful completion of the Abu Dhabi facilities, the group will have taken a long step in strengthening its position in Europe and laid a good basis for establishing production and marketing in other continents. It is important for Statoil that improvement and growth efforts continue at Borealis and lead to further value creation. Creating value at the interface with Borealis will also be important for Statoil. That relates first and foremost to utilising feedstock from its ethane and liquefied petroleum gas production for delivery to Borealis. Several possible new projects are being pursued in this area.

METHANOL

The methanol plant at Tjeldbergodden is the largest in Europe, with a production capacity of 850 000 tonnes, and is owned 82 per cent by Statoil and 18 per cent by Conoco. A substantial improvement in demand and realised prices characterised the methanol market in 2000. The posted price for methanol rose from about DEM 250 per tonne at 1 January to roughly DEM 500 per tonne at 31 December. Good economic growth in the USA, Europe and Asia made a strong contribution to improved demand and prices. Annual global consumption is now around 29 million tonnes, an increase of more than five per cent from 1999.

Polyethylene and polypropylene are produced as small pellets.

Viewed overall, operation of the Tjeldbergodden facility was very good in 2000. A turnaround was carried out both on schedule and to budget. Since that operation, methanol output has exceeded design capacity and the plant set a production record in December.

Statoil's methanol unit takes an active lead in developing new markets for this chemical. The group awarded a contract to Lurgi covering construction of a demonstration plant for the latter's methanol-to-propane technology at Tjeldbergodden. In addition, a cooperation agreement covering methanol for fuel-cell engines was concluded with DaimlerChrysler, BP, Methanex, BASF and Xcellsis. The main focus is on preparing a safe introduction of methanol if it becomes the preferred hydrogen-bearer for the fuel cell market.

TECHNOLOGY

Tying in subsea wells to Åsgard B.

Statoil's business is very technology-intensive. The group ranks among the industry's leading companies in a number of areas — including drilling, subsea installations, floating units, improved recovery, pipeline transport and HSE-friendly technologies.

As part of the restructuring pursued during 2000, staffing in the Technology entity was substantially reduced — partly by transferring personnel to the business areas, primarily Exploration & Production Norway. The idea was to bring specialists closer to the actual business in order to ensure that technology development in Statoil is commercially-driven at all times. Another goal is to be among the leaders in applying the best technological solutions to exploration, production and transport, and to safety and environmental protection.

Statoil has opted for a more concentrated commitment to technology. The aim is to become the best in a few selected areas. Until now, the group has had a wide technological focus. Increased competition calls for tighter priorities. In the competition over new operatorships, it is important to concentrate resources and efforts on those areas where the group has or can develop unique advantages.

This commitment focuses on six priority areas:

- improved recovery from oil and gas reservoirs
- cost-effective solutions for oil and gas exploration
- total gas solutions
- production facilities
- operation and maintenance
- production and refining methods.

Within these principal areas, Statoil has identified sectors in which it wants to become a leader. These include four-dimensional seismic surveying, selected drilling technologies and multiphase transport.

The group is giving lower priority to areas in which suppliers or research institutes can do a better development job. That calls for an even closer collaboration with Statoil's suppliers.

Technology which ensures improvements in health, safety and the environment has high priority. At the same time, technological development with energy forms other than oil and gas is being monitored even more closely. New and non-traditional technology solutions have a high priority in Statoil's technology strategy.

Statoil is already a recognised technology group which lies up with the front runners in many areas. Roughly a million tonnes of carbon dioxide is being injected annually below ground on the Sleipner area in the North Sea, for instance.

Statfjord has a recovery factor target of more than 65 per cent, which shows that the group is strong on reservoir management. Construction and operation of gas transport systems represents one of Statoil's strengths.

FINANCIAL CONDITIONS

OIL PRODUCTION

Statoil's value is dependent on its future cash flow and earnings. Entitlement oil production has an important influence on these factors. This depends in turn on reservoir properties, knowledge of these, and expertise which permits a high recovery factor. A five per cent change in the production of entitlement oil will affect annual profit before financial items by about NOK 1.7 billion.

OIL PRICES

At an output of entitlement oil corresponding to the 2000 level, a USD 1.00 change in the price of a barrel of oil will affect profit before financial items by roughly NOK 1.6 billion.

GAS

At today's output, a 10 per cent change in the gas price will affect profit before financial items by about NOK 950 million.

OPERATIONS

Stable and secure operation of production installations and high regularity in the pipeline systems are important both for revenues and for maintaining Statoil's reputation among customers as a reliable long-term supplier.

RESERVES

Expanding reserves through discoveries, acquisitions and improved recovery will be crucial for future operations and cash flow.

FOREIGN EXCHANGE

Viewed in isolation, a fall in the exchange rate for the Norwegian krone will increase the sales value of the group's future production. However, Statoil's interest-bearing debt is denominated mainly in foreign currencies. Although a fall in the NOK exchange rate against Statoil's most important foreign currencies would be favourable in the long term, the immediate accounting effect of a rise of NOK 0.50 per USD is an unrealised currency loss of roughly NOK 1.6 billion before tax. An increase of NOK 0.50 per EUR represents an unrealised currency loss of about NOK 400 million before tax.

TAX

Historically, Statoil's cash flows have largely been created through production and transport of petroleum from the NCS. Risks associated with this business have been greatly moderated by a marginal tax rate of 78 per cent. The expansion in the group's international upstream operations means that substantial expenditures are incurred in countries where the group is not yet in a tax position. Losses in these countries can only be deducted from taxable income in Norway which derives from land-based operations.

FUND MANAGEMENT

Statoil Kapitalforvaltning ASA was established in 2000 to manage financial assets held by the group and by Statoil's pension funds, which are placed in the Norwegian and international securities markets. The aim is to achieve annual results which put Statoil in the first quartile of comparable fund managers. The investment profile will ensure that the return over time is in line with long-term objectives. Defined strategies and continuous monitoring of risks and results seek to ensure a sensible balance between expected return and risk for Statoil's portfolio of securities. About 35 per cent of this portfolio is now invested in shares. An increasing proportion of the portfolios of both shares and bonds is invested in international capital markets. The adjusted return on total assets under management came to about 4.7 per cent in 2000.

INTEREST-BEARING DEBT

The group's interest-bearing debt — which totalled about NOK 38 billion at 31 December 2000 — is largely denominated in US dollars, either directly or through currency swap agreements. This strategy has been adopted because the largest part of the group's net cash flow is in USD. The USD proportion rose during 2000 and amounted to 80 per cent at 31 December.

Most of the remaining debt is in EUR. The average interest rate on the group's long-term debt in 2000 was 6.2 per cent, compared with 5.2 per cent in 1999. Average maturity and fixed interest rate periods remained by and large unchanged at roughly 13 years and about three years respectively. At 31 December, some 4.4 per cent of total interest-bearing debt was short-term.

The group's liquidity reserves, comprising cash, bank deposits, a number of liquid securities and committed credit facilities, totalled about NOK 29.3 billion at 31 December 2000.

PROPERTY INSURANCE

Statoil Forsikring AS provides the group with insurance coverage for land-based and offshore installations under construction and in operation at their estimated replacement cost. Policies also cover consequential loss, cargo risks and third-party liability. Virtually all the insurance provided by the company is restricted to Statoil-related risks. Statoil Forsikring retains about 46 per cent of the sum insured, which totals roughly NOK 70 billion. The balance is placed in the Norwegian and international reinsurance market. Net assets in Statoil Forsikring at 31 December 2000 amounted to NOK 5.6 billion.

STATOIL'S PENSION FUNDS

The Statoil pension funds are organised as independent trusts with their own accounts. They cover employees in the parent company and most of the Norwegian subsidiaries. The funds had 13 241 members at 31 December 2000, including 1 430 pensioners. They managed assets totalling NOK 12.5 billion at 31 December. The pension funds are not consolidated in the Statoil accounts.

PEOPLE, EXPERTISE AND SOCIETY

The Statoil group had an average of 16 789 employees in 23 countries during 2000.

Extensive changes have been made to the organisation in recent years with a view to strengthening earnings and competitiveness. Operations on the NCS were reorganised in area-based business clusters during 2000, and the technology entity was slimmed by transferring personnel to the business units. This process has so far yielded:

- a focused organisation based on business units with total responsibility
- a strengthened management system built on performance contracts and increased use of incentive schemes
- a substantial improvement in cost efficiency
- a level of staffing better adapted to new modes of working and future tasks.

The 2000 working environment and organisation survey showed that the restructuring process is seen as demanding, but also confirmed the stability of a number of basic qualities which characterise Statoil's organisation and personnel. Cost consciousness and awareness of the need for change and competitiveness are high.

At 3.5 per cent, sickness absence in Statoil is low by Norwegian standards — roughly nine per cent on a national basis, according to official estimates. Sickness absence was reduced in most business areas from 1999. Systematic preventive measures related to various local care factors reduced long-term sickness absence in several entities.

SAFETY IN FOCUS

Statoil's goal is to pursue its operations without harm to people or the environment, and without accidents or losses. The requirement to report undesirable events is absolute, reflecting a recognition that these could lead to serious incidents unless action is taken. Transfer of experience between the production facilities through good reporting of undesirable events is important for attaining the group's zero objective and for its ambition to be the industry's best production operator.

Indicators used to measure safety on the NCS have recently taken a direction which does not accord with Statoil's ambitious goals in this area. Great attention is now being focused on these conditions, with action taken in those areas where a trend needs to be reversed. Viewed in a longer perspective, however, safety results have shown a clear across-the-board improvement.

A number of the measures being pursued are now showing positive results. Substantial work devoted to charting and analysing events relating to crane and lifting operations on the NCS, for instance, has achieved a substantial reduction in the number of injuries and incidents associated with such work. From 1996 to 31 December 2000, the number of injuries halved even though operations had expanded in scope. In November 2000, a newly-developed simulator for crane operations was brought on line as an important element in training crane drivers and deck crew.

Statoil has initiated an extensive safety project to review, chart and describe the technical safety condition of its facilities offshore and on land, while also improving possible deficiencies found. The present condition is being documented so that developments in technical safety can be followed over the lifetime of the installation. This condition is measured against specified requirements and forms the basis for systematic improvement efforts.

HIGH LEVEL OF EXPERTISE

One Statoil characteristic is the large number of employees with higher education or a trade qualification. During the 1990s, the group devoted NOK 800 million per year to measures for enhancing expertise.

Collaboration agreements were established by Statoil in the autumn of 2000 with the Norwegian University of Science and Technology (NTNU) in Trondheim, the University of Bergen, the Norwegian School of Economics and Business Administration (NHH) in Bergen, Stavanger University College, the Norwegian School of Management and the University of Oslo. These deals are intended to secure the highest possible benefit in terms of learning and transfer of experience from the various cooperative activities and projects. This collaboration has an annual financial framework of NOK 35 million over three years. The project portfolio is closely related to Statoil's core expertise, and accordingly forms an integrated part of the group's strategy for personnel and expertise development.

Statoil is working with an e-learning strategy based on:

- an electronic community at work and at home
- interactive teaching programmes
- electronic documentation which contains governing documents, routines, guidelines and best practice.

The purpose is to make learning more flexible and better adapted to the individual

Daily life in Akassa.

Dugout canoes are the most important means of transport.

Community development in the Niger delta

Support for developing a community which lacks most of the infrastructure found in the industrialised countries has been provided by Statoil to the 32 000 members of Nigeria's Akassa tribe. They live in the Niger delta.

It takes two hours by boat to reach the Akassa territory, past many small villages and hundreds of seafarers — both women and men — in their simple dugout canoes. Some carry wood, some bananas, and others fish. Fishermen are also the first of the Akassa to be encountered, returning home with their catch. Living deep in the delta is a demanding life. People occupy very simple homes, living standards are low and the tribe's only health care resource is one nurse. The nearest hospital is a day's journey away, and also maintains a simple standard.

So what can an oil company from Norway do for the Akassa?

Statoil has opted to provide USD 200 000 in annual support, channelled through the Pro Natura aid organisation. Briton Bill Knight, its local representative, has lived most of his adult life in Africa. "Statoil has surprised us with its different approach," he says, and points out that the group has actually given its support to a coastal community in Nigeria before earning a cent from local oil operations in Africa's most populous country.

USD 200 000 is not much money for an oil company, but a lot for a community which lacks most amenities. The funds have been primarily devoted to constructing public buildings for the region, establishing a savings bank and helping to organise elections — put briefly, developing a community.

Working in this part of Akassa is not easy, primarily because daily life is affected by tribal rivalries. Over the past two years, 50 members of the tribe have been killed in bloody clashes with neighbours in the Niger delta. The high level of conflict has made development work difficult.

An hour's helicopter flight from Port Harcourt at the outer edge of the delta, the ultra-modern *Deepwater Millennium* drill ship drilled two exploration wells for Statoil in the autumn of 2000. A night in a simple hut in Akassa is very different from a stay in one of the cabins on this vessel. Anyone who does both will experience extreme contrasts, but also see that expanding and improving the nation's economic base could also contribute to a better future.

Statoil's presence in Nigeria and other countries with a similar need for financial and social development builds on a view that the group wants to help create positive value for their inhabitants. This job and the challenges are big, but the Akassa have a warm smile and a handshake to show their gratitude for the support which is helping them to advance slowly. Both the Akassa and Statoil acknowledge that there is still a long way to go. While being fully aware of the huge needs which exist, the group believes that work to forge a better future has to start somewhere. There are many communities like the Akassa, both in Nigeria and elsewhere.

Nobody who has been in Akassa can forget the pictures of that simple society, of the people, of the demanding conditions and of their need. Visitors come face-to-face with living conditions which are normally only presented through TV pictures.

The Akassa provide an example of how Statoil wants to contribute to positive development at the micro level in a community. The group also has ambitions to participate in building community development on the macro level. Educating Venezuelan judges on human rights issues, and helping to establish a new electoral system in Azerbaijan provide examples of the way Statoil is seeking to help solve national social challenges.

Training on new computer systems.

employee's working conditions, as well as to reduce costs.

Statoil has made a name for itself as a leading training company. The first apprentices were recruited in 1985 and the goal has been to provide 100 places per year. Eighty-three new apprentices were taken on in 2000, in addition to the 100 already embarked on a two-year training. Based on present requirements, the prevailing organisation and scope of apprenticeship schemes will be maintained and strengthened to secure an adequate supply of qualified personnel. Training of skilled workers is pursued in cooperation with such bodies as the Federation of Norwegian Process and Manufacturing Industries (PIL), the Norwegian Oil Industry Association (OLF) and the county councils.

CORPORATE SERVICES AND INFORMATION TECHNOLOGY

The corporate services area meets requirements for administrative support functions, including information technology, so that Statoil's business areas can focus on their core operations.

A common services entity provides major cost savings and enhanced support for the business by utilising economies of scale, professionalising an integrated service organisation and exploiting the opportunities offered by new technology. Since it was established in 1999, the new area has cut costs by 20 per cent.

The most important challenges ahead are to introduce a new SAP version, to benchmark product and service areas, and to continue improvement efforts through the development of expertise, value-added application of technology and structural change.

An upgrading programme in 2001 and 2002 will establish the next generation of computerised workplace, with networking solutions and associated infrastructure which can be operated more cheaply than the present solutions. The principal objectives for a coordinated upgrading are to deliver a healthier workplace and simplified solutions for users, and to help realise the maximum benefits from the networking opportunities offered by information technology.

The BRA programme for better, faster administration was initiated in 1996 and completed on 1 December 2000, within the planned schedule and about 10 per cent below budget. Through this programme, Statoil has developed and adopted common work processes — supported by the SAP R/3 computer platform — for accounting, finance, human resources, operation and maintenance, procurement and supply, sales and distribution, and project management for modifications and maintenance. Each entity has been responsible for adopting new work processes supported by SAP in its organisation, with the focus on the opportunities provided for gains. BRA has yielded a considerable simplification and standardisation of administrative work. The programme has also laid a good basis for adopting new administrative solutions and for taking the next steps in electronic business.

STATOIL ACCEPTS RESPONSIBILITY

For Statoil, creating economic value and conveying ethical values represent the principal aspects of its social responsibility. Economic value is created through investment: employment, procurement of goods and services, tax revenues and transfer of technology and expertise. The group conveys ethical values through good treatment of its workforce, acknowledgement of environmental challenges, a clear position on corruption, and demonstration of social responsibility.

Statoil is a group which does not only wish to be characterised by profitability, but also by clear attitudes on the way it makes money. Emphasis is accordingly placed on doing business in an ethically responsible, sustainable and socially responsible manner.

The group's attitudes are the same in every country. However, the exercise of social responsibility must be adapted to local requirements. This presents a challenge to a company which was active in 23 countries during 2000. The geographical spread is supplemented by big variations in socio-economic development and the degree of political freedom.

Statoil's work on social responsibility is in continuous development, with a clear objective of constant improvement.

For more information on the group and social responsibility, see www.statoil.com/ourvalues/socialresponsibility.

Statoil will conduct its business in an ethically acceptable, sustainable and socially responsible manner

Statoil's stand at the Offshore Northern Seas 2000 exhibition in Stavanger.

The group adopted the UN's *global compact* in June 2000, and undertook to work for the maintenance of human rights, labour rights and the environment.

- Statoil signed the global *Sullivan principles* on human and labour rights in February 2000. The intention is to highlight the ideals professed by the group.
- An agreement has been concluded with the *International Federation of Chemical, Energy, Mine and General Workers* (ICEM) on the development of good working practices in Statoil's international operations. The ICEM is a global federation of oil, energy and mining unions with 20 million members. Representatives from the group participate in ICEM's training schemes for union officials.
- Statoil's efforts to strengthen human rights are reflected in several specific projects. These include collaboration with Amnesty International and the UN Development Programme on human rights training for judges in Venezuela, and support for courses on citizen's rights organised in Angola by the Norwegian People's Relief Organisation. In Azerbaijan, the group has contributed to human rights education provided for primary schools by the Refugee Council, and supported an upgrading of the electoral law by the Organisation for Security and Cooperation in Europe ahead of November's general election.
- Respect for human rights is fundamental for Statoil's business, and great weight is accordingly given to enhancing the awareness of its own employees so that they can help to promote these key values.

Statoil's employees will show respect for local culture and traditions, and cooperate with people affected by its operations

Before being posted abroad, Statoil employees receive training in language and culture. This helps to prevent problems from the meeting between different cultures, and strengthens opportunities to act in accordance with Statoil's fundamental values.

The Azerbaijan sociological association carried out a survey for Statoil on local attitudes to and expectations of the international oil industry. This revealed that the majority of a representative sample are positive to operations by the foreign companies, and that 68 per cent regard Statoil as a socially responsible company.

Sincor, one of Statoil's largest projects, came on stream in Venezuela during December 2000. In connection with this scheme, a survey of local development requirements in the area around the production facilities is being carried out in cooperation with the partners.

Statoil will contribute to value creation, expertise development and transfer of experience in the countries in which it operates

The group invested NOK 5 billion during 2000 in its international upstream business, excluding exploration costs such as rig hire. Procurement of local goods and services accounted for 30-40 per cent of this spending. Statoil also contributed to local employment. The proportion of local employees in its European operations is generally above 95 per cent, while the share outside Europe lies between 55 and 75 per cent. In Nigeria, where Statoil has operatorships, the proportion of local staff exceeds 90 per cent.

