

# Financial statements

## 1st quarter 2004

### CONSOLIDATED STATEMENTS OF INCOME USGAAP

(in NOK million)	For the three months ended March 31, 2004 (unaudited)	2003 (unaudited)	For the year ended December 31, 2003 (note1)
<b>REVENUES</b>			
Sales	66,080	66,627	248,527
Equity in net income (loss) of affiliates	220	(64)	616
Other income	730	0	232
<b>Total revenues</b>	<b>67,030</b>	<b>66,563</b>	<b>249,375</b>
<b>EXPENSES</b>			
Cost of goods sold	(38,667)	(39,524)	(149,645)
Operating expenses	(6,955)	(6,924)	(26,651)
Selling, general and administrative expenses	(920)	(2,079)	(5,517)
Depreciation, depletion and amortization	(4,153)	(3,802)	(16,276)
Exploration expenses	(290)	(474)	(2,370)
<b>Total expenses before financial items</b>	<b>(50,985)</b>	<b>(52,803)</b>	<b>(200,459)</b>
<b>Income before financial items, other items, income taxes and minority interest</b>	<b>16,045</b>	<b>13,760</b>	<b>48,916</b>
Net financial items	(1,015)	(1,185)	1,399
Other items	0	0	(6,025)
<b>Income before income taxes and minority interest</b>	<b>15,030</b>	<b>12,575</b>	<b>44,290</b>
Income taxes	(10,227)	(8,858)	(27,447)
Minority interest	(103)	(125)	(289)
<b>Net income</b>	<b>4,700</b>	<b>3,592</b>	<b>16,554</b>
<b>Net income per ordinary share</b>	<b>2.17</b>	<b>1.66</b>	<b>7.64</b>
Weighted average number of ordinary shares outstanding	2,166,143,715	2,166,143,626	2,166,143,693

See notes to the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS USGAAP

(in NOK million)	2004 (unaudited)	At March 31, 2003 (unaudited)	At December 31, 2003 (note 1)
<b>ASSETS</b>			
Cash and cash equivalents	20,773	17,121	7,316
Short-term investments	5,623	9,439	9,314
<b>Cash, cash equivalents and short-term investments</b>	<b>26,396</b>	26,560	16,630
Accounts receivable	24,892	27,343	28,048
Accounts receivable - related parties	2,441	2,190	2,144
Inventories	5,255	2,989	4,993
Prepaid expenses and other current assets	5,781	7,345	7,354
<b>Total current assets</b>	<b>64,765</b>	66,427	59,169
Investments in affiliates	11,285	9,930	11,022
Long-term receivables	16,442	13,045	14,261
Net property, plant and equipment	129,229	127,191	126,528
Other assets	11,378	8,980	10,620
<b>TOTAL ASSETS</b>	<b>233,099</b>	225,573	221,600
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Short-term debt	5,099	1,369	4,287
Accounts payable	14,127	15,777	17,977
Accounts payable - related parties	5,927	5,572	6,114
Accrued liabilities	9,894	12,326	11,454
Income taxes payable	27,833	27,604	17,676
<b>Total current liabilities</b>	<b>62,880</b>	62,648	57,508
Long-term debt	33,309	36,150	32,991
Deferred income taxes	37,652	43,579	37,849
Other liabilities	22,314	18,587	21,595
<b>Total liabilities</b>	<b>156,155</b>	160,964	149,943
<b>Minority interest</b>	<b>1,453</b>	1,573	1,483
Common stock (NOK 2.50 nominal value), 2,189,585,600 shares authorized and issued	5,474	5,474	5,474
Treasury shares, 23,441,885 shares	(59)	(59)	(59)
Additional paid-in capital	37,728	37,728	37,728
Retained earnings	32,327	20,947	27,627
Accumulated other comprehensive income (loss)	21	(1,054)	(596)
<b>Total shareholders' equity</b>	<b>75,491</b>	63,036	70,174
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>233,099</b>	225,573	221,600

See notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS USGAAP

(in NOK million)	For the three months ended March 31,		For the year ended December 31,
	2004 (unaudited)	2003 (unaudited)	2003 (note1)
<b>OPERATING ACTIVITIES</b>			
Consolidated net income	4,700	3,592	16,554
<u>Adjustments to reconcile net income to net cash flows provided by operating activities:</u>			
Minority interest in income	103	125	289
Depreciation, depletion and amortization	4,153	3,802	16,276
Exploration expenditures written off	2	171	256
(Gains) losses on foreign currency transactions	(26)	1,893	781
Deferred taxes	(334)	(709)	(6,177)
(Gains) losses on sales of assets and other items	(734)	42	5,719
<u>Changes in working capital (other than cash and cash equivalents):</u>			
• (Increase) decrease in inventories	(262)	2,433	349
• (Increase) decrease in accounts receivable	2,859	4,417	2,054
• (Increase) decrease in other receivables	799	(385)	(1,511)
• (Increase) decrease in short-term investments	3,691	(4,172)	(4,047)
• Increase (decrease) in accounts payable	(4,037)	(3,903)	(949)
• Increase (decrease) in other payables	(364)	374	2,436
• Increase (decrease) in taxes payable	10,157	9,246	(682)
(Increase) decrease in non-current items related to operating activities	(237)	65	(551)
<b>Cash flows provided by operating activities</b>	<b>20,470</b>	<b>16,991</b>	<b>30,797</b>
<b>INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment	(5,486)	(5,058)	(22,075)
Exploration expenditures capitalized	(192)	(80)	(331)
Change in long-term loans granted and other long-term items	(2,045)	(4)	(7,682)
Proceeds from sale of assets	959	4	6,890
<b>Cash flows used in investing activities</b>	<b>(6,764)</b>	<b>(5,138)</b>	<b>(23,198)</b>
<b>FINANCING ACTIVITIES</b>			
New long-term borrowings	1,054	2,394	3,206
Repayment of long-term borrowings	(773)	(2,258)	(2,774)
Distribution to minority shareholders	(133)	(102)	(356)
Dividends paid	0	0	(6,282)
Net short-term borrowings, bank overdrafts and other	(411)	(1,946)	(1,656)
<b>Cash flows used in financing activities</b>	<b>(263)</b>	<b>(1,912)</b>	<b>(7,862)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>13,443</b>	<b>9,941</b>	<b>(263)</b>
Effect of exchange rate changes on cash and cash equivalents	14	478	877
Cash and cash equivalents at beginning of the period	7,316	6,702	6,702
<b>Cash and cash equivalents at end of the period</b>	<b>20,773</b>	<b>17,121</b>	<b>7,316</b>

See notes to the consolidated financial statements.

## 1. ORGANIZATION AND BASIS OF PRESENTATION

These consolidated interim USGAAP financial statements are unaudited, but reflect all adjustments that, in the opinion of management, are necessary to provide a fair presentation of the financial position, results of operations and cash flows for the dates and periods covered. Interim period results are not necessarily indicative of results of operations or cash flows for a full-year period. The income statement and balance sheet as of and for the year ended December 31, 2003 have been derived from the audited financial statements at that date but do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. These interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in Statoil's financial statements for the year ended December 31, 2003. Certain reclassifications have been made to prior periods' figures to be consistent with the current period's classifications.

Statoil acquired oil and gas properties from the State's Direct Financial Interests (SDFI) in 2001. The transfer of properties from SDFI has been accounted for as a transaction among entities under common control and the results of operations and financial position have been accounted for at historical cost. The net book value, the payment and the cash flows from the operation from these oil and gas properties are reported as capital contribution or dividend. The final cash payment is contingent upon review by the Norwegian State, which is expected to be completed in 2004. The adjustment to the cash payment, if any, will be recorded as a capital contribution or dividend, as applicable.

At January 1, 2004 the sale of natural gas produced internationally was transferred from the International Exploration and Production segment to the Natural Gas segment. In addition, the Kollsnes gas treatment plant was transferred from Exploration and Production Norway to Natural Gas. The effect of these transactions has been given retroactive effect for all periods presented. For further information see note 3.

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

## 2. ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Statoil operates in the worldwide crude oil, refined products, and natural gas markets and is exposed to fluctuations in hydrocarbon prices, foreign currency rates and interest rates that can affect the revenues and cost of operating, investing and financing. Statoil's management has used and intends to use financial and commodity-based derivative contracts to reduce the risks in overall earnings and cash flows. Statoil applies hedge accounting in certain circumstances using both cash flow hedges and fair value hedges as allowed by FAS 133, but also enters into derivatives which economically hedge certain of its risks even though hedge accounting is not allowed by FAS 133 or is not applied by Statoil.

### Cash Flow Hedges

Statoil has designated certain derivative instruments as cash flow hedges to hedge against changes in the amount of future cash flows related to the sale of