All employees of the group are offered professional training. Statoil also supports a large number of general educational measures, and finances further education scholarships for students from Azerbaijan, Venezuela and Vietnam. Norway's Petrad educational programme for future leaders in new oil nations also received support from the group. In addition, Statoil is providing a management training programme together with its partners for the Angolan state oil company.

Statoil gives weight to supporting organisations and projects which contribute to sustainable development and strengthen civil society

Sustainability is a goal in the projects supported by Statoil — recipients must not be made dependent on the group but ultimately stand on their own feet. One example is the Akassa project in Nigeria, which supports a local community in planning and implementing its own development measures.

Several of the areas in which Statoil conducts operations have suffered natural disasters, including floods. The group has supported flood prevention measures in China and Vietnam, and partially funded a study in Venezuela aimed at preventing earthquakes.

Statoil will be an open and active contributor to the debate on industry's role and responsibilities

The group continued its dialogue with voluntary organisations during 2000. Work was completed in the government-appointed KOMpakt consultative body on human rights and Norwegian economic involvement in other countries, with Statoil as a key contributor. One outcome of these efforts is a White Paper outlining an action plan for human rights.

Since 1998, Statoil has devoted substantial resources to enhancing understanding of the interaction between oil investment and social development. One reason for this is to define

Azerbaijanis on their way to work at the Oil Rocks field centre near Baku.

the group's legitimate scope of action — its opportunities and constraints. The Azerbaijan study in 1999 was followed up in 2000 with similar studies of Angola and Iran.

The group will develop tools for managing, measuring and reporting its operations in accordance with the triple bottom line — the financial, environmental and social dimensions

Statoil initiated group-wide work in 2000 to develop tools which will make it better equipped to achieve the ambition of managing and reporting in accordance with the triple bottom line. This process is demanding and will need to continue until next year. However, important advances have been made, including the attempt by the international upstream business to identify goals for and quantify social responsibility.

Statoil will conduct its operations in an ethically acceptable manner. This means:

Corrupt acts are not tolerated

Statoil's rejection of corruption was made even clearer in-house by revising its guidelines for business ethics. A new group-wide document has been completed, and will underpin a revision and clarification of local guidelines and routines in this area during 2001.

Statoil trains its own employees in business ethics and in handling ethical dilemmas.

Special training programmes in business ethics were implemented in 2000 for various sets of managers in the group. Corruption prevention also forms part of the general training on security issues given to line managers, and is included in the security reporting carried out twice a year in the group.

The group's attitude is made known to the authorities, partners, suppliers and other interested parties

As part of its on-going contacts with partners and the authorities, Statoil gave briefings during 2000 about its views on business ethics and discussed specific issues relating to these. Under new in-house guidelines adopted in 2000, Statoil will investigate the attitudes to and practice of business ethics at its suppliers. During the coming year, further work will be done on implementing these guidelines in the organisation.

Statoil carries out ethical audits of its own operations

The group implemented ethical in-house audits for the core assets which make up its international upstream business during 2000.

Statoil seeks cooperation over best practice with the authorities, companies and players who share its views on ethical issues

The group contributed during 2000 to the planning and implementation of the Standpoint on Corruption conference organised by the Confederation of Norwegian Business and Industry (NHO), which launched the NHO's document of the same name. In this and other fora, Statoil has promoted and won support for its view that corruption must be fought both in-house and as a social problem. Corruption is recognised to be a major hindrance to economic development in many countries.

The group supports efforts by international organisations to fight corruption

Statoil takes a positive view of the establishment of Transparency International (TI) Norway in 2000, and has signalled that it wishes to support TI Norway's work by becoming a corporate member.

People and society

UN secretary-general Kofi Annan has urged industry to act in accordance with the following principles in a world-wide global compact:

- support and respect human rights
- ensure they are not complicit in human rights abuses
- respect workers' rights to freedom of association and collective bargaining
- eliminate all forms of forced and compulsory labour
- abolish all forms of child labour
- eliminate all discrimination in employment and occupation
- practise a precautionary approach to environmental challenges
- promote greater environmental responsibility
- encourage the diffusion of environment-friendly technologies.

These principles are already enshrined in Statoil's in-house guidelines, but the group wishes to make it even clearer that they govern its business by acceding to the global compact. Statoil also wishes to cooperate with the UN and with other companies to make the effects of globalisation as positive and equitable as possible.

The HSE poster (above) is the primary governing document for health, safety and the environment in Statoil. It forms an integrated part of the overall corporate management system and builds on the recognised principles of planning, execution, follow-up and improvement. Statoil supports the 16 principles in the Business Charter for Sustainable Development from the International Chamber of Commerce. The HSE management system and accounting are verified annually by an external auditor.

ENVIRONMENT-FRIENDLY PRODUCTION

Objectives and ambitions

Statoil's business will be pursued without harm to people or the environment, and in accordance with the principles for sustainable development. In its production operations, the group will actively seek profits through good quality for health and the environment.

Official limits for discharges to the sea

White Paper no 58 (1996-1997) on environmental policies for sustainable development specified national goals for reducing discharges to the sea. The petroleum sector's goal is that, as a main rule, environmentally-harmful discharges should not be permitted from new oil or gas discoveries with stand-alone development solutions. For existing fields, a strategy is required to achieve zero discharges by 2005.

Charting discharges with the EIF

A complete survey of discharges to the sea from Statoil's offshore installations was conducted in 1999-2000. A management tool called the environmental impact factor (EIF) has been developed by the group to assess risks posed by such discharges. Their impact on the external environment and the effect of various countermeasures can be assessed with the aid of this system. It accordingly provides a good basis for decision-making, and allows measures to be prioritised on the basis of their impact.

The structure, resources and location of each field, and the vulnerability of the local environment, determine which development solutions are available. An environmental strategy for the next 10-year period drawn up by Exploration & Production Norway in the autumn of 2000 will provide an important basis for decisions which can prevent damage to the environment.

Phasing out chemicals hazardous to health and the environment

Roughly 202 000 tonnes of chemicals were used by Statoil in 2000 for drilling and production on the NCS. Almost half this volume — 94 800 tonnes — was discharged to the sea. Water and substances which occur naturally in seawater, or which are regarded as harmless to the environment, account for 90.4 per cent of the volume. A further 8.9 per cent comprises chemicals not considered environmentally critical, and which have been ecologically tested and found acceptable for discharge. Environmentally-questionable substances account for about 0.7 per cent. Phasing out such chemicals represents an important element in achieving the goal of zero environmentally-hazardous discharges.

When Statoil awards or renews contracts for chemicals, emphasis is placed on the supplier's ability to develop more environment-friendly products. Development of new technology has yielded good results. New types of scale inhibitors which are more readily biodegradable have been adopted by Statoil, for example. The solubility of these chemicals in water means that roughly 70 per cent of their volume is discharged to the sea via produced water. By adopting the new scale inhibitors, Statoil is phasing out a large proportion of its environmentally-questionable chemicals. Discharges of poorly-degradable substances in scale inhibitors were reduced by roughly 65 per cent in 2000 compared with the year before.

First with produced water injection off Denmark

Experience is constantly being exchanged between Norwegian and international operations. Siri in the Danish North Sea is operated by Statoil and came on stream in 1999. This oil field was Denmark's first offshore development to inject produced water. More than 95 per cent was injected in 2000, with the remainder cleaned before discharge to avoid negative environmental effects.

And injecting gas, produced water and seawater in one and the same well ranks as a world first. This boosts reservoir pressure to improve oil recovery and utilisation of Siri's resources.

Showing special concern in vulnerable areas

Operations in environmentally vulnerable

Operating in environmentally sensitive areas demands a high level of expertise. This picture is from the Faroes.

Denmark's Siri field.

areas are very demanding. Statoil operates the 3/97 Fylla licence west of Greenland, where an exploration well was drilled in July 2000. Extensive environmental studies and impact assessments were done before spudding. The operation was carried out as planned, without serious incidents or unintentional oil and chemical spills. No negative environmental impact was registered.

Statoil began studies on the Faroese continental shelf as early as 1993, and was awarded two operatorships in August 2000. Purposeful work has been devoted to HSE throughout, and the group took the lead in 1997 on establishing an environmental network which also embraces the other companies wishing to operate off the Faroe Islands. Action teams have been established within this network, covering such areas as the biological environment, geotechnics and safety. Statoil believes that its work on the external environment was given great weight by the Faroese authorities when choosing operators.

Demands and measures for reducing emissions to the air

The Norwegian authorities signed the Gothenburg protocol in December 1999. This commits the European countries to reduce their emissions of nitrogen and sulphur oxides and volatile organic compounds (VOCs). These gases can contribute to poor air quality in exposed areas.

They also yield acid precipitation, which can damage fish stocks in lakes and cause over-fertilisation. About 90 per cent of acid precipitation deposited over Norway hails from the UK and continental Europe, with coal-fired power stations, manufacturing and road traffic as the biggest sources. International agreements are accordingly needed to overcome the problem. The biggest sources in Norway are shipping, vehicles and petroleum operations.

Refinery processes for desulphurising oil products represent the principal source of sulphur oxides from Statoil's operations. The group's refineries have cut sulphur oxide emissions substantially in recent years, with the new ammonium thiosulphate (ATS) plant at Kalundborg among the contributions. Statoil accordingly supports the industry proposal that receipts from the sulphur tax levied on such operations should be placed in a fund to finance treatment plants where these represent the most cost-effective approach.

An analysis prepared by the Norwegian Pollution Control Authority (SFT) shows how Norway can meet the nitrogen oxide requirements in the Gothenburg protocol in a cost-effective way. Measures on ferries in coastal traffic promise to yield substantial cuts. Reduction opportunities are also available in the petroleum industry. Nitrogen oxide emissions in the latter sector derive from burning natural gas or diesel oil in engines, gas turbines, boilers, process plants and flares. Opportunities for cutting emissions from older platforms and plants are often limited because conversion costs are very high. New and improved technology used for new installations and plants ensures low emissions.

Offshore loading and transport of crude from the NCS are the main source of VOC emissions in Norway, and a significant proportion of these derive from Statoil-operated facilities. To Statoil's regret, the oil companies failed to reach agreement with the authorities on a voluntary agreement to cut VOC emissions.

The authorities have now imposed a requirement that VOC-reducing measures should cover 30 per cent of offshore loading and storage in 2001, rising to 95 per cent in 2006. Performance standards have also been set for the technology used to achieve such reductions, expressed as a lower limit for recovery factor and plant availability. Statoil has appealed against this decision for all the relevant licences it operates — in other words, Statfjord, Gullfaks, Heidrun, Norne and Åsgard.

In its appeal, the group has proposed a more flexible pace for phasing in these measures, with a realistic schedule for constructing the first recovery plants. This also provides the time needed to assess alternative technical solutions. The technology standard set exceeds the performance documented so far with pilot plants.

Refining and transport of products

Statoil refines crude oil and condensate to automotive fuels and other finished products at its Mongstad and Kalundborg facilities. Refining is a highly competitive business, with product quality and prices largely determined by the international market.

Crude oil refining requires large amounts of energy, and roughly three-six per cent of the feedstock is used to fuel the processes. The most energy-intensive plants are those — such as Mongstad — which also refine the heavy components of Norwegian offshore

Statoil prioritises the environment when acquiring and operating road tankers. Here Ole Lydersen pumps petrol in Murmansk.

crudes. Continuous efforts are being made by the refineries to reduce their energy consumption and emissions in relation to production volumes. This work is pursued through technical enhancements and improvements to operating routines and plant availability in processing and treatment facilities. However, more stringent standards for product quality make refining processes even more complex and energy-intensive.

Most emission parameters to both air and sea from the refineries are regulated by permits. These specify upper limits for emissions and otherwise set standards for environmental controls. As part of efforts to meet ever-rising national targets for emission reductions these standards are also expected to become more stringent for this part of the business. That applies particularly to emissions to the air.

In recent years, the Mongstad refinery has expanded production substantially. However, most emission categories have been reduced or held reasonably constant. Both carbon dioxide and nitrogen oxide emissions have declined over the past decade by roughly 25 per cent per tonne produced, with sulphur dioxide emissions down by about a third. The 1999 expansion at Mongstad, with the construction of the Vestprosess facility, has yielded clear environmental improvements, particularly in the form of better energy utilisation. Discharges to the sea are also relatively low and stable, and detailed monitoring of the recipient — the Fens Fjord — over many years has failed to identify negative effects from discharges by the business.

Maritime transport

Roughly 109 million tonnes of hydrocarbons were shipped in 2000 by tanker from fields, terminals and refineries to customers worldwide, with the main activity concentrated in northern Europe. These shipments break down into roughly 91 million tonnes of crude, 11 million tonnes of refined products, 6.5 million tonnes of liquefied petroleum gases and 700 000 tonnes of methanol.

Navion, owned 80 per cent by Statoil, is responsible for the bulk of the group's tanker shipments. Statoil sets high standards, which exceed national and international requirements, for the quality of vessels used. Tanker operations in 2000 involved no significant oil spills.

Road tankers

An estimated 34 million kilometres were driven by Statoil's own and hired road tankers in the Baltic states, Denmark, Ireland, Norway, Poland, Russia and Sweden during 2000 to transport products to service stations and customers. Carbon dioxide released from these consignments amounted to some 25 000 tonnes and corresponded to roughly 0.3 per cent of total carbon dioxide emissions from Statoil-operated plants.

The group prioritises continuous replacement of road tankers with vehicles which have better engines in terms of lower fuel consumption and emissions. Optimal journey planning is sought, and the tankers use the most environment-friendly diesel oil on the market.

More environment-friendly technology at Kårstø

Emissions to the air from the Kårstø complex relate to the use of gas for energy purposes. Energy efficiency was a key consideration when designing the new receiving facilities for Åsgard gas. The fractionation and separation process has been optimised, and taking

A series of environmental initiatives have been implemented at the Kårstø complex.

in colder water from greater depths as coolant has reduced energy consumption and emissions.

Turbines and boilers are fitted with the best available technology for limiting nitrogen oxide emissions. Using exhaust fumes from the turbines for partial heating of the boilers contributes to an energy efficiency as high as 80 per cent.

The environmental measures implemented to reduce emissions to the air from the new facilities are expected to cut the overall amount of carbon dioxide and nitrogen oxides released from Kårstø per unit of liquid and gas produced by a third compared with earlier figures.

Ethane accounts for roughly 10 per cent of the total rich gas volume treated at Kårstø. Processing this commodity contributes to improved resource and energy utilisation. Crude ethane is stripped of carbon dioxide and methane, and Statoil selected the distillation technology which yields the smallest emissions to the air and the lowest consumption of coolant water per unit produced. Since the ethane plant will largely utilise waste heat, the volumes of gas consumed and carbon dioxide and nitrogen oxides released per unit produced are expected to decline by about 10 per cent.

Waste sorting and recovery

Sorting waste is important for improving resource utilisation, while environmental gains include reduced emissions of greenhouse gases such as methane and carbon dioxide, lower consumption of non-renewable energy and less need for deposition space. Statoil is working continuously to reduce waste volumes, and goods supplied to it must have as little unnecessary packaging as possible. The order of priority for utilising waste generated by the group's operations is reuse, materials recycling, energy recovery through combustion, and deposition.

Statoil integrated several contracts for waste reception and treatment in 1999 in order to achieve environmentally-efficient and cost-effective handling. A unified assignment has been given to Renovasjon Nord A/S, covering all offshore installations supplied from bases in Stavanger, Bergen, Florø and Kristiansund. Also embracing the land plants at Kollsnes and Tjeldbergodden, this deal includes incentives which boost the contractor's earnings as waste treatment improves.

Efforts to handle waste more efficiently have yielded good results. The volume of sorted waste doubled in Exploration & Production Norway (UPN) during 2000 compared with the year before. Increased reuse and recycling of drilling mud have reduced volumes of hazardous waste. Apart from the environmental benefits, UPN saved roughly NOK 10 million in direct costs during 2000.

ENVIRONMENT AND CLIMATE

Objectives and ambitions

The group will pursue a long-term and substantial reduction in emissions of greenhouse gases through best practice, the development of new technology and application of the Kyoto mechanisms. Statoil intends to trim 1.5 million tonnes of carbon dioxide equivalent from its annual greenhouse gas emissions by 2010 compared with "business as usual" based on 1997 technology. This corresponds to a cut of roughly 15 per cent from present forecasts for Statoil's share of global emissions in 2010. The group's target for reductions on the NCS accord with the industry's conclusions about what is realistically possible.

This goal will be reached through even better coordination between installations in the same geographic area and the use of new technological solutions. The biggest challenge for Statoil's international operations is to find good solutions for gas sales in areas without a developed infrastructure.

Demands to cut greenhouse gas emissions

Industrial countries are due to reduce greenhouse gas emissions by at least five per cent from the 1990 level up to 2008-12, according to the Kyoto protocol. The Norwegian government is expected to publish a White Paper in the spring of 2001 on climate issues and emission trading with greenhouse gases.

Statoil supports efforts to reduce human emissions of greenhouse gases to a sustainable level in line with the Kyoto protocol, and is positive to the view that the Kyoto mechanisms can be implemented cost-effectively across national frontiers. The group was accordingly disappointed that the climate conference in the Hague during the autumn of 2000 failed to achieve a negotiated settlement on how the protocol should be implemented.

It is important for Statoil that an emission

Christina D Ravn (bottom) and Mette Schiolborg at the new ATS plant in Kalundborg celebrate that a by-product has been processed into fertiliser.

Fertiliser from waste at Kalundborg

A large new plant which turns the output from oil desulphurisation into artificial fertiliser was brought on line at Statoil's Kalundborg refinery in Denmark during August 2000.

Ranked as the first of its kind, this facility was delivered by Haldor Topsøe A/S and has been patented by the same company. The plant was interfaced with the rest of the refinery by Statoil's own project team, and it is owned and operated by the group as an integrated part of the facility.

Most of the end product from desulphurisation at Kalundborg was previously converted to about 4 000 tonnes of pure sulphur per year and sold to the petrochemical industry. Despite advanced treatment systems, however, the refinery released some 275 tonnes of residual sulphur to the air as roughly 550 tonnes of sulphur dioxide annually.

The new plant converts pure sulphur and about 60 per cent of the amount previously emitted to the air into liquid ammonium thiosulphate (ATS). In addition, nitrogen oxide emissions from the refinery are cut by about 30 per cent. Annual ATS output is expected to total 15-27 000 tonnes, depending on the crudes and other feedstock used by the refinery. ATS is a very favourable type of fertiliser for farm use.

trading system and other conditions in the climate area are framed in a way which takes account of its competitive position. The group could be the largest player in a Norwegian market for emission quotas. Introducing such quotas would add to its expenditures, and impose a possible cost disadvantage in relation to competitors in other countries if the latter do not face the same burdens in adopting the Kyoto protocol.

Measures for emitting less greenhouse gas

Statoil completed its three-year carbon dioxide programme in the autumn of 2000. This identified possible measures to reduce greenhouse gas emissions from the group's plants, and technical solutions have been developed which could cut the cost of such action. Technology and costs for gas-fired power generation combined with the removal and deposition of carbon dioxide have also been analysed in detail.

Statoil is continuously assessing how emission trading and adoption of the Kyoto mechanisms could be utilised, and is working actively to ensure that framework conditions in Norway ensure a foundation for further industrial development and value creation based on oil and gas resources.

World Bank PCF

Statoil joined the World Bank Prototype Carbon Fund (PCF) in the spring of 2000. The bank's board wishes to use the PCF to help create a market for emission quotas within the framework of the Kyoto protocol. Investment is planned over the next few years in a number of projects on renewable energy production and improved energy efficiency.

Membership of the PCF is expected to give Statoil a return in the form of emission credits at a competitive price, which can be used to meet its own obligations. In addition, the group will gain experience in various projects.

ENVIRONMENTALLY-ADAPTED PRODUCTS

Objectives and ambitions

In developing products and services, Statoil will actively seek profits through good quality for health and the environment. Its products will be among the best in terms of technical user and environmental properties.

Standards for air quality and automotive fuels

Air quality in major European cities has improved substantially in recent years, but continues to receive high priority both nationally and internationally. The European Union (EU) has set new standards for air quality, with specified ceilings for particulates, sulphur dioxide, nitrogen oxides, carbon monoxide, benzene and ozone. One approach to meeting these requirements is the adoption of new quality demands for petrol and diesel oil, which came into effect in 2000 and will cut vehicle emissions. Car manufacturers must meet emission ceilings for hydrocarbons, carbon monoxide, nitrogen dioxides and particulates from new vehicles, and fuel quality must help to ensure that these limits are met. Even stricter standards for petrol and diesel oil are due to be adopted in 2005.

Statoil is positive to the introduction of more environmentally-adapted product specifications in the EU, providing these are based on scientific, cost and environmental facts. Uncertainty persists about the impact of different environmental measures. More modern engine technology and better technical maintenance, combined with the right fuel grade, are expected to make a substantial contribution to improved air quality.

Car manufacturers want to see less and less sulphur in petrol and diesel oil in order to meet new emission standards. Special attention has focused on particulates, and research is now under way into which properties of these substances have the greatest impact on health.

Measures for more environment-friendly products

Statoil's principal products are various forms of automotive fuel and heating oils. Alternative fuels and new blending components are under continuous evaluation and testing. Product development programmes and market surveys are conducted by Statoil's product technology and customer service centre (PKS).

The cost of alternatives to petrol, diesel oil and traditional heating products is currently high, but they are being introduced as niche products in areas where this can be justified on environmental grounds. Statoil now offers such renewable automotive fuels as rape methyl ester (RME), bioethanol and biogas in markets where these are in demand.

Statoil is working actively with the authorities, the car industry and other oil companies to gain knowledge of the relationship between engine technology, product properties and effects on health and the environment.

Cooperation with Canada's Methanex, the world's largest methanol producer, on the use of this chemical to power fuel cells continued in 2000, and has been expanded to include DaimlerChrysler, BP, BASF and Xcellsis. This alliance is working to identify practical issues relating to a possible introduction of vehicles running on methanol-driven fuel cells.

The group maintained its collaboration with America's IdaTech on stationary methanol-driven fuel cells for decentralised power and heat production. IdaTech delivered a number of such systems for testing during the year.

ENVIRONMENT-FRIENDLY ENERGY FORMS

Objectives and ambitions

Statoil will contribute to developing alternative energy sources and bearers. It will offer total energy solutions which meet the customer's energy requirements for heating, cooling and electricity.

Biopellets

Bioenergy is the most important renewable energy source in the Nordic region after hydropower, and Statoil's commitment to wood pellets is proceeding as planned. About 30 000 tonnes were sold in 2000.

In Norway, Statoil operates a pellet plant together with Norske Skog. Statoil Vänerpellets, owned 80 per cent by the group, operates two biofuel factories in Sweden.

Heat pumps

Heat pumps represent an important priority area for Statoil. The group signed contracts in the spring of 2000 with housebuilders on testing heat pump solutions tailored to Nordic conditions. A partnership with the Selmer construction group also aims to find good energy solutions for large development projects.

Micro power and heating

Statoil has sold some 40 micro power and heat plants developed by ECPower in Denmark. To strengthen continued operation and further development of these products, the group has taken a 40 per cent holding in ECPower.

Gas replacing oil in homes and commercial buildings

The Norwegian market for liquefied propane delivered to tanks has tripled over the past decade, and Statoil is the leading player in this market. For the first time, several major construction projects in which propane will meet most heating requirements were initiated in Norway during 2000. Through these ventures, Statoil is laying the basis for a transition from oil to more environment-friendly gas.

Fossil fuels in the form of compressed/liquefied natural gas or liquefied petroleum gases offer environmental advantages if used correctly. Carbon dioxide emissions from natural gas are 30-50 per cent lower than from coal or oil per unit of energy produced, for instance, while nitrogen oxide emissions are 60-90 per cent lower. In addition, burning natural gas gives only marginal emissions of sulphur dioxide and particulates. Large-scale use of gas as an energy bearer demands a well-developed pipeline network for distribution, which has so far limited consumption in Statoil's markets.

Energy saving in Statoil's office buildings

Statoil has about 400 000 square metres of office space at its disposal in its own and leased buildings in Norway. Good results have been achieved in energy saving in these premises with a reduction of 19 per cent from 1999 to 2000.

OPENNESS AND DIALOGUE

Objectives and ambitions

Statoil will have an environmental image which strengthens both its brand and a positive reputation in those countries in which it operates. The group will manifest its contribution to sustainable development by reporting financial results, environmental aspects and social influences together.

Statoil's environmental forum

Engaging in a dialogue with organisations and individuals with views on Statoil's operations or who can provide it with knowledge and ideas is important for the group. This enhances its understanding of the values, attitudes and arguments encountered in society at large, and makes it better equipped to find good solutions from a social perspective. Established in 1998, the Statoil environmental forum provides a setting for regular meetings between the chief executive and environmental and consumer organisations.

HSE 2000 conference

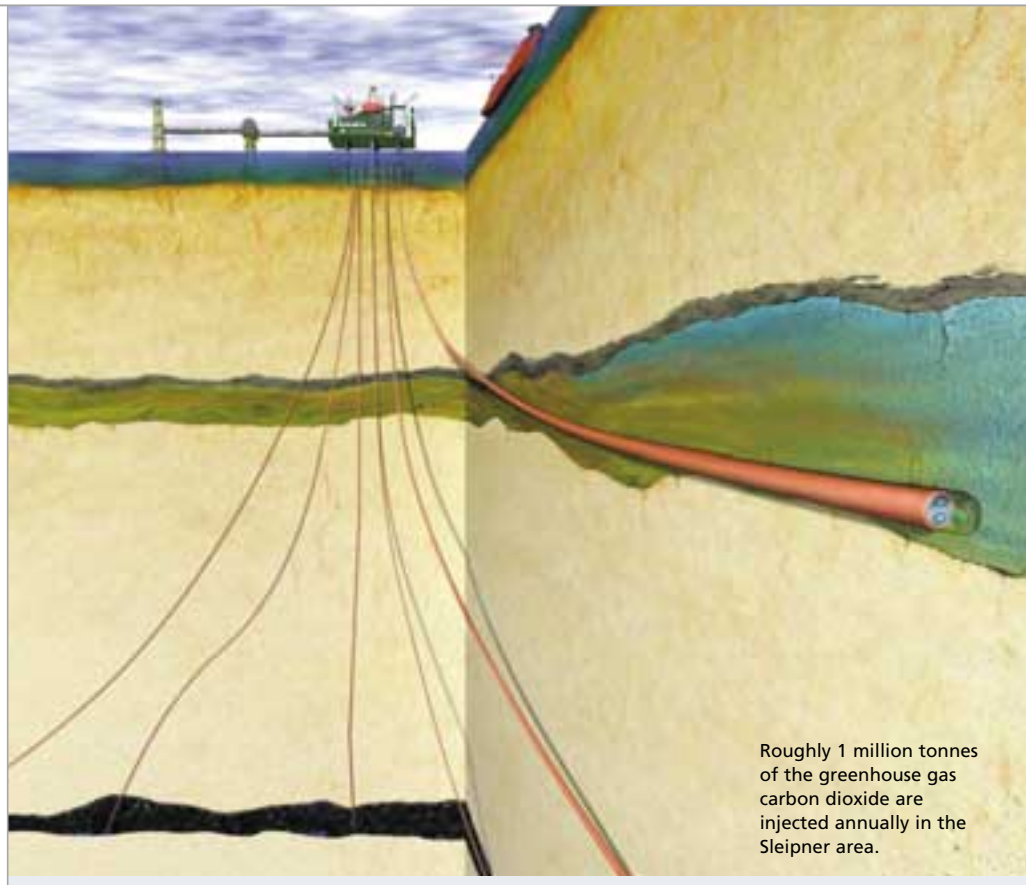
Statoil hosted HSE 2000, the world's largest conference on this subject, in June 2000. Staged in Stavanger by the Society of Petroleum Engineers (SPE), the high-quality programme ranged very widely. Oil companies, government authorities and various environmental organisations participated, and the conference attracted delegates from almost 60 countries.

Young Agenda 21

The group is a founder of Young Agenda 21, an independent foundation established in the autumn of 2000 on the basis of the final document from the Earth Summit at Rio de Janeiro in 1992. Its purpose is to create arenas in which children and young people from various parts of the world can express their views on protecting nature and the environment.

HSE data sheets on the net

Statoil emphasises openness about the health and environmental impact of its products, and HSE data sheets for all its products have been posted to the internet. The group is an active member of the Conservation of Clean Air and Water in Europe (Concawe) organisation of European oil companies, as well as national industry associations in Norway, Sweden and Denmark, to help ensure that engine and automotive fuel technologies are developed in line with requirements.



Roughly 1 million tonnes of the greenhouse gas carbon dioxide are injected annually in the Sleipner area.

The chief executive's HSE prize for 2000: Removal and injection of carbon dioxide on Sleipner

Statoil's Sleipner operations organisation has been among the front runners over a number of years with solutions for reducing emissions to the air. Its concept for removing, compressing and injecting carbon dioxide has cut such emissions by about a million tonnes per year.

Using Pelton turbines for energy recovery and energy optimisation have also reduced annual carbon dioxide output by about 50 000 tonnes and 250 000 tonnes respectively. Taken together, these measures cut the amount of carbon released by roughly 1.3 million tonnes per year — equivalent to 13 per cent of total emissions from the NCS.

Carbon dioxide removal and injection in the Sleipner area represents pioneering technology, conceived originally by Statoil employees about a decade ago. This project has formed the basis for the international saline aquifer carbon dioxide storage (Sacs) collaboration, which aims to establish a technological platform for future carbon deposition in underground formations. The Sleipner measures and Sacs have attracted great and positive international attention, and have inspired a number of other initiatives world-wide.

Utilising Pelton units under extreme conditions has laid the basis for expanded use of energy recovery turbines in the process industry. And the energy optimisation programme implemented in the production phase demonstrates that a 15 per cent cut in carbon dioxide and nitrogen oxide emissions can be achieved in existing plants with limited investment and good profitability.

Chief executive Olav Fjell with the winners of his HSE prize for 2000.

HSE accounting for 2000

Tormod Huseby and Hans Kristiansen during completion of Åsgard B.

INTRODUCTION

The management system for health, safety and the environment (HSE) forms an integrated part of the group's total management system, and is described in its governing documents.

A key element in the HSE management system is registration, reporting and assessment of relevant data. HSE performance indicators have been established to assist this work. The intention is to document quantitative developments over time and strengthen the decision-making basis for systematic and purposeful improvement efforts.

HSE data are gathered continuously by the business units and reported quarterly to the corporate executive committee, which evaluates trends and decides whether improvement measures are required. The chief executive submits HSE results and associated assessments to the board together with the other quarterly reports. These results are posted to the group's intranet and its internet site.

Statoil has nine group-wide HSE performance indicators. Those concerned with safety — the total recordable injury frequency, the lost-time injury frequency and the serious incident frequency — are reported quarterly at corporate level for Statoil employees and contractors both collectively and separately.

Other group-wide indicators are only reported annually at corporate level, with the exception of oil spills. These are reported quarterly. The figure for sickness absence is confined to Statoil's own employees. Indicators for the external environment — oil spills, emissions of carbon dioxide and nitrogen oxides, energy consumption and the waste recovery factor — are reported for Statoil-operated activities.

Data from all the group's more important activities are included in the HSE accounting, with the exception of Borealis and Navion. In addition, oil spills are the only data on the external environment included for the service stations. Historical data include figures relating to acquired operations from the date of acquisition. Correspondingly, figures relating to divested operations are included up to the date of divestment. For further details, see the information provided with each of the HSE performance indicators.

RESULTS

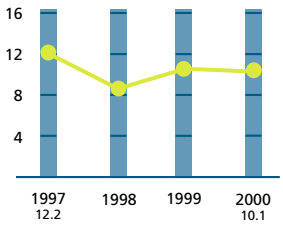
The HSE accounting presents the development of these performance indicators over the past five years. Use of resources, emissions and waste volumes for Statoil's largest land-based plants and operations on the NCS are shown in separate environmental overviews. See also the environment section in the review of Statoil's operations.

More than 72 million hours worked in 2000 form the basis for this accounting. That represents a reduction of just under 14 million hours from 1999. The decline partly reflects the fact that Statoil underwent an extensive restructuring and consolidation during 2000, and partly the completion of some major projects.

Contractors handle a substantial proportion of the assignments for which Statoil is responsible as operator or principal company. As in 1999, unfortunately, two fatal accidents were suffered by contractors during 2000. One person hired as a sales representative for Statoil-Technaft died on 21 January 2000 in a road accident in Poland, while a Danish mariner on *Mærsk Seeker* died on 11 September during the replacement of mooring chains on Veslefrikk B.

Unfortunately, too, contractors working for the Navion subsidiary also suffered two fatal accidents during the year. One person died while the *Navion Norvegia* was docked at a Polish yard on 27 October, while another perished on 26 December on the Indian tanker *Shravan* under charter to Navion Shipping.

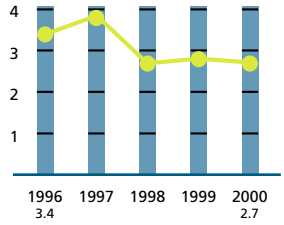
Like the rest of the industry, the group has experienced an increase in its serious incident frequency. However, frequencies for total recordable injuries and lost-time injuries showed a slight improvement from 1999. But considerable variations exist from entity to entity in safety frequencies and sickness absence. In addition to this corporate accounting, the individual business units prepare more specific statistics and analyses for use in their improvement efforts.



TOTAL RECORDABLE INJURY FREQUENCY

Definition: The number of fatalities, lost-time injuries, cases of alternative work necessitated by an injury and other recordable injuries (serious injuries which may be permanent in nature, all other serious injuries and all injuries requiring medical treatment, excluding first-aid injuries) per million working hours.

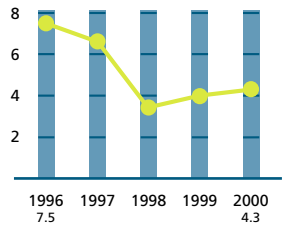
Developments: The total recordable injury frequency declined from 10.3 in 1999 to 10.1. For Statoil employees, the frequency was 5.5 as against six the year before, and for contractors it was 14.6 compared with 13.6. While the trend for Statoil employees over the past four years has been stable, an unfortunate development is seen for contractors. Data for 1996 are not available.



LOST-TIME INJURY FREQUENCY

Definition: The number of lost-time injuries and fatal accidents per million working hours.

Developments: The lost-time injury frequency (including both Statoil employees and contractors) was 2.7 as against 2.8 in 1999. For Statoil employees alone, the frequency was 2.3 compared with two. For contractors, it was three as against 3.3. The frequency has increased somewhat for Statoil employees in recent years, while showing a slight improvement for contractors.

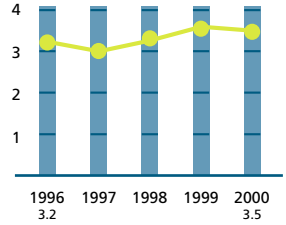


SERIOUS INCIDENT FREQUENCY

Definition: The number of undesirable events[1] with a high loss potential per million working hours.

Developments: The serious incident frequency (including both Statoil employees and contractors) was 4.3 in 2000 as against four in 1999. After several years of progress, a small backward step was noted.

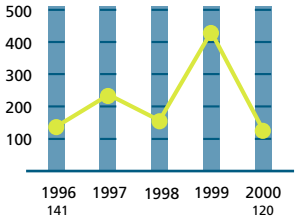
[1] An *undesirable event* is an event or chain of events which have caused or could have caused injury, illness and/or damage to/loss of property, environmental damage or harm to a third party. Risk matrices have been established which show the degree of seriousness and frequency of repetition for different types of undesirable event. Events with a high potential for loss are incidents with a high degree of seriousness and/or which are frequently repeated.



SICKNESS ABSENCE

Definition: The total number of days of sickness absence as a percentage of possible working days.

Developments: Sickness absence declined from 3.6 per cent in 1999 to 3.5 per cent. Although this indicator was rather higher than it had been a few years ago, the slight contraction from 1999 was positive since Statoil implemented an extensive restructuring in 2000. The result also compares well with the Norwegian average (around nine per cent, according to an official study).

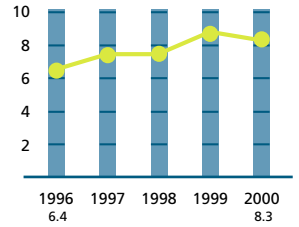


OIL SPILLS

Definition: The number and total volume (in cubic metres) of unintentional oil spills to the external environment. (2)

Developments: The number of unintentional spills came to 431 as against 485 in 1999. After several years of sharp increases, the number of such spills has been declining steadily since 1997. In volume terms, spills totalled 120 cubic metres as against 419 the year before. This is the lowest figure for five years.

(2) All unintentional oil spills are included in the figures with the exception of those collected inside a facility (platform/plant) and which accordingly cause no harm to the surrounding environment. However, such spills are included for downstream operations.

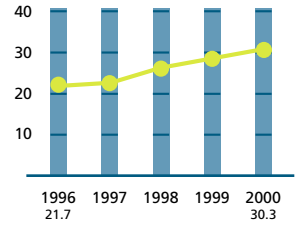


CARBON DIOXIDE EMISSIONS

Definition: Total emissions of carbon dioxide in million tonnes from Statoil operations. (3)

Developments: Carbon dioxide emissions totalled 8.3 million tonnes as against 8.8 million in 1999. Total emissions were reduced by comparison with 1999, primarily because Statoil Energy has been sold and is no longer included in the figure. Other Statoil operations increased their overall emissions. This primarily reflects the start-up of new fields on the NCS as well as increased production by the Manufacturing & Marketing and European Gas business areas.

(3) Carbon dioxide emissions embrace all sources such as turbines, boilers, engines, flares, drilling of exploration and production wells, well testing/workovers and residual emissions from the carbon dioxide separation plant for natural gas on Sleipner T. Support services such as helicopter traffic, supply and standby ships and shuttle tankers are excluded.

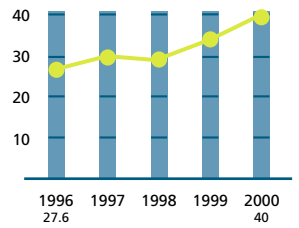


NITROGEN OXIDE EMISSIONS

Definition: Total emissions of nitrogen oxides in tonnes from Statoil operations. (4)

Developments: Emissions of nitrogen oxides totalled about 30 300 tonnes, as against roughly 29 100 in 1999. The increase in reported emissions primarily reflects two factors — the start-up of new fields on the NCS as well as increased production by the Manufacturing & Marketing and European Gas business areas, and the adoption of new and more accurate principles for calculating nitrogen oxide emissions on the NCS.

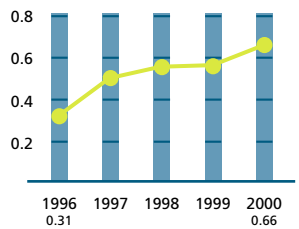
(4) Nitrogen oxide emissions embrace all sources such as turbines, boilers, engines, flares, drilling of exploration and production wells, and well testing/workovers. Support services such as helicopter traffic, supply and standby ships and shuttle tankers are excluded.



ENERGY CONSUMPTION

Definition: Total energy consumption in terawatt-hours for Statoil operations. This includes net electricity purchases, energy from gas- and diesel-fired power generation and energy losses through flaring. Energy consumption based on the use of fossil fuels is calculated as fuel energy content.

Development: Energy consumption totalled 40 TWh as against the 34.7 TWh reported in 1999. This increase partly reflects the start-up of new fields on the NCS as well as increased production by the Manufacturing & Marketing and European Gas business areas. A significant part of the increase in reported energy consumption derives from the adoption of improved calculation principles at some facilities with high energy consumption.



WASTE RECOVERY FACTOR

Definition: The quantity of waste recovered in tonnes divided by the total quantity of waste in tonnes from Statoil operations. (5)

Developments: The recovery factor was 0.66 as against 0.58 in 1999. This indicator has shown very positive progress and reveals that 66 per cent of waste from Statoil operations was recovered in 2000. All the business areas achieved a higher recovery factor compared with the year before.

(5) The quantity of *waste recovered* is the total quantity of waste from the plant's operations excluding waste incinerated without energy recovery, waste deposition and hazardous waste. *Hazardous waste* is defined by national legislation in each country.

ENVIRONMENTAL DATA FOR 2000

NORWEGIAN CONTINENENTAL SHELF[1)]

FUEL	
Diesel oil	121 000 tonnes
PROCESSED QUANTITY[2)]	
Oil/condensate	96.3 mill m^3
Gas	61.7 bn m^3
Water	72.3 mill m^3
CHEMICALS	
Process/prodn	30 300 tonnes
Drilling/well	172 000 tonnes
of which weight material and inorganic chemicals	143 000 tonnes
INJECTION WATER AS PRESSURE SUPPORT	141 mill scm

EMISSIONS TO AIR	
CO_2	5.16 mill tonnes
NO_x	25 200 tonnes
nmVOC[3)]	144 980 tonnes
SO_2	580 tonnes
Methane[3)]	12 800 tonnes
OIL/CONDENSATE	96.3 mill scm
GAS	
Exported	40.9 bn scm
Reinjected	18.9 bn scm
Flared	0.37 bn scm
Turbines	1.53 bn scm
EMISSIONS TO WATER	
Oil: accidental	11.3 m^3
Produced water	71.3 mill m^3
Oil: oily water	1 990 tonnes
Chemicals process/prodn	15 670 tonnes
Chemicals drilling/well	78 900 tonnes
Incl weight material	72 200 tonnes
WASTE	
Hazardous waste[4)]	31 500 tonnes
Waste for landfill	3 420 tonnes
Sorted waste	6 680 tonnes
Recovery factor	0.66

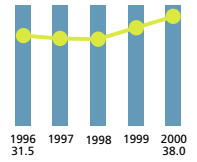
1) NCS includes UK sector of Statfjord and excludes Kollsnes

2) Processed quantity including prosessed volumes from third party. (Snorre to Statfjord, Tordis to Gullfaks C, Vigdis and Visund to Gullfaks A)

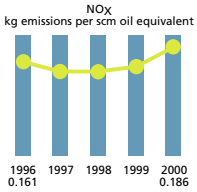
3) Buoy loading included

4) 88% is oily cuttings and mud.

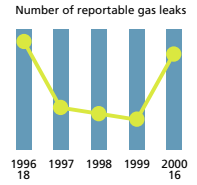
CO_2
kg emissions per scm oil equivalent



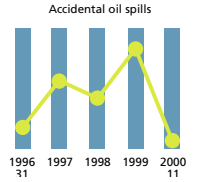
NO_X
kg emissions per scm oil equivalent



Number of reportable gas leaks



Accidental oil spills



KOLLSNES

ENERGY	
Electricity	790 GWh
Fuel gas	6.7 mill scm
RAW MATERIALS	
Rich gas Troll A	22.5 bn scm
Rich gas Troll B	1.08 bn scm
Rich gas Troll C	1.09 bn scm
UTILITIES	
Monoethylene glycol	70 m^3
Other chemicals	35 m^3

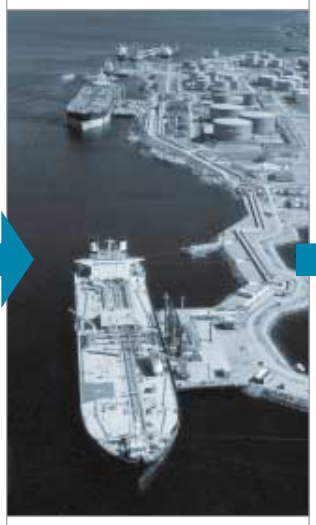
PRODUCTS	
Gas	24.67 bn scm
Condensate	0.6 mill m^3
EMISSIONS TO AIR[1)]	
CO_2[2)]	16 687 tonnes
NO_x[2)]	16.8 tonnes
CO	12.5 tonnes
nmVOC[2)]	241 tonnes
Methane	691 tonnes
Flared gas	1.6 mill scm
Fuel gas	6.7 mill scm
EMISSIONS TO SEA[1)]	
TOC	3.2 tonnes
Monoethylene glycol	5.1 tonnes
Methanol	1.7 tonnes
Hydrocarbons	0.09 tonnes
Ammona	0.04 tonnes
Phenol	0.02 tonnes
WASTE	
Sludge from treatment plant	60 tonnes
Process water and replacing of hot oil	1 952 tonnes
Hazardous waste	45 tonnes
Waste for landfill	118 tonnes
Sorted waste	136 tonnes
Recovery factor	0.5

1) All regulatory emission requirements have been met in 2000.

2) Emissions per produced amount: CO_2: 0.66 kg/scm o e, NO_x: 0.7 g/scm o e, nmVOC: 0.01 kg/scm o e.

MONGSTAD

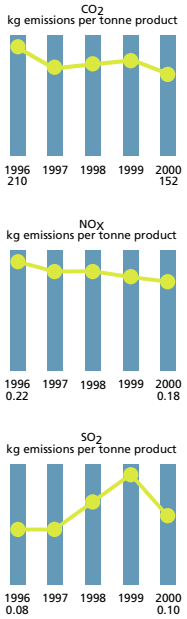
ENERGY	
Electricity	390 GWh
Fuel gas and steam	6 300 GWh
RAW MATERIALS:	
Crude oil	8 225 000 tonnes
Heavy heating oil	1 118 500 tonnes
UTILITIES	
Acids	655 tonnes
Additives	2 070 tonnes
Caustic	1 420 tonnes
Process chemicals	1 570 tonnes
TEL	13 tonnes
Process water	4 230 000 m^3



PRODUCTS:	9 300 000 tonnes
Propane	Butane
Naphtha	Gas oil
Petrol	Petcoke/sulphur
Jet fuel	
EMISSIONS TO AIR[1)]	
CO_2	1 412 000 tonnes
SO_2	880 tonnes
NO_x	1 650 tonnes
nmVOC refinery	9 380 tonnes
VOC terminal	10 160 tonnes
EMISSIONS TO WATER[1)]	
Oil	3 tonnes
Phenol	2 tonnes
Ammonia	43 tonnes
Cyanide	<0.05 tonnes
WASTE	
Oily waste	5 100 tonnes
Catalysts[2)]	3 090 tonnes
Other hazardous waste	6 tonnes
Waste for landfill	700 tonnes
Recovered waste	570 tonnes
Recovery factor	0.45

1) All regulatory emission requirements have been met in 2000.

2) 97 % of this is recovered.

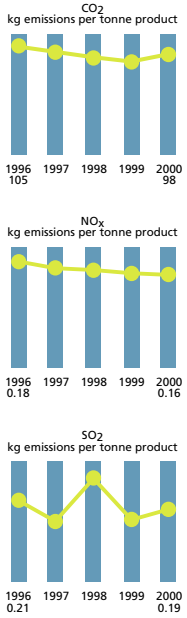


KALUNDBORG

ENERGY	
Electricity	145 GWh
Fuel gas and steam	2 404 GWh
RAW MATERIALS AND ENERGY	
Feedstock	19 600 tonnes
Blendstock	425 100 tonnes
Crude oil	4 826 300 tonnes
UTILITIES	
Acids	700 tonnes
Additives	614 tonnes
Caustic	309 tonnes
Process chemicals	732 tonnes
Process water	865 152 m^3

PRODUCTS	5 098 000 tonnes
Petrol/naphtha	Kero/Jet fuel
Destillates	Fuel oil
LPG	Sulphur + ATS
EMISSIONS TO AIR[1)]	
SO_2	952 tonnes
NO_x	812 tonnes
VOC	3 500 tonnes
CO_2	499 060 tonnes
EMISSIONS TO SEA[1)]	
Oil	234 kg
Phenol	21 kg
Suspended matter	9 100 kg
Sulphide	5 kg
WASTE	
Hazardous waste	24 tonnes
Waste for landfill	127 tonnes
Recovered waste	1 123 tonnes
Recovery factor	0.90

1) All regulatory emission requirements have been met in 2000.



TJELDBERGODDEN

ENERGY	
Input energy	1.6 TWh
Flared gas	0.4 TWh
Imported electricity	0.08 TWh
Exported electricity	0 TWh

UTILITIES	
Caustic	341 tonnes
Acids	82 tonnes
Other chemicals	19 tonnes

PRODUCTS	
Methanol	724 936 tonnes
Oxygen	20 113 tonnes
Nitrogen	23 593 tonnes
Argon	14 436 tonnes
LNG	5 013 tonnes

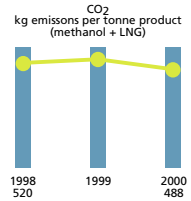
EMISSIONS TO AIR[1)]	
CO_2	356 470 tonnes
NO_x	585 tonnes
nmVOC	38 tonnse

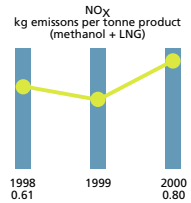
EMISSIONS TO SEA[1)]	
Coolant water	203 171 scm
TOC	2 tonnes
Suspended matter	0.9 tonnes
Total-N	0.7 tonnes

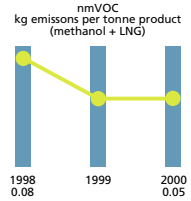
WASTE	
Hazardous waste[2)]	85 tonnes
Waste for landfill	56 tonnes
Recovered waste	51 tonnes
Recovery factor	0.47

1) All regulatory emission requirements have been met in 2000.

2) Sludge from treatment plant (63 tonnes with 5 % dry materials) and 15 tonnes with 1 % oil and 99 % water is included.







KÅRSTØ COMPLEX

ENERGY[1)]	
Fuel gas	3.066 TWh
Electricity bought	0.353 TWh
Diesel	0.0038 TWh

RAW MATERIALS[2)]	
Rich gas	5.3 mill tonnes
Condensate	5.3 mill tonnes

UTILITIES	
Acid/caustic soda	89 tonnes
Chemicals	189 tonnes

PRODUCTS	
Lean gas	3.9 mill tonnes
Propane	1.6 mill tonnes
I-butane	0.4 mill tonnes
N-butane	0.6 mill tonnes
Naphtha	0.2 mill tonnes
Condensate	3.4 mill tonnes
Ethane	0.07 mill tonnes

EMISSIONS TO AIR[3)]	
SO_2	2.0 tonnes
NO_x	0.66 thousand tonnes
nmVOC	2.67 thousand tonnes
CO_2	0.75 mill tonnes
Gas flaring	21.5 thousand tonnes

EMISSIONS TO WATER[3)]	
Coolant water	221 mill m^3
Treated water	0.7 mill m^3
Oil in water	289 kg
TOC	25 tonnes

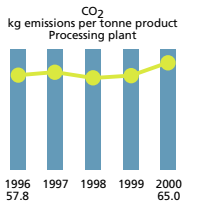
WASTE[4)]	
Hazardous waste	242 tonnes
Waste for landfill	138 tonnes
Recovered waste	1 026 tonnes
Recovery factor	0.88

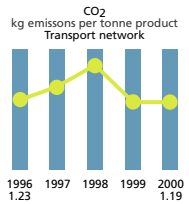
1) Energy consumption for transport network is included, comprising 0.266 TWh fuel gas, 0.282 TWh electricity and 0.0008 TWh diesel.

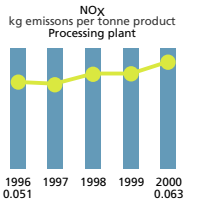
2) Applies to processing plant. Gas tranport by transport network is 51.2 million tonnes.

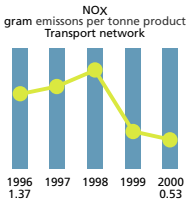
3) Emissions from transport network are included, comprising 61 265 tonnes Co_2, 27.5 tonnes No_x and 73 tonnes nmVOC. All regulatory emission requirements have been met in 2000.

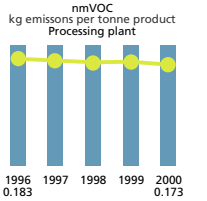
4) Waste from the transport network is included, comprising 34 tonnes for landfill and 158 tonnes recovered.

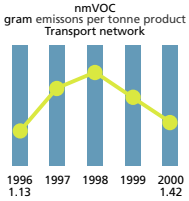












REPORT FROM ERNST & YOUNG A.S

We have reviewed the annual health, safety and environment accounting for Den norske stats oljeselskap a.s in 2000, as presented in the annual report and accounts on pages 47-52. The HSE accounting is the responsibility of the group's executive committee. Our mandate was to express an opinion on the HSE accounting on the basis of our review.

Our review has covered the following:

- meetings and discussions with the corporate management for health, safety and the environment on the contents of the HSE accounting, including a review of the group's management system for health, safety and the environment.
- verification on the basis of random sampling that figures from the various reporting entities have been correctly incorporated in the HSE accounts and performed overall analyses of the figures compared with earlier reporting periods; we have also considered whether the overall information is presented in an appropriate manner.
- random checks to verify that the HSE figures presented are based on consistent and recognised methods for measuring, analysing and quantifying data.
- interviewing personnel responsible for collecting the figures in the HSE report, where we have focused on consistency in measuring emissions and on the process governing the collection and collation of data. In this context, we have visited nine reporting entities in two countries within Statoil's upstream and midstream operations.

On this basis, we can confirm that the group has established a well-functioning management system for health, safety and the environment. In our opinion, the HSE accounting deals with information on matters relating to health, safety and the environment which are important from a group perspective. This information appears to be appropriately presented in the HSE accounts.

On the same basis, we can confirm that the HSE performance indicators and environmental charts on pages 47-52 are based on consistent measuring methods and are in accordance with information submitted by the various reporting entities.

Our review was conducted in accordance with standard of auditing no 920 on agreed-upon procedures. As a consequence, our report is confined to the aspects specified above.

Stavanger, 21 February 2001
ERNST & YOUNG AS

Gustav Eriksen
State authorised public accountant

Jostein Johannessen
State authorised public accountant

Annual accounts for 2000

INCOME STATEMENT - STATOIL GROUP

NOK MILLION	NOTE	2000	1999	1998
Operating revenue	2,3	**208 156**	138 788	104 778
Cost of goods sold	3	**(126 233)**	(83 260)	(56 525)
Operating and administration expenses	4	**(27 657)**	(27 317)	(28 160)
Exploration expenses	6	**(2 007)**	(2 210)	(3 301)
Depreciation	7	**(11 395)**	(10 421)	(9 396)
Write-downs	7	**-**	(2 500)	(1 520)
Share of net profit/(loss) in associated companies	12	**487**	(778)	591
Profit before financial items		**41 351**	12 302	6 467
Financial items	8,9	**(3 280)**	1 168	(2 252)
Profit before taxation	19	**38 071**	13 470	4 215
Taxation	10	**(26 196)**	(9 092)	(4 300)
Minority interest		**(540)**	318	29
Net profit/(loss) for the year	16, 19	**11 335**	4 696	(56)

ASSETS

NOK MILLION	*NOTE*	*2000*	*1999*	*1998*
ASSETS				
Fixed assets				
Intangible fixed assets	7	**3 667**	4 121	2 722
Tangible fixed assets	7	**98 799**	96 143	90 530
Associated companies	12	**10 363**	9 806	8 596
Shares in other companies	12	**1 043**	432	3 510
Other investments	5	**8 842**	5 151	4 704
Total fixed assets		**122 714**	115 653	110 062
CURRENT ASSETS				
Stocks				
Raw materials		**2 060**	2 277	1 498
Finished products		**3 977**	3 216	2 727
Receivables				
Accounts receivable		**28 795**	28 240	17 180
Other receivables		**7 879**	11 937	5 071
Current financial investments	11	**9 856**	9 526	6 123
Liquid assets		**9 745**	4 061	602
Total current assets		**62 312**	59 257	33 201
TOTAL ASSETS		**185 026**	174 910	143 263

EQUITY AND LIABILITIES

NOK MILLION	*NOTE*	*2000*	*1999*	*1998*
EQUITY				
Share capital	16	**4 940**	4 940	4 940
Retained earnings	16	**45 003**	38 335	36 171
Minority interest		**2 492**	1 546	1 856
Total equity	19	**52 435**	44 821	42 967
LIABILITIES				
Provisions for liabilities and charges				
Deferred tax	10	**30 606**	29 262	24 356
Other long-term liabilities	15	**7 422**	6 412	5 217
Total provisions for liabilities and charges		**38 028**	35 674	29 573
Long-term debt	14	**36 223**	45 703	38 223
Current liabilities				
Interest-bearing debt	13	**1 637**	3 831	6 496
Accounts payable		**21 503**	24 554	13 475
Taxes payable		**14 877**	6 366	2 477
Dividend payable		**5 668**	1 702	135
Other current liabilities	13	**14 655**	12 259	9 917
Total current liabilities		**58 340**	48 712	32 500
TOTAL EQUITY AND LIABILITIES		**185 026**	174 910	143 263
Guarantees	17			
Other liabilities and commitments	18			
Oil and gas reserves	20			

NOK MILLION	*2000*	*1999*	*1998*
Cash flow from/(to) operations			
Cash receipts from operations	**202 991**	127 269	109 354
Disbursements to operations	**(152 348)**	(101 117)	(91 640)
Net financial disbursements	**(570)**	(399)	(1 436)
Taxes paid	**(16 614)**	(5 716)	(5 716)
Net cash flow from operations	**33 459**	20 037	10 562
Cash flow from/(to) investing activities			
Acquisitions of fixed assets	**(16 714)**	(25 672)	(22 004)
Sale/divestment of fixed assets	**6 000**	6 636	1 471
Net cash flow to investing activities	**(10 714)**	(19 036)	(20 533)
Cash flow from/(to) financing activities			
Change in current financial investments	**(718)**	(2 936)	(900)
Change in current liabilities	**(2 808)**	(1 981)	3 461
New long-term debt	**1 191**	13 365	14 014
Reduction in long-term debt	**(13 024)**	(5 855)	(4 462)
Dividend paid	**(1 702)**	(135)	(2 940)
Net cash flow from/(to) financing activities	**(17 061)**	2 458	9 173
Net change in liquid assets	**5 684**	3 459	(798)
Liquid assets, beginning of year	**4 061**	602	1 400
Liquid assets, end of year	**9 745**	4 061	602

1. Accounting policies

The group accounts have been prepared in accordance with Norwegian generally accepted accounting principles (NGAAP). They include the accounts of the parent company, Den norske stats oljeselskap a.s, and its subsidiaries as described in note 11 to the parent company's accounts.

Group consolidation

- Subsidiaries are defined as companies in which Statoil, directly or indirectly, has a controlling interest. Shares in a subsidiary are eliminated in the group accounts against its assets and liabilities. The difference between the market value of a subsidiary's assets and liabilities at the time of acquisition and their book value is assigned to the respective balance sheet items and is depreciated accordingly. Additional excess value, adjusted for any minority interests, is classified as goodwill (purchase method).

- 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. The group's interest in such companies' annual results, adjusted for depreciation of any difference between the purchase price of the shares and the interest in booked equity at the time of purchase, is recorded in the group income statement (equity method).

- Statoil's interests in jointly-controlled oil and gas licences, including associated transport systems are incorporated in the respective income statement and balance sheet items (proportional consolidation).

- Inter-group transactions, receivables and debt are eliminated.

- The income statements of subsidiaries and associated companies with financial currencies other than the Norwegian krone (NOK) are translated at average rates of exchange for the year, while assets and liabilities are translated at closing rates of exchange. Currency translation differences are posted directly against shareholder's equity. Functional currency will normally be the currency of the country in which the company has its main business operations, with the exception of the group's international upstream business, which mainly employs the USD as its functional currency.

- Associated companies and jointly-controlled undertakings which are consolidated by means of the equity method, are included in the accounts under the item, share of net profit/(loss) in associated companies. Since the investments are mainly of an operational nature, the share is included in profit before financial items.

Liquid assets

Liquid assets are assessed at market value and comprise bank deposits, cash in hand, time deposits and other liquid assets maturing less than three months from the date of purchase.

Current financial investments

Current financial investments are assessed at market value and include stock exchange listed shares and other securities maturing at between three and 12 months from the date of purchase.

Stocks

Stocks are assessed at the lower of acquisition cost as defined by the first-in-first-out principle and anticipated net realisable value. The acquisition cost of goods produced by the group consists of direct and indirect variable and fixed production costs. For purchased goods, cost price and transport costs are included. Hedged stocks are assessed at the lower of historical cost and hedged price.

Gas swapping

Gas swapping/loan agreements are accounted for in accordance with the sales method, whereby the borrower records the sale as income on delivery to the customer. A corresponding provision is made for the anticipated future cost of production and 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 included in current assets.

Over/under-lifting of petroleum

When the volume of petroleum lifted from a field differs from the participating equity interest, the production cost is accrued.

Tangible fixed assets

Such assets are valued at historical cost less accumulated depreciation and write-downs. Any upgrading costs which significantly increase the capacity or life of the asset are capitalised.

- **Oil and gas exploration expenditures**
  Costs associated with drilling exploratory wells are capitalised pending the drilling results. If drilling does not uncover reserves considered to be commercial, the drilling costs are charged against income (successful efforts method). Other exploration costs are charged to expense as incurred. Acquired exploration rights are capitalised pending the results of exploration. The exploration rights are charged against income as far as the capitalised amount is considered to exceed the value of the rights.

- **Leasing**
  Major lease agreements which are de facto finance leases are capitalised and depreciated over the term of the lease.

The leased equipment is shown as a fixed asset and the instalment element of the lease obligation is shown as a long-term liability in the balance sheet.

- **Interest**
  Interest expenses on cash flows related to major development projects are capitalised until the asset is ready for use. Capitalised interest is included as part of the cost price and depreciated along with the asset concerned.

- **Depreciation**
  Depreciation of production installations and field-dedicated transport systems for oil and gas is calculated using the unit of production method based on proven reserves expected to be recovered during the licence period. Ordinary depreciation of transport systems used by several fields and of other assets is calculated on the basis of their economic life expectancy, using the straight-line method.

- **Write-downs**
  Fixed assets which are expected to generate a nominal cash flow lower than their book value are written down to their fair value.

- **Site removal costs**
  Annual provisions are made for future site abandonment and removal costs based on the current price level and an anticipated removal concept, using the unit of production method.

- **Maintenance**
  Ongoing maintenance and repairs are charged against income when performed. Provisions are made for costs related to periodic maintenance programmes.

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

Trading
Trading of crude oil and products is included in operating revenues and operating expenses to the extent that such transactions involve physical deliveries. The net proceeds of transactions not involving physical deliveries are included in the profit before financial items, while open positions are assessed at the lower of the closing-date market price and agreed transaction price. Gains and losses on transactions in the paper market entered into for hedging purposes are set off against losses or gains in the hedged volumes.

Transactions with owner
As manager of the state's direct financial interest (SDFI) in the petroleum industry, Statoil markets and sells the state's share of production offshore Norway (state equity oil).

The value of state equity oil bought by Statoil from the SDFI for future sale to external customers or for refining is included in group operating revenues and operating expenses respectively. The title to such oil when dispatched directly from a field to an external customer is not transferred to Statoil. The net result of this trading activity is included in the operating result. Statoil buys all oil received by the state as royalty in kind from fields on the Norwegian continental shelf. Statoil includes the costs of purchase and proceeds from the sale of this royalty oil in its operating expenses and operating revenues respectively.

Research and development
Research and development projects purchased from a third party are capitalised.
Research and development projects carried out by Statoil are charged against income as incurred.

Pensions
Pension rights earned by group employees are mainly secured through pension schemes in insurance companies or the group's own pension funds.
Annual expenses and the liability incurred are calculated on the basis of a straight-line earning of pension rights. Changes in the pension obligation due to altered economic and actuarial assumptions are allocated over the average remaining pension-earning period.

Transactions in foreign currencies
Items in foreign currency are translated to NOK as follows:
- Income, expenses, stocks and fixed assets are recorded at the monthly rate of exchange set for accounting purposes.
- Working capital except stocks, long-term monetary items and liabilities are translated at the closing-date 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 NOK.

- **Forward currency contracts**
  Unrealised gains or losses on hedging contracts are offset against losses or gains on the items hedged. The interest element is accrued and amortised over the contract period. Unrealised gains or losses on unhedged trading contracts are recorded in the income statement as incurred.

- **Interest swap agreements**
  The net effect of income and expenses related to interest swap agreements is allocated over the contract period.

Taxation
Deferred taxation in the balance sheet is calculated on the basis of temporary differences between accounting and taxation values of assets and liabilities, including assignable value added or reduced on consolidation of subsidiaries in accordance with the purchase method. The tax expense in the income statement consists of the year's changes in deferred taxation and the year's taxes payable.
Full provision is made using closing-date tax rates and nominal amounts. Tax related to future dividends from operations taxable under the Norwegian tax regime for shipping activities is included in the provision at its estimated present value. Earned not amortised uplift has no fiscal effect on future reversals of tax-increasing temporary differences and is not included when calculating the deferred tax liability. Deferred taxation relating to loss carried forward is included in the tax provision to the extent that it is considered probable that future profits will cover the loss. For foreign subsidiaries, deferred tax payable is calculated on retained profits which are not reinvested in associated companies, and deferred tax assets are calculated on liquidation losses in subsidiaries that are due to be wound up.

Changes in accounting policies

- Previously, interests in jointly-controlled business operations were consolidated by the proportional consolidation method. Proportional consolidation is now only used for jointly-controlled oil and gas licences, including associated transport systems. For other jointly-controlled operations the equity method is applied.

- Acquired exploration rights were previously charged against income over the exploration period until any commercial discovery was made. Exploration rights are now charged against income as far as the capitalised amount is considered to exceed the value of the rights.

- When buying and swapping licence interests on the Norwegian continental shelf, the seller's tax basis is normally transferred to the buyer. Previously, such acquisitions and swaps were capitalised at purchase price. The group now records a deferred tax liability relative to the difference between the tax value and fair value of the net assets acquired.

- Insurance reserves in the subsidiary Statoil Forsikring a.s were previously consolidated in the group accounts. This is now changed and insurance provisions made for claims not incurred are spread between deferred tax liabilities and equity.

- The majority of the group's licence interests outside Norway are owned by Norwegian subsidiaries with no activity other than such ownership. Previously, their accounts were recorded in Norwegian kroner (NOK), but business operations outside Norway are now entered in their functional currency.

- Previously, provisions for deferred taxation were not made for undistributed earnings or accumulated losses in foreign subsidiaries. Now, deferred tax liabilities are calculated for undistributed earnings which are not reinvested in associated companies, and deferred tax assets are calculated for liquidation losses in subsidiaries which are to be wound up. Further, the changed weighting of criteria for probable future profits has entailed that deferred taxation is capitalised to a greater extent than before.

- The production volume paid by Statoil as royalty in kind was previously recorded at market price and shown as operating revenues and operating expenses respectively in the income statement. Operating revenues are now shown net of royalty paid in kind.

- Some minor reclassifications have been made in the financial statements, as compared with earlier years.

All changes to the accounting principles have been incorporated in the comparative figures for previous years. For an overview of the figures affected, see note 19.

2. Disclosures by business segment and geographic distribution

Business segments

Inter-group sales are recorded at estimated market value.

NOK MILLION	OPERATING REVENUES	EXTERNAL SALES	PROFIT BEFORE FINANCIAL ITEMS	FIXED ASSETS
For 2000 and at 31 December 2000:				
Exploration and production				
• Norway	56 839	12 324	35 373	63 570
• International	9 105	9 105	818	19 465
Total	65 944	21 429	36 191	83 035
Refining and marketing	184 639	184 631	4 557	24 463
Petrochemicals	1 243	1 243	441	8 408
Other operations and eliminations	(43 670)	853	162	6 808
Total	208 156	208 156	41 351	122 714
For 1999 and at 31 December 1999:				
Exploration and production				
• Norway	32 567	11 818	14 589	62 877
• International	20 797	20 797	(1 996)	14 813
Total	53 364	32 615	12 593	77 690
Refining and marketing	104 872	104 859	(276)	22 808
Petrochemicals	884	884	(23)	8 403
Other operations and eliminations	(20 332)	430	8	6 752
Total	138 788	138 788	12 302	115 653
For 1998 and at 31 December 1998:				
Exploration and production				
• Norway	25 674	11 314	8 754	46 669
• International	15 573	15 573	(2 596)	15 703
Total	41 247	26 887	6 158	62 372
Refining and marketing	76 647	76 557	234	28 214
Petrochemicals	868	863	423	9 190
Other operations and eliminations	(13 984)	471	(348)	10 286
Total	104 778	104 778	6 467	110 062

Geographic distribution
Based on business location

NOK MILLION	OPERATING REVENUES	EXTERNAL SALES	PROFIT BEFORE FINANCIAL ITEMS	FIXED ASSETS
For 2000 and at 31 December 2000:				
Norway	156 758	128 117	39 369	91 011
Europe (excluding Norway)	36 201	29 701	2 627	25 538
USA	38 243	37 431	(121)	20
Other	13 784	12 907	(524)	15 315
Eliminations	(36 830)	0	0	(9 170)
Total	208 156	208 156	41 351	122 714
For 1999 and at 31 December 1999:				
Norway	99 718	79 483	14 649	92 475
Europe (excluding Norway)	23 161	20 284	(683)	25 114
USA	33 607	33 354	(1 054)	1 141
Other	6 065	5 667	(610)	8 094
Eliminations	(23 763)	0	0	(11 171)
Total	138 788	138 788	12 302	115 653
For 1998 and at 31 December 1998:				
Norway	66 799	56 681	8 572	81 542
Europe (excluding Norway)	24 671	22 693	8	26 305
USA	25 866	24 103	(833)	6 708
Other	1 485	1 301	(1 280)	4 367
Eliminations	(14 043)	0	0	(8 860)
Total	104 778	104 778	6 467	110 062

3. Operating revenue analysed by product groups

NOK MILLION	2000	1999	1998
Crude oil and NGL	102 390	59 204	38 765
Pipeline transport	5 062	4 994	5 143
Natural gas	12 996	14 573	16 588
Refined products	77 768	39 099	31 118
Other revenue	9 940	20 918	13 164
Total	208 156	138 788	104 778
Foreign sales, included above:			
Crude oil and NGL	98 240	55 287	38 233
Natural gas	12 758	14 317	16 108
Refined products	63 454	28 904	25 294
Other revenue	8 022	18 453	10 841
Total	182 474	116 961	90 476

Total crude oil availability includes purchased royalty and state equity crude at NOK 47 055 million. The cost of goods sold, NOK 126 233 million, consists of purchased royalty and state equity crude plus other goods purchased for resale.

4. Operating and administration expenses

Payroll and statutory social benefits

Payroll and statutory social benefits amounted to NOK 9 446 million in 2000 as against NOK 9 483 million in 1999 and NOK 9 319 million in 1998. Payroll costs are partly charged to Statoil-operated activities.
In 2000, the average number of employees in the Statoil group was 16 789.

Total remuneration of NOK 310 000 was paid to the members of the corporate assembly and NOK 1 453 000 to the board of directors. Chief executive Olav Fjell received a salary and other remuneration of NOK 2 300 000 in 2000. If resigning at the request of the board, the chief executive is entitled to severance compensation equivalent to two annual salaries. This also applies to executive vice presidents Erling Øverland, Inge K Hansen and Peter Mellbye. The chief executive and these three executive vice presidents are entitled, under specific terms, to a pension after reaching the age of 60. The pension paid will amount to 66 per cent of their pensionable salaries. No bonus scheme or performance pay arrangement has been established for the chief executive. A performance pay system has been established for the other members of the executive committee, senior vice presidents and vice presidents. This entails a variable remuneration based on pre-determined goals. The scheme allows for a bonus of 10 per cent of basic salary on achieving set goals, with a ceiling of 20 per cent for results that clearly exceed these goals.

Executive vice presidents, Henrik Carlsen, Elisabeth Berge and Morten Loktu have interest-free loans of NOK 110 000, NOK 170 000 and NOK 296 000, respectively. These loans have been approved with a repayment period of 10 years.

Total audit fees in 2000 from companies in the group amounted to NOK 19 500 000 for audit services and NOK 7 490 000 for other sevices.

Pension costs

The majority of the group's employees are covered by pension plans entitling them to defined future pension benefits. These benefits are dependent on the number of years of their pensionable service, their final pensionable salary level and the size of public insurance benefits.

Employees in the parent company, and the majority of Norwegian subsidiaries, are insured mainly through Statoil's pension funds. These funds are organised as independent trusts. The major part of their assets are invested in Norwegian and foreign bonds and shares, as well as in real estate in Norway.

Employees in subsidiaries are insured through own pension funds or through collective pension schemes in various insurance companies.

Pension costs for the financial year and the accrued obligation are calculated on the basis of a straight-line earning of pension rights.

Accrued pensions are calculated as follows:

NOK MILLION	2000	1999	1998
Vested pension benefits earned	(8 445)	(7 911)	(6 666)
Non-vested early retirement benefits earned	(2 042)	(1 560)	(1 472)
Pension funds	12 176	10 124	10 346
Unrealised effect of changed estimates	799	1 555	520
Total	2 488	2 208	2 728
Accrued pensions are classified in the accounts as:			
Long-term investment	4 224	3 782	4 002
Other long-term liabilities	1 736	1 574	1 274
The main financial assumptions when calculating pension benefits are:			
Assumed rate of return	6.5%	6.5%	7.5%
Discount factor	6.0%	6.0%	7.0%
Assumed increase in salaries	3.0%	3.0%	4.0%
Assumed adjustment of the National Insurance base rate	2.0%	2.0%	3.0%

The latest actuarial analysis was made in 2000.

Net pension costs are analysed as follows:			
Present value of earnings for the period	701	735	582
Interest cost of pension obligations	559	473	458
Assumed return on pension funds	(761)	(614)	(701)
Amortised effect of changes in estimates and difference between actual and assumed return	(23)	66	63
Net pension costs included in payroll and statutory social benefits	476	660	402

5. Investments

Investments include prepaid pension costs of NOK 4 224 million as shown in note 4.

6. Exploration expenditure

NOK MILLION	2000	1999	1998
Capitalised at 1 January	3 860	4 078	4 128
Incurred during the year	2 688	2 265	3 433
Expensed share of current year's exploration	(1 793)	(1 633)	(2 635)
Expensed, previously capitalised exploration costs	(214)	(577)	(666)
Depreciation	(209)	(339)	(215)
Book value of exploration rights sold	(389)	0	(11)
Exchange adjustments	220	66	43
Capitalised at 31 December	4 163	3 860	4 077

The capitalised amount at 31 December 2000 includes NOK 2 793 million of exploration expenditures in areas awaiting a decision on development.

7. Tangible and intangible fixed assets

NOK MILLION	MACHINERY, OFFICE FURNITURE, VEHICLES	PROD PLANTS OIL/GAS	PROD PLANTS ONSHORE	BUILDINGS AND LAND	VESSELS	INTANG-IBLES	PLANTS UNDER CONSTRUCTION	TOTAL
Historical cost at 1 Jan 2000	11 093	122 414	27 142	6 701	8 766	4 559	17 360	198 035
Additions	628	15 433	2 887	213	256	(16)	(4 703)	14 698
Deletions at historical cost	(720)	(2 357)	(432)	(683)	41	(188)	(668)	(5 007)
Acc depreciation and write-downs	(8 262)	(75 940)	(16 855)	(1 752)	(1 485)	(688)	(278)	(105 260)
Book value at 31Dec 2000	2 739	59 550	12 742	4 479	7 578	3 667	11 711	102 466
Depr and write-downs 2000	591	8 686	1 004	188	397	328	201	11 395
Depreciation rates	*10-30%*	*	*5-8%*	*0-5%*	*4-7%*	*5-20%*	-	

** Depreciated in accordance with the unit of production method, see note 1.*

The book value of vessels, NOK 7 578 million, includes chartered vessels at NOK 81 million.

Intangible assets include goodwill at NOK 266 million. Goodwill relates to acquisition of downstream operations and is depreciated over 10 years. Tangible assets include capitalised interest of NOK 5 540 million. Capitalised interest is associated mainly with production plants for oil and gas.

The real value of the group's holding in the LL652 oil field in Venezuela is lower than 90 per cent of Statoil's book value of the asset. Since the expected nominal future cash flows exceed the asset's book value, no write-down has been made, which is in accordance with NGAAP.

8. Financial items

The net amount is analysed as follows:

NOK MILLION	2000	1999	1998
Dividend received	82	186	136
Gain on sale of securities	371	1 717	195
Interest and other financial income	2 428	1 029	911
Currency exchange adjustments, short-term items	(374)	85	(120)
Currency exchange adjustments, long-term items	(3 013)	(315)	(933)
Interest and other financial expenses	(3 742)	(2 970)	(2 718)
Change unrealised gains on securities	(353)	454	(360)
Capitalised interest	1 321	982	637
Financial items	(3 280)	1 168	(2 252)

A gain of NOK 1 481 million from realising shareholdings in Saga Petroleum ASA is included in gain on sale of securities for 1999.

9. Financial instruments and commodity derivatives

Financial risks

Interest rate and currency risks constitute the most important financial risks for the Statoil group. Total exposure is managed at portfolio level in accordance with the strategies and mandates adopted. Interest rate risk, currency risk and share risk are assessed against mandates and based on a scenario of five per cent currency devaluation, one percentage point change in interest rates and 15 per cent change in share prices. The table below illustrates an uncorrelated loss scenario.

Risk exposure for 2000 constituted:

NOK MILLION	CURRENCY RISK	SHARE RISK	INTEREST RATE RISK
31 December 2000	2 337	272	1 147
31 December 1999	2 317	352	1 173

Currency

The group's cash flows are largely in currencies other than NOK, the most important being USD, EUR, SEK, DKK and GBP. Cash receipts in connection with oil and gas sales are mainly in foreign currencies, while cash disbursements are to a great extent in NOK.

The currencies in the debt portfolio are seen in connection with the group's expected future net cash flows per currency. The group's debt, after considering currency swaps, is mainly in USD and EUR. Risk is managed mainly through spot trading, futures and interest and currency swaps.

Shares

The group's risk relating to short-term shareholdings is associated mainly with the portfolio for Statoil Forsikring a.s. At 31 December 2000, Statoil's total share portfolio amounted to NOK 1 816 million. The group's share risk is managed by the use of share options and index futures.

Interest rate

The group's interest rate exposure is mainly associated with the group's debt obligations and management of the assets in Statoil Forsikring a.s. Interest rate exposure is measured on the assumption that the interest rates for all time gaps will rise by one percentage point.
The group mainly employs interest swap agreements to manage interest rate exposure. The table below shows fixed interest periods and the maturity structure for the group's interest-bearing debt, interest rate derivatives, liquid assets, interest-bearing receivables and current financial investments, excluding shares.

Fixed interest period

NOK MILLION	0-1 MTHS	2-3 MTHS	4-12 MTHS	1-5 YRS	OVER 5 YRS	TOTAL
Liquid assets, interest-bearing receivables and current financial investments	10 399	3 966	2 917	1 520	1 613	20 415
Interest-bearing debt	(2 546)	(8 096)	(1 936)	(4 424)	(20 858)	(37 860)
Total	7 853	(4 130)	981	(2 904)	(19 245)	(17 445)

Maturity structure

NOK MILLION	0-1 MTHS	2-3 MTHS	4-12 MTHS	1-5 YRS	OVER 5 YRS	TOTAL
Liquid assets, interest-bearing receivables and current financial investments	9 970	1 721	2 877	1 871	3 976	20 415
Interest-bearing debt	(1 690)	(6)	(1 522)	(8 795)	(25 847)	(37 860)
Total	8 280	1 715	1 355	(6 924)	(21 871)	(17 445)

Credit risk
Credit risk refers to the risk of loss which the group may incur in the event of non-performance by a counterparty. Statoil has prepared guidelines which are intended to reduce the group's credit risk. These guidelines include an assessment of the financial position of possible counterparties, as well as requirements for collateral when this is considered relevant.

Liquidity risk
At any given time the group has access to a minimum of NOK 1.8 billion in liquid assets. In addition, USD 1 billion is available to the group under a committed credit facility. The group also has interruption insurance which covers most cases of unforeseen production shutdown.

Current financial investments
The market value and acquisition cost of the group's current financial investments break down as follows:

NOK MILLION	*MARKET VALUE 31 DEC 2000*	*ACQUISITION COST*
Shares	1 816	1 652
Certificates	3 709	3 706
Bonds	4 203	4 172
Broker deposits etc	128	128
Total	9 856	9 658

Bonds
The market value of the group's bonds by debtor category and foreign currency is shown in the following tables:

NOK MILLION	*MARKET VALUE 31 DEC 2000*
Banks and credit institutions	731
Government stock, outside Norway	2 017
Central and local government administration	1 264
Central and local government commercial operations	96
Other borrowers	95
Total	4 203

NOK MILLION	*MARKET VALUE 31 DEC 2000*
NOK	2 137
EUR	749
USD	614
JPY	414
CAD	150
Other	139
Total	4 203

The average rate of interest for the bond portfolio in 2000 was 5.8 per cent. The interest rate is calculated on the average acquisition cost per month. The balance sheet value of the bond portfolio corresponds to its market value at 31 December 2000.

Commodity derivatives
The group employs commodity derivatives as hedgings associated with physical positions and flows of goods. Various instruments such as swaps, forwards, futures and options are employed to manage risk. In addition, trading positions within given mandates are included. Derivatives associated with crude oil and oil products are traded mainly on the IPE and the Nymex and in the Brent market. In addition, direct third-party transactions are performed in the OTC market, while electricity trading takes place mainly through the power pool or in the OTC market.

10. Taxation

Tax expenses are analysed as follows:

NOK MILLION	2000	1999	1998
Taxes payable	25 125	9 605	4 785
Deferred tax provision	1 071	(513)	(485)
Taxation for the year	26 196	9 092	4 300
Uplift benefit for the year	2 366	2 289	2 269

Deferred taxes are calculated on the basis of temporary differences between financial and tax accounting values at 31 December. Uplift earned, not amortised, amounts to NOK 5.7 billion.

	2000		1999		1998	
NOK MILLION	BASE	DEFERRED TAX	BASE	DEFERRED TAX	BASE	DEFERRED TAX
Excess tax depreciation	41 774	25 171	38 580	23 568	25 382	15 514
Capitalised exploration expenditures and interest	9 548	5 809	8 149	5 346	9 194	5 328
Other temporary differences	(719)	(374)	2 893	348	6 608	3 514
Total	50 603	30 606	49 622	29 262	41 184	24 356

11. Current financial investments

NOK MILLION	2000	1999	1998
Listed shares	1 816	2 351	1 369
Bonds, certificates and other securities	8 040	7 175	4 754
Total	9 856	9 526	6 123

Of the group's current financial investments, NOK 5 998 million relates to Statoil Forsikring a.s. Restrictions are imposed on lending these funds to other companies in the group.

12. Shares and long-term investments

Associated companies

AMOUNTS IN MILLIONS	CURRENCY	NOMINAL VALUE	SHARE CAPITAL	EQUITY HOLDING	BOOK VALUE	SHARE OF PROFIT/LOSS
Statoil Detaljhandel Skandinavia AS	NOK	1 300	2 600	50%	728	176
Borealis A/S	DKK	2 000	4 000	50%	5 225	209
Malaysian Refining Company Sdn Bhd	MYR	446	2 976	15%	294	(198)
P/R West Navion DA	NOK			50%	1 170	65
Advanced Production Systems DA	NOK			50%	496	61
Other companies					2 450	174
Total					10 363	487

Voting stock and equity holdings are identical.

Shares in other companies

Shares in other companies totalled NOK 1 043 millioner kroner, including a five per cent shareholding in Verbundnetz Gas AG at NOK 218 million and a 10 per cent interest in Pernis BV at NOK 620 million.

13. Current liabilities

NOK MILLION	2000	1999	1998
Short-term bank loans and overdrafts	194	55	83
Other interest-bearing debt	1 443	3 776	6 413
Total current interest-bearing debt	1 637	3 831	6 496
Net payable to licences	5 259	4 843	3 091
Holiday pay, payroll and value-added taxes	2 897	2 741	2 670
Accrued liabilities	6 499	4 675	4 156
Total other current liabilities, non interest-bearing	14 655	12 259	9 917

14. Long-term debt

AMOUNTS IN MILLIONS	LONG-TERM LOANS	CURRENCY SWAP AGREEMENTS	CURRENCY POSITION	EXCHANGE RATE	BOOK VALUE	PERCENTAGE SHARE
USD	2 151	1 116	3 267	8.85	28 908	79.8 %
JPY	18 829	(18 829)	0	7.70	0	0.0 %
CHF	1 057	(1 057)	0	540.54	0	0.0 %
DEM	38	242	280	420.97	1 179	3.2 %
DKK	0	450	450	110.32	496	1.4 %
EUR	662	(108)	554	8.23	4 561	12.6 %
FRF	50	407	457	125.52	574	1.6 %
BEF	1 342	0	1 342	20.41	274	0.8 %
NOK	231	0	231	-	231	0.6 %
Long-term debt					36 223	100.0 %

Long-term loans include USD 19.4 million in commitments related to financial leasing. The average rate of interest in 2000, excluding currency exchange effects, was 6.2 per cent. Available borrowing facilities at 31 December 2000 amount to NOK 18.8 billion. In connection with long-term debt, Statoil has issued negative pledge clauses.

Repayment plan long-term debt

YEAR	NOK MILLION
2001	1 516
2002	2 810
2003	362
2004	4 110
2005	1 921
Thereafter	25 504
Total	36 223

15. Other long-term liabilities

This item includes pension obligations of NOK 1 736 million as shown in note 4.

Accrued future site abandonment and removal costs of NOK 4 700 million are also included. The current year's provision amounts to NOK 883 million. A portion equivalent to the parent company's average tax rate over the life of the installation is assumed to be carried by the state, in accordance with the Norwegian Petroleum Act.

Total future site abandonment and removal expenditures for the group's oil and gas production installations are estimated to be NOK 8 200 million. For installations offshore Norway, the portion carried by the state is in accordance with provisions in the Norwegian Petroleum Act.

16. Equity

The share capital consists of 49 397 140 shares at NOK 100 each.

Change retained earnings:

NOK MILLION	*2000*	*1999*	*1998*
Retained earnings at 1 January	38 335	36 171	34 751
Net profit for the year	11 335	4 696	(56)
Dividend for the year	(5 668)	(1 702)	(135)
Change in foreign currency exchange adjustment	1 001	(830)	1 611
Retained earnings at 31 December	45 003	38 335	36 171

17. Guarantees

The group has provided guarantees of NOK 206 million. In addition, Statoil has issued guarantees as to the condition of assets sold in accordance with the agreement on divestment of the upstream business in Statoil Energy Inc.

18. Other liabilities and commitments

Contingent liabilities and insurance

Like any other licensee, Statoil has unlimited liability for possible compensation claims arising from its offshore operations, including transport systems. The company has taken out insurance to cover this liability up to about NOK 7.1 billion for each incident, including liability for claims arising from pollution damage.

Most of the group's production installations are covered through Statoil Forsikring a.s, which reinsures a major part of the risk in the international insurance market. About 46 per cent is retained.

Lease agreements
At 31 December 2000, Statoil had signed charterparties for mobile drilling rigs, merchant, supply and standby vessels as well as contracts for the hire of helicopter services and other fixed assets for periods of one to 10 years.

Current commitments under non-terminable charterparties and lease agreements are:

YEAR	*NOK MILLION*
For 2001	5 284
For 2002	3 472
For 2003	2 781
For 2004	2 554
For 2005	2 188
Thereafter	3 831
Total	20 110

Transport agreements
The group has no essential commitments to transport oil and gas via transport systems in excess of its equity holdings in the same systems.

Contractual commitments

NOK MILLION	*2001*	*THEREAFTER*	*TOTAL*
Contractual commitments made	10 178	8 183	18 361

These contractual commitments comprise acquisition and construction of tangible fixed assets.

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 2000, the group was committed to participating in 18 wells off Norway and 20 wells abroad, with interests averaging just over 20 per cent.

Statoil and the other members of the Statpipe partnership, have taken legal action against the Norwegian state, represented by the Ministry of Finance, over tax on tariff income from Statpipe. The case will be heard in the Court of Appeal. The tax effect has been charged against income.

The group is party in legal, tax and environmental issues resulting from normal business operations. Statoil believes that any obligations related to such matters will not have any significant effect on the group's result, liquidity or financial position.

19. Restatement of comparative figures for 1999 and 1998 following changed accounting principles

NOK MILLION	*1999*	*1998*
PROFIT		
Profit before tax according to the previous accounting principles	13 226	4 301
Changed consolidation principles	(23)	3
Change in amortisation of exploration rights	142	12
Elimination of insurance provisions	323	(105)
Adjustment to functional currency in subsidiaries	64	4
Capitalised deferred taxation in connection with transactions on the Norwegian continental shelf	(262)	0
Restated profit before tax	13 470	4 215
Tax expense according to previous accounting principles	(10 127)	(4 248)
Adjustment to tax expense	1 035	(52)
Minority interests according to previous principles	304	81
Adjustment to minority interest	14	(52)
Restated annual profit	4 696	(56)
EQUITY		
Equity in accordance with previous accounting principles	41 610	41 379
Changed consolidation principles	416	436
Change in amortisation of exploration rights	154	12
Elimination of insurance provisions	4 433	4 110
Adjustment to functional currency in subsidiaries	413	132
Other	(61)	(135)
Capitalised deferred taxation in connection with transactions on the Norwegian continental shelf	5 168	190
Change in deferred taxation	(7 312)	(3 157)
Restated equity	44 821	42 967

20. Oil and gas reserves (unaudited)

(OIL AND NGL IN MILLION BARRELS) (GAS IN BILLION CUBIC METRES)	PROVEN OIL AND NGL RESERVES NORWAY	INTER-NATIONAL	TOTAL	PROVEN GAS RESERVES NORWAY	INTER-NATIONAL	TOTAL	TOTAL PROVEN RESERVES IN MILLION BARRELS OIL EQUIVALENT
Proven reserves at 31.12.97	1 045	234	1 279	202.6	47.7	250.3	2 853
Revisions of previous estimates	24	118	142	8.3	(0.4)	7.9	192
Extensions and discoveries	79	178	257	0.0	2.7	2.7	274
Improved recovery	6	0	6	0.5	0.0	0.5	9
Purchases of reserves-in-place	0	0	0	0.0	0.1	0.1	1
Sales of reserves-in-place	0	(5)	(5)	0.0	(13.8)	(13.8)	(92)
Production	(148)	(18)	(166)	(6.5)	(1.8)	(8.3)	(218)
Proven reserves at 31.12.98	1 006	507	1 513	204.9	34.5	239.4	3 019
Revisions of previous estimates	31	(23)	8	(3.8)	0.6	(3.2)	(12)
Extensions and discoveries	52	0	52	0.5	4.0	4.5	80
Improved recovery	31	0	31	0.0	0.0	0.0	31
Purchases of reserves-in-place	133	4	137	29.6	0.3	29.9	325
Sales of reserves-in-place	(1)	(6)	(7)	0.0	(34.4)	(34.4)	(223)
Production	(151)	(21)	(172)	(7.1)	(1.7)	(8.8)	(227)
Proven reserves at 31.12.99	1 101	461	1 562	224.1	3.3	227.4	2 993
Revisions of previous estimates	28	7	35	8.9	(0.3)	8.6	89
Extensions and discoveries	61	41	102	0.8	4.8	5.6	137
Improved recovery	7	0	7	0.1	0.0	0.1	8
Purchases of reserves-in-place	0	0	0	0,0	0.0	0.0	0
Sales of reserves-in-place	(2)	0	(2)	0,0	(0.5)	(0.5)	(5)
Production	(166)	(21)	(187)	(7.7)	(0.5)	(8.2)	(239)
Proven reserves at 31.12.00	1 029	488	1 517	226.2	6.8	233.0	2 983
Proven developed reserves included above:							
31.12.98	470	92	562	118.4	22.6	141.0	1 449
31.12.99	594	85	679	133.3	1.9	135.2	1 529
31.12.00	642	187	829	156.4	1.8	158.2	1 824

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

Proven oil and gas reserves are the estimated volumes of crude oil, natural gas, and natural gas liquids which geological and engineering data demonstrate with a reasonable degree of certainty to be recoverable in future years from known reservoirs under prevailing economic and operating conditions.

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

The principles for booking of proven gas reserves in Norway have been changed from previous years in that booked volumes are limited to contracted gas sales and other gas with access to a market. The reserves have been corrected accordingly for the years

1999, 1998 and 1997. Furthermore, proven volumes of sold gas are accounted for in the contract field until allocation to a source field takes place. Transfers are accounted for as a revision of previous estimates in both fields. The gas account will show a net effect when Statoil's entitlement in the two fields differ. New sales are booked as extensions and discoveries.

In 1997, Statoil entered into a service contract in Venezuela. The group's share of base production is not included in the reserves. Expected recovery of the field's proven reserves over and above base production is included in the international oil reserves.

When Statoil enters into production sharing agreements, the reserves are estimated on the basis of the volumes to which the company has access, and not according to the company's percentage share, limited to available market access.

INCOME STATEMENT - DEN NORSKE STATS OLJESELSKAP A.S

NOK MILLION	*NOTE*	*2000*	*1999*
Operating revenue	2	**154 093**	85 476
Cost of goods sold	2	**(93 174)**	(47 053)
Operating and administration expenses	3,4	**(16 346)**	(15 792)
Exploration expenses	6	**(1 032)**	(1 179)
Depreciation	5	**(8 067)**	(6 408)
Write-downs	5		(700)
Share of net profit/(loss) in companies accounted for under the equity method		**1 414**	(627)
Profit before financial items		**36 888**	13 717
Financial items	7,8	**(2 119)**	(2 392)
Profit before taxation		**34 769**	11 325
Taxation	9	**(25 338)**	(9 753)
Net profit for the year	17, 18	**9 431**	1 572
Allocations:			
Dividend	18	**5 668**	
Group contribution		**1 400**	

ASSETS

NOK MILLION	*NOTE*	*2000*	*1999*
FIXED ASSETS			
Intangible fixed assets	5	**1 775**	2 509
Tangible fixed assets	5	**62 974**	66 997
Shares in subsidiaries	11	**41 488**	32 557
Associated companies	11	**2 423**	2 295
Shares in other companies	11	**380**	366
Inter-group receivables		**1 052**	3 929
Other investments		**4 621**	4 290
Total fixed assets		**114 713**	112 943
CURRENT ASSETS			
Stocks			
Raw materials		**1 606**	1 735
Finished products		**1 112**	925
Receivables			
Accounts receivable		**18 287**	19 026
Inter-group receivables		**18 304**	8 978
Other receivables		**5 251**	4 092
Current financial investments	10	**3 728**	3 513
Liquid assets		**3 167**	1 546
Total current assets		**51 455**	39 815
TOTAL ASSETS		**166 168**	152 758

EQUITY AND LIABILITIES

NOK MILLION	*NOTE*	*2000*	*1999*
EQUITY			
Share capital		**4 940**	4 940
Retained earnings	18	**37 460**	33 697
Total equity		**42 400**	38 637
LIABILITIES			
Provisions for liabilities and charges			
Deferred tax	9	**26 903**	26 284
Other long-term liabilities	14	**6 966**	4 829
Total provisions for liabilities and charges		**33 869**	31 113
Long-term debt			
Loans		**31 744**	34 750
Inter-group loans		**1 611**	1 977
Total long-term debt	13	**33 355**	36 727
Current liabilities			
Accounts payable		**18 477**	20 723
Taxes payable		**14 134**	5 783
Dividend payable		**5 668**	1 702
Inter-group payables		**8 607**	4 806
Other current liabilities	12	**9 658**	13 267
Total current liabilities		**56 544**	46 281
TOTAL EQUITY AND LIABILITIES		**166 168**	152 758
Guarantees	15		
Other liabilities and commitments	16		

NOK MILLION	*2000*	*1999*
Cash flow from/(to) operations		
Cash receipts from operations	**145 489**	72 217
Disbursements to operations	**(107 274)**	(46 118)
Net financial disbursements	**725**	(4 331)
Taxes paid	**(15 972)**	(5 497)
Net cash flow from operations	**22 968**	16 271
Cash flow from/(to) investing activities		
Loans to subsidiaries	**2 877**	676
Acquisition of fixed assets	**(11 958)**	(18 330)
Sale/divestment of fixed assets	**450**	2 022
Net cash flow to investing activities	**(8 631)**	(15 632)
Cash flow from/(to) financing activities		
Change in current financial investments	**(272)**	(2 181)
Change in current liabilities	**(5 185)**	(1 798)
New long-term debt	**0**	10 592
Repayment of long-term debt	**(5 557)**	(5 571)
Dividend paid	**(1 702)**	(135)
Net cash flow from/(to) financing activities	**(12 716)**	907
Net change in liquid assets	**1 621**	1 546
Liquid assets, beginning of year	**1 546**	0
Liquid assets, end of year	**3 167**	1 546

1. Accounting policies

The parent company accounts have been prepared in accordance with Norwegian generally accepted accounting principles (NGAAP). Shareholdings and interests in subsidiaries organised as joint-stock companies, and in associated undertakings, are recorded at the lower of acquisition cost and anticipated net realisable value. Shares in subsidiaries organised as general partnerships are recorded using the equity method. This also applies to jointly-controlled undertakings outside the upstream business. For a description of the other accounting policies, reference should be made to note 1 in the group accounts.

Oil and gas reserves
An overview of oil and gas reserves is shown in note 20 of the group accounts.

2. Operating revenue

Operating revenue is analysed as follows:

NOK MILLION	*2000*	*1999*
Crude oil and NGL	101 025	59 262
Pipeline transport	4 602	4 707
Natural gas	7 377	4 399
Refined products	38 451	16 890
Other revenue	2 638	488
Total	154 093	85 746
Foreign sales, included above:		
Crude oil and NGL	98 069	50 625
Natural gas	7 139	4 181
Refined products	26 977	15 833
Other revenue	1 035	488
Sum	133 220	71 127

Total crude oil availability includes purchased royalty and state equity crude at NOK 25 979 million. The cost of goods sold, NOK 83 174 million, consists of purchased royalty and state equity crude plus other goods purchased for resale.

3. Operating and administration expenses

Payroll and statutory social benefits amounted to NOK 7 539 million in 2000 as against NOK 6 682 million in 1999. Of these expenses, salaries constituted NOK 5 493 while the payroll taxes amounted to NOK 1 020 million. Payroll costs are partly charged to Statoil-operated activities. At 31 December, loans to employees amounted to NOK 334 million.

In 2000, the average number of employees in the parent company, Den norske stats oljeselskap a.s, was 10 293.

Total remuneration of NOK 310 000 was paid to the members of the corporate assembly and NOK 1 453 000 to the board of directors. Chief executive Olav Fjell received a salary and other remuneration of NOK 2 300 000 in 2000. If resigning at the request of the board, the chief executive is entitled to severance compensation equivalent to two annual salaries. This also applies to executive vice presidents Erling Øverland, Inge K Hansen and Peter Mellbye. The chief executive and these three executive vice presidents are entitled, under specific terms, to a pension after reaching the age of 60. The pension paid will amount to 66 per cent of their pensionable salaries. No bonus scheme or performance pay arrangement has been established for the chief executive. A performance pay system has been established for the other members of the executive committee, senior vice presidents and vice presidents. This entails a variable remuneration based on pre-determined goals. The scheme allows for a bonus of 10 per cent of basic salary on achieving set goals, with a ceiling of 20 per cent for results that clearly exceed these goals.

Executive vice presidents, Henrik Carlsen, Elisabeth Berge and Morten Loktu have interest-free loans of NOK 110 000, NOK 170 000 and NOK 296 000, respectively. These loans have been approved with a repayment period of 10 years.

Audit fees in 2000 amounted to NOK 3 300 000 for auditing and NOK 3 790 000 for other services.

4. Pension costs

The company has pension plans covering a total of 11 577 people, including 823 pensioners. These schemes entitle employees to retirement and disability pensions and also include life insurance benefits to dependants on the death of an employee. These benefits are dependent on the number of years of pensionable service, the final pensionable salary level and the size of public insurance benefits. The major part of the pension plans is secured in Statoil's pension funds, which are independent trusts.

Most of the pension funds' assets are invested in Norwegian and foreign bonds and shares, as well as in real estate in Norway. Pension costs for the financial year and the accrued obligation are calculated on the basis of a straight-line earning of pension rights.

Accrued pensions are classified as follows:

NOK MILLION	*2000*	*1999*
Vested pension benefits earned	(7 252)	(6 558)
Non-vested early retirement benefits earned	(1 531)	(1 409)
Pension funds	10 696	9 113
Unrealised effect of changed estimates	837	1 491
Total	2 750	2 637

A total of NOK 3 976 million is classified as long-term investment and NOK 1 226 million as other long-term liabilities.

The main financial assumptions when calculating pension benefits are:

Assumed rate of return	6.5 %	6.5 %
Discount rate	6.0 %	6.0 %
Assumed increase in salaries	3.0 %	3.0 %
Assumed adjustment of the National Insurance base rate	2.0 %	2.0 %

The latest actuarial analysis was made in 2000.

Net pension costs are analysed as follows:		
Present value of benefits earned during the period	605	612
Interest cost of pension obligations	481	418
Assumed return on pension funds	(655)	(557)
Amortised effect of changes in estimates and difference between actual and assumed return	47	57
Net pension costs included in payroll and statutory social benefits	478	530

5. Tangible and intangible fixed assets

NOK MILLION	MACHINERY, OFFICE FURNITURE, VEHICLES	PROD PLANTS OIL/GAS	PROD PLANTS ONSHORE	BUILDINGS AND LAND	VESSELS	INTANG-IBLES	PLANTS UNDER CONSTRUCTION	TOTAL
Historical cost at 1 Jan 2000	4 388	111 895	20 985	2 332	517	2 646	11 955	154 718
Additions	113	14 349	1 320	6		(358)	(7 090)	8 340
Deletions at historical cost	(129)	(1 042)	(14 895)	(42)		(135)	(142)	(16 385)
Acc depr and write-downs	(4 029)	(71 591)	(4 752)	(704)	(455)	(378)	(15)	(81 924)
Book value at 31 Dec 2000	343	53 611	2 658	1 592	62	1 775	4 708	64 749
Depr and write-downs 2000	255	7 316	204	61	22	206	3	8 067
Depreciation rates	10-30%	*	5-8%	0-5%	4-7%	5-20%	-	

* Depreciated in accordance with the unit of production method, see note 1 in the group accounts.

The book value of vessels consists of financial leases.

Tangible assets include capitalised interest of NOK 4 313 million. Capitalised interest is associated mainly with production plants for oil and gas.

6. Exploration expenditure

NOK MILLION	2000	1999
Capitalised at 1 January	2 546	2 788
Incurred during the year	1 159	990
Expensed share of current year's exploration	(825)	(758)
Expensed, previously capitalised exploration costs	(207)	(422)
Depreciation	(133)	(52)
Book value of exploration rights sold	(88)	0
Capitalised at 31 December	2 452	2 546

The capitalised amount at 31 December 2000 includes NOK 1 272 million of exploration expenditures in areas awaiting a decision on development.

7. Financial items

The net amount is analysed as follows:

NOK MILLION	2000	1999
Dividend received	757	333
Gain on sale of securities	9	1 502
Interest from subsidiaries	713	571
Interest and other financial income	1 321	458
Currency exchange adjustments, short-term items	(334)	166
Currency exchange adjustments, long-term items	(2 098)	15
Interest to subsidiaries	(302)	(330)
Interest and other financial expenses	(2 770)	(2 070)
Write-down of shareholdings in subsidiaries	(54)	(3 586)
Capitalised interest	639	549
Financial items	(2 119)	(2 392)

A gain of NOK 1 462 million from realising shareholdings in Saga Petroleum ASA is included in gain on sale of securities for 1999.

8. Financial instruments and commodity derivatives

Financial risks

Interest rate and currency risks constitute the most important financial risks for Statoil. Total exposure is managed at portfolio level in accordance with the strategies and mandates adopted. Interest rate risk, currency risk and share risk are assessed against mandates and based on a scenario of five per cent currency devaluation, one percentage point change in interest rates and 15 per cent change in share prices. The table below illustrates an uncorrelated loss scenario.

Risk exposure for 2000 constituted:

NOK MILLION	CURRENCY RISK	SHARE RISK	INTEREST RATE RISK
31 December 2000	2 210	11	1 243
31 December 1999	1 798	38	1 259

Currency

Statoil's cash flows are largely in currencies other than Norwegian kroner (NOK), the most important being USD, EUR and GBP. Cash receipts in connection with oil and gas sales are mainly in foreign currencies, while cash disbursements are to a great extent in NOK.

The currencies in the debt portfolio are seen in connection with the company's future net cash flows per currency. The company's debt, after considering currency swaps, is mainly in USD and EUR. Risk is managed mainly through spot trading, futures and interest and currency swaps.

Shares

At 31 December 2000, Statoil's total short-term share portfolio amounted to NOK 76 million. Statoil's share risk is managed by the use of share options and index futures.

Interest rate

Statoil's interest rate exposure is mainly associated with the company's debt obligations. Interest rate exposure is measured on the assumption that the interest rates for all time gaps will rise by one percentage point.

Statoil mainly employs interest swap agreements to manage interest rate exposure. The table below shows fixed interest periods and the maturity structure for the company's interest-bearing receivables and debt and associated derivatives.

Fixed interest period

NOK MILLION	*0-1 MTHS*	*2-3 MTHS*	*4-12 MTHS*	*1-5 YRS*	*OVER 5 YRS*	*TOTAL*
Receivables	16 637	1 566	2 468	0	0	20 671
Debt	(2 435)	(5 449)	(2 309)	(3 930)	(20 846)	(34 969)
Total	14 202	(3 883)	159	(3 930)	(20 846)	(14 298)

Maturity structure

NOK MILLION	*0-1 MTHS*	*2-3 MTHS*	*4-12 MTHS*	*1-5 YRS*	*OVER 5 YRS*	*TOTAL*
Receivables	10 049	3 513	6 025	560	524	20 671
Debt	(1 751)	(11)	(1 537)	(7 885)	(23 785)	(34 969)
Total	8 298	3 502	4 488	(7 325)	(23 261)	(14 298)

Receivables include liquid assets, interest-bearing receivables and current financial investments, excluding shares. Further, short-term and long-term interest-bearing receivables from subsidiaries are included at NOK 12 161 and NOK 1 052 million respectively. In addition to long-term loans, debt includes short-term and long-term interest-bearing debt to subsidiaries of NOK 1 614 and NOK 1 611 million respectively.

Credit risk

Credit risk refers to the risk of loss which Statoil may incur in the event of non-performance by a counterparty. Statoil has prepared guidelines which are intended to reduce its credit risk. These guidelines include an assessment of the financial position of possible counterparties, as well as requirements for collateral when this is considered relevant.

Liquidity risk

At any given time Statoil has access to a minimum of NOK 1.8 billion in liquid assets. In addition, USD 1 billion is available to the company under a committed credit facility. The company also has interruption insurance which covers most cases of unforeseen production shutdown.

Current financial investments

The market value and acquisition cost of the company's current financial investments break down as follows:

NOK MILLION	*MARKET VALUE AT 31 DEC 2000*	*ACQUISITION COST*
Shares	76	74
Certificates	3 376	3 375
Bonds	276	277
Total	3 728	3 726

Bonds

The company's bonds are in their entirety issued by central and local government. Their market value at 31 December was NOK 276 million. The average rate of interest for the bond portfolio in 2000 was 6.8 per cent. The interest rate is calculated on the average acquisition cost per month. The balance sheet value of the bond portfolio corresponds to its market value at 31 December 2000.

Commodity derivatives

The company employs commodity derivatives as hedgings associated with physical positions and flows of goods. Various instruments such as swaps, forwards, futures and options are employed to manage risk. In addition, trading positions within given mandates are included. Derivatives associated with crude oil and oil products are traded mainly on the IPE and the Nymex and in the Brent market. In addition, direct third-party transactions are performed in the OTC market, while electricity trading takes place mainly through the power pool.

9. Taxation

Tax expenses are analysed as follows:

NOK MILLION	2000	1999
Taxes payable	24 718	9 289
Deferred tax provision	620	464
Taxation for the year	25 338	9 753
Uplift benefit for the year.	2 366	2 289

Deferred taxes are calculated on the basis of temporary differences between financial and tax accounting values at 31 December. Uplift earned, not amortised, amounts to NOK 5.7 billion.

NOK MILLION	2000		1999	
	BASE	DEFERRED TAX	BASE	DEFERRED TAX
Excess tax depreciation, offshore	34 699	23 872	34 863	23 162
Excess tax depreciation, onshore	2 945	825	2 121	594
Other temporary differences	1 665	2 206	3 276	2 528
Total	39 309	26 903	40 260	26 284

10. Current financial investments

NOK MILLION	2000	1999
Listed shares	76	250
Bonds, certificates and other securities	3 652	3 263
Total	3 728	3 513

11. Shares

Shareholdings in subsidiaries

AMOUNTS IN MILLIONS	*EQUITY INTEREST*	*NOMINAL VALUE*		*TOTAL COMPANY SHARE CAPITAL*		*BOOK VALUE*
Statoil Norge AS	100%	NOK	500	NOK	500	902
Statoil Forsikring AS	100%	NOK	125	NOK	125	150
Statoil Danmark A/S	100%	DKK	2 850	DKK	2 850	6 397
Statoil AB	100%	SEK	800	SEK	800	1 268
Statoil (UK) Ltd	100%	GBP	240	GBP	240	2 236
Statoil Deutschland GmbH	100%	DEM	22	DEM	22	343
Statoil North America Inc	100%	USD	245	USD	245	1 065
UAB Lietuva Statoil	100%	LTL	85	LTL	85	226
Statoil Angola Block 17 AS	100%	NOK	100	NOK	100	100
Statoil Apsheron AS	100%	NOK	1 000	NOK	1 000	1 000
Statoil Nigeria AS	100%	NOK	433	NOK	433	433
Navion ASA	80%	NOK	1 350	NOK	1 688	4 000
Latvija Statoil SIA	100%	LVL	15	LVL	15	225
Statoil Coordination Center N.V*	88%	EUR	709	EUR	806	5 736
AS Eesti Statoil	100%	EEK	169	EEK	169	102
AS Nord Oil	100%	EEK	102	EEK	102	81
Statoil Venezuela Exploration AS	100%	NOK	610	NOK	610	610
Offshore Technology AS	100%	NOK	391	NOK	391	662
Offtech Invest AS*	67%	NOK	77	NOK	116	123
Statoil Investments Ireland Ltd	100%	IEP	212	IEP	212	898
Statoil Exploration (Ireland) Ltd	100%	IEP	0	IEP	0	555
Statholding AS	100%	NOK	3	NOK	3	3 912
Statoil (Orient) Inc	100%	CHF	117	CHF	117	623
Statoil Sincor AS	100%	NOK	300	NOK	300	300
Statoil Latin Amerika AS	100%	NOK	100	NOK	100	710
Statoil Pernis Invest AS	100%	NOK	580	NOK	580	580
Statoil Dublin Bay as	100%	NOK	155	NOK	155	300
Statoil Kazakstan as	100%	NOK	500	NOK	500	500
Mongstad Refining DA	79%					3 403
Statoil Metanol ANS	82%					2 161
Other subsidiaries and undistributed group contributions						1 887
Total						41 488

* The remaining shares in Statoil Coordination Center N.V are owned by Statoil AB, and those in Offtech Invest AS by Navion ASA.

Net group contributions after tax constitute NOK 1 516 million and are not distributed between the companies.

Shareholdings in other companies
Shares in other companies totalled NOK 380 million, including a five per cent shareholding in Verbundnetz Gas AG at NOK 218 million.

Investments in associated companies

AMOUNTS IN MILLIONS	EQUITY INTEREST	NOMINAL VALUE	TOTAL COMPANY SHARE CAPITAL	BOOK VALUE
Statoil Detaljhandel Skandinavia AS	50%	NOK 1 300	NOK 2 600	1 300
Malaysian Refining Company Sdn Bhd	15%	MYR 446	MYR 2 976	284
Norsea Gas AS	50%	NOK 29	NOK 58	29
Tjeldbergodden Luftgassfabrikk DA	51%			275
Etanor DA	16%			200
Vestprosess DA	17%			282
Other companies				53
Total				2 423

12. Other liabilities

NOK MILLION	2000	1999
Interest-bearing short-term debt	12	3 598
Net payable to licences	4 320	4 212
Other current liabilities	5 326	5 457
Total	9 658	13 267

13. Long-term debt

AMOUNTS IN MILLIONS	LONG-TERM LOANS	CURRENCY SWAP AGREEMENTS	CURRENCY POSITION	EXCHANGE RATE	BOOK VALUE	PERCENTAGE SHARE
USD	1 832	1 116	2 948	8.85	26 087	78.2 %
JPY	18 829	(18 829)	0	7.70	0	0.0 %
CHF	1 057	(1 057)	0	540.54	0	0.0 %
DEM	38	242	280	420.97	1 180	3.5 %
DKK	0	(40)	(40)	110.32	(44)	(0.1 %)
EUR	735	(108)	627	8.23	5 159	15.5 %
FRF	50	407	457	125.52	574	1.7 %
BEF	1 342	0	1 342	20.41	274	0.8 %
NOK	125	0	125	–	125	0.4 %
Long-term debt					33 355	100.0 %
Loans from subsidiaries					(1 611)	
Long-term loans on the balance sheet					31 744	

Long-term loans include USD 19.4 million in commitments related to financial leasing.
Available borrowing facilities at 31 December 2000 amount to NOK 10.8 billion. In connection with long-term debt borrowings, Statoil has issued negative pledge clauses.

14. Other long-term liabilities

Accrued future site abandonment and removal costs of NOK 4 290 million are also included. The current year's provision amounts to NOK 760 million. Provision for these costs - which are calculated for each field - is made in accordance with the unit of production method, based on the current year's output and the field's proven reserves. A portion equivalent to the parent company's average tax rate over the life of the installation is assumed to be carried by the state, in accordance with the Norwegian Petroleum Act.

Total future site abandonment and removal expenditures for the company's oil and gas production installations are estimated to be NOK 7 000 million. The portion carried by the state is in accordance with provisions in the Norwegian Petroleum Act.

At 31 December 2000, the provision for pension obligations amounted to NOK 1 226 million.

15. Guarantees

The company has provided parent company guarantees for subsidiaries in Belgium, Angola, the UK, Ireland, Nigeria and Venezuela.

In addition, Statoil has issued guarantees as to the condition of assets sold in accordance with the agreement on divestment of the upstream business in Statoil Energy Inc.

16. Other liabilities and commitments

Contingent liabilities and insurance
Like any other licensee, Statoil has unlimited liability for possible compensation claims arising from its offshore operations, including transport systems. The company has taken out insurance to cover this liability up to about NOK 7.1 billion for each incident, including liability for claims arising from pollution damage.

Most of the group's production installations are covered through Statoil Forsikring a.s, which reinsures a major part of the risk in the international insurance market. About 46 per cent is retained.

Lease agreements
At 31 December 2000, Statoil had signed charterparties for mobile drilling rigs, merchant, supply and standby vessels as well as contracts for the hire of helicopter services and other fixed assets for periods of one to 10 years.

Current commitments under non-terminable charterparties and lease agreements are:

YEAR	*NOK MILLION*
For 2001	1 788
For 2002	1 115
For 2003	1 431
For 2004	1 392
For 2005	1 326
Thereafter	500
Total	7 552

Contractual commitments

NOK MILLION	2001	THEREAFTER	TOTAL
Contractual commitments made	7 372	5 390	12 762

These contractual commitments comprise acquisition and construction of tangible fixed assets.

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 2000, the group was committed to participating in 18 wells off Norway, with an average interest of 23 per cent.

Statoil and the other members of the Statpipe partnership, have taken legal action against the Norwegian state, represented by the Ministry of Finance, over tax on tariff income from Statpipe. The case will be heard in the Court of Appeal. The tax effect has been charged against income.

The company is party in legal, tax and environmental issues resulting from normal business operations. Statoil believes that any obligations related to such matters will not have any significant effect on the company's result, liquidity or finacial position.

17. Restatement of comparative figures for 1999 following changed accounting principles

NOK MILLION	1999
PROFIT	
Profit before tax in accordance with previous accounting principles	11 696
Changed principle for recording associated companies	(109)
Capitalised deferred taxation in connection with transactions on the Norwegian continental shelf	(262)
Restated profit before tax	11 325
Tax expense according to previous accounting principles	(10 025)
Adjustment to tax expense	272
Restated annual profit	1 572
EQUITY	
Equity in accordance with previous accounting principles	38 844
Changed principle for recording associated companies	(207)
Capitalised deferred taxation in connection with transactions on the Norwegian continental shelf	5 168
Change in deferred taxation	(5 168)
Equity according to changed principles	38 637

18. Equity

The share capital consists of 49 397 140 shares at NOK 100 each

Change in retained earnings

NOK MILLION	*2000*
Retained earnings at 1 January	33 697
Net profit for the year	9 431
Dividend for the year	(5 668)
Retained earnings at 31 December	37 460

STAVANGER, 21 FEBRUARY 2001

THE BOARD OF DIRECTORS OF DEN NORSKE STATS OLJESELSKAP A.S

OLE LUND
CHAIRMAN

KIRSTI KOCH CHRISTENSEN

FINN A HVISTENDAHL

BENTE RATHE

ELLEN STENSRUD

KNUT ÅM

JÉRÔME M CONTAMINE

MARIT BAKKE

STEIN BREDAL

LILL HEIDI BAKKERUD

INGVAR M SVIGGUM

OLAV FJELL
PRESIDENT AND CEO

Auditors' report for 2000

We have audited the annual financial statements of Den norske stats oljeselskap a.s as at 31 December 2000, showing a net profit of NOK 9 431 million for the parent company and a net profit of NOK 11 335 million for the group. We have also audited the information in the directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the net profit. The financial statements comprise the balance sheet, the income and cash flow statements, the accompanying notes and the group accounts. These financial statements are the responsibility of the company's board of directors and the chief executive. Our responsibility is to express an opinion on the financial statements and on other information as required by the Norwegian Act on Auditing and Auditors.

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

In our opinion,

- the financial statements have been prepared in accordance with Norwegian law and regulations and present fairly, in all material respects, the financial position of the company and of the group as at 31 December 2000, and the results of its operations and cash flows for the year then ended, in accordance with generally accepted accounting principles
- the company's management has fulfilled its duty to properly register and document the accounting information in accordance with Norwegian law and generally accepted accounting principles
- the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the net profit are consistent with the financial statements and complies with Norwegian law and regulations.

Stavanger, 21 February 2001
ERNST & YOUNG AS

Gustav Eriksen
State authorised public accountant (Norway)

Jostein Johannessen
State authorised public accountant (Norway)

RECOMMENDATION OF THE CORPORATE ASSEMBLY

Resolution:
At its meeting of 1 March 2001, Statoil's corporate assembly discussed the 2000 annual accounts of Den norske stats oljeselskap a.s and the Statoil group, including the board's proposal for the allocation of net profit.
The corporate assembly recommends that the general meeting adopts the annual accounts, including the allocation of net profit, in accordance with the proposals presented by the board of directors.

Stavanger, 1 March 2001

Leif T Løddesøl
Chairman, corporate assembly

Corporate assembly
Leif T Løddesøl, Margrete Riple Ådland, Kjell Bjørndalen, Jorunn Strand Vestbø,
Asbjørn Rolstadås, Wenche Meldahl, Tove Bull, Jens Arnfinn Brødsjømoen,
Arvid Færaas, Einar Arne Iversen, Hans M Saltveit, Per Helge Ødegård

The state's direct financial interest (SDFI)

Statoil manages the state's direct financial interest (SDFI) on the Norwegian continental shelf in addition to the group's own equity interests. The SDFI is included directly in the central government budget and accounts. Statoil's management function is authorised in its articles of association and means that the group represents the overall group and state interests in each licence and partnership. In addition, Statoil is responsible for selling all oil, natural gas liquids (NGL) and gas produced for the SDFI. Separate financial statements are kept by the group for the SDFI. Statoil's own financial statements solely reflect its equity share.

This section presents extracts form the SDFI accounts. These have been prepared – as for Statoil – in accordance with the principles specified by the Norwegian Accounting Act and associated standards (NGAAP).

Oil and gas production

The SDFI's oil and NGL production totalled 471 million barrels in 2000, an increase of two per cent from the year before. This rise primarily reflects higher output from Troll and Åsgard. Production from older fields such as Oseberg and Gullfaks is declining. The SDFI's share of gas production rose from 22 billion cubic metres in 1999 to 24 billion cubic metres in 2000. Sleipner West and Åsgard accounted for the bulk of this increase.

Reserves

Like Statoil, the SDFI's oil and gas reserves are estimated in accordance with industry standards under the requirements of the United States Securities and Exchange Commission (SEC). The principles have been changed from previous years in that recorded volumes are limited to contracted gas sales and other gas with access to a market. The reserves for previous years have been adjusted accordingly.

In 2000, 43 per cent of oil and NGL production was replaced by new recorded proven reserves. Net volumes of new proven gas reserves have not been recorded in 2000.

Oil and gas reserves

*OIL * IN MILLION BARRELS*	*2000*		*1999*		*1998*	
GAS IN BILLION SCM	*OIL*	*GAS*	*OIL*	*GAS*	*OIL*	*GAS*
Proven reserves**)						
At I January	3 446	896	3 475	908	3 469	901
Revisions of previous estimates	94	(13)	72	(3)	179	24
Extensions and discoveries	79	1	298	10	244	1
Improved recovery	31	1	4	0	24	1
Purchases of reserves-in-place	0	0	59	3	0	0
Production	(471)	(24)	(461)	(22)	(442)	(19)
Proven reserves at 31 December	3 180	860	3 446	896	3 475	908
Proven reserves developed at 31 December	2 095	614	1 825	554	1 712	558

*) Oil includes natural gas liquids.

**) Individual items are rounded off and not corrected to give exact sums.

Key figures

NOK MILLION	*2000*	*1999*	*1998*
Operating revenue	143 969	80 817	57 599
Operating expenses	18 842	16 841	15 315
Exploration expenses	1 545	2 083	2 223
Depreciation	17 505	15 671	14 825
Provisions for removal	1 897	1 504	1 031
Profit before financial items	104 180	44 718	24 205
Tangible fixed assets at 1 Jan	154 990	142 341	129 472
Investment (net)	21 512	28 320	27 694
Depreciation	17 505	15 671	14 825
Tangible fixed assets at 31 Dec	158 997	154 990	142 341

Profit before financial items

Profit before financial items for the SDFI came to NOK 104.2 billion in 2000, as against NOK 44.7 billion in 1999. The principal reason for this improvement was the increase in average oil prices from NOK 139 per barrel in 1999 to NOK 250 per barrel in 2000.

Cash flow and financing

The Norwegian state received NOK 99 billion from the SDFI in 2000. Since it was established on 1 January 1985, this arrangement has made a net contribution to the state of NOK 200.6 billion in nominal terms.

Primarily self-financing, the SDFI had debt and provisions for liabilities of roughly NOK 17.1 billion at 31 December 2000. The bulk of this represented provisions for removing installations. At the same time, the SDFI had about NOK 14.7 billion in short-term receivables. The main item is receivable from Statoil for sale of crude oil.

Tangible fixed assets

Net investment for the SDFI totalled NOK 21.5 billion in 2000. This compares with NOK 28.3 billion the year before. The Gullfaks satellites, the Åsgard field development project, the Kårstø development project and Troll Oil accounted for the largest capital expenditures in 2000.

Corporate executive committee

President and CEO

Olav Fjell (49)

Technology

Morten Loktu (40)
Executive vice president

Corporate Centre and Services

Inge Hansen (55)
Chief fincancial officer and executive vice president

Exploration & Production Norway

Henrik Carlsen (54)
Executive vice president

International Exploration & Production

Richard John Hubbard (50)
Executive vice president

European Gas

Peter Mellbye (51)
Executive vice president

Manufacturing & Marketing

Erling Øverland (48)
Executive vice president

State's direct financial interest (SDFI)

Elisabeth Berge (46)
Executive vice president

CORPORATE CENTRE AND SERVICES

Stig Bergseth, senior vice president, health, safety and the environment
Kjølv E Egeland, senior vice president, human resources
Jon A Jacobsen, senior vice president, finance
Randi Grung Olsen, senior vice president, corporate services
John Ove Lindøe, senior vice president, public affairs
Jacob S Middelthon, senior vice president, legal affairs
Eldar Sætre, corporate controller
Svein Andersen, senior vice president, corporate audit

Highlights from Statoil's history

1. THE TOW-OUT OF TROLL A in May 1995 was a milestone for Norway, Statoil, its partners in the Troll licence and the big gas buyers in continental Europe. Troll A ranks as the world's tallest concrete platform, measuring 469 metres from the base to the tip of its flare stack. Shell was responsible for the development, while Statoil took over as production operator when gas began to flow in 1996.

2. STATFJORD B is among three large integrated platforms on one of Europe's largest oil fields. Statfjord began producing on 24 November 1979, and flowed 850 204 barrels of oil on its best day. No other North Sea field has matched that figure for daily output. Statfjord has long passed its peak, and production is gradually declining as the reserves are depleted. However, a purposeful commitment to improved recovery is yielding substantial additional volumes which help to extend the field's producing life and increase value creation. Statfjord also serves as the centre for processing oil production from satellite fields and from Snorre. The field was discovered and developed by Mobil, while Statoil took over as operator on 1 January 1987.

3. GULLFAKS was discovered in 1978 and began production in 1986. This was the first large field to be developed and produced by Statoil as operator. It has three production platforms, with a large number of subsea wells tied back to these fixed installations.

4. TOMMELITEN ranked as Statoil's first development assignment. This small discovery was brought on stream in 1988 through subsea wells tied back to an existing platform on a neighbouring field. It ceased production in 1998.

5. AZERI CHIRAG in the Caspian east of Baku in Azerbaijan is on a par with the Statfjord field in the North Sea. Statoil is a partner, with BP as operator. The group also has a substantial holding in the large Shah Deniz gas and condensate discovery, and in a nearby exploration licence. The Caspian is one of Statoil's core assets.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6. BOREALIS is the second largest producer of polyolefins (plastic raw materials) in Europe and the fourth biggest in the world. Statoil owns 50 per cent of this group, which has its head office in Copenhagen. Production facilities include plants in Telemark in Norway and Stenungsund in Sweden, and in Finland, Germany, Portugal, Abu Dhabi and the USA.

7. ACQUIRING ESSO'S service station networks in Denmark and Sweden during the mid-1980s helped to build Statoil into a leading retailer in Scandinavia. In Norway, the government first acquired BP's forecourts and established the Norol company. This later became part of Statoil, and its service stations were eventually rebranded with the group's logo so that all the Scandinavian outlets operate under the same name. Statoil acquired the BP and then the Conoco stations in Ireland, where it now ranks as market leader. Extensive forecourt networks have also been built up in the Baltic states and Poland.

8. THE SLEIPNER FIELDS are among the most important gas reservoirs on the NCS, and also pipe condensate to the Kårstø complex. Gas production from Sleipner East began in 1993. Statoil is the operator.

9. THE STATPIPE system began operation in October 1985 to transport associated gas from Statfjord and later from Gullfaks. It represented pioneering technology as the first pipeline to cross the Norwegian Trench feature — twice — in more than 300 metres of water. The Kårstø treatment plant is part of the system. Both trunkline and plant are operated by Statoil.

10. LUFENG is a Chinese offshore oil field. Developed with a production ship, it represented Statoil's first foreign operatorship.

11. THE KALUNDBORG REFINERY in Denmark was acquired from Esso. Its capacity has since been expanded and supplemented with a facility to handle condensate from Sleipner. A fertiliser plant opened in 2000. Statoil is operator and sole owner.

12. NAVION is Statoil's shipping company and the world's largest operator of shuttle tankers for oil. It also operates production and drill ships. Statoil owns 80 per cent, with Rasmussengruppen in Kristiansand holding 20 per cent. *Navion Britannia* loads crude on Norne.

13. THE MONGSTAD REFINERY has become a large and modern facility through a series of upgradings and expansions. Six large rock caverns beneath the refinery are used to store oil. Mongstad is ideally located in relation to the major North Sea oil fields and has important customers in northern Europe and North America. Operator Statoil has a 79 per cent interest, while Shell owns 21 per cent. Statoil owns 10 per cent of Shell's Pernis refinery in Rotterdam.

14. NORNE is the northernmost producing oil field on the NCS and has been developed with a production ship. It is now tied to Heidrun and Åsgard by a gas pipeline. Statoil has developed Norne and is production operator.

15. KÅRSTØ is a large treatment complex north of Stavanger which receives rich gas from offshore fields. It stores natural gas liquids for export by ship, while sending lean gas on through major trunkline systems to continental Europe. This facility was expanded in 2000 to accept gas from Åsgard and surrounding fields. Statoil is the operator and owns the complex with its partners.

16. SIRI is a small oil field in the Danish North Sea, close to the boundary with the Norwegian sector. It accounts for 20 per cent of Denmark's offshore oil production. This field makes Statoil the second development and production operator off Denmark after the Danish Underground Consortium.

17. ÅSGARD lies on the Halten Bank in the Norwegian Sea and ranks as the world's most extensive subsea development, with 52 wells tied back via flexible flowlines to two floating installations. On stream since May 1999, Åsgard A ranks as the world's largest production ship. The semi-submersible B platform, which began production in October 2000, is the largest floating gas process facility in the world. In addition comes the Åsgard C storage ship for condensate. Åsgard Transport is a new trunkline delivering gas from the Norwegian Sea to Kårstø, from whence it flows to continental Europe via Europipe II. Statoil operates the whole Åsgard chain.


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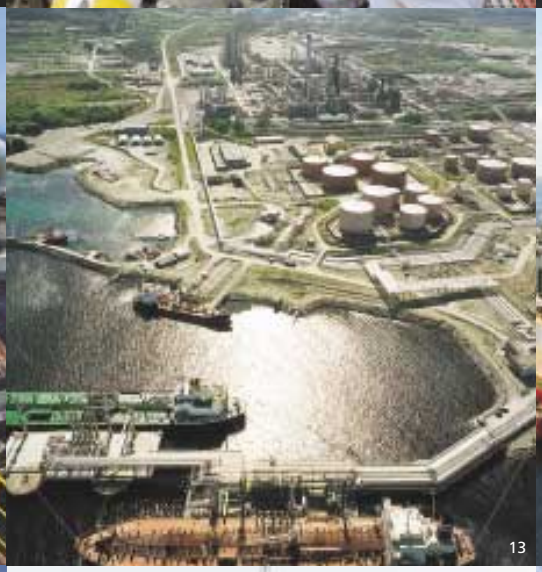
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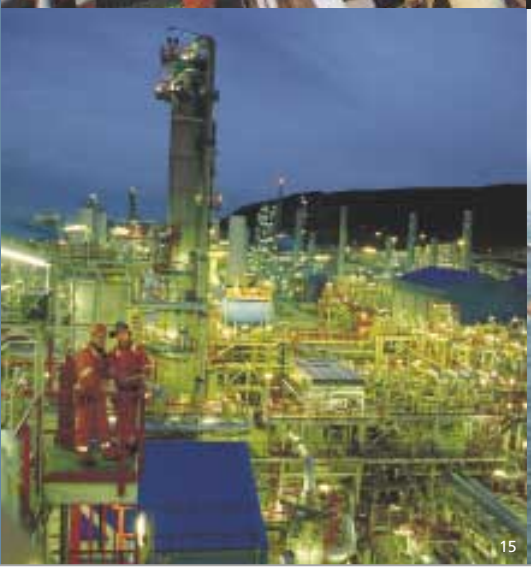
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Statoil operates in the following countries:
Norway, Sweden, Denmark, Germany, Poland, Estonia,
Latvia, Lithuania, the UK, Ireland, Belgium, France,
Russia, China, Vietnam, Malaysia, Singapore,
Azerbaijan, Kazakhstan, Turkey, Angola, Nigeria,
the USA and Venezuela.

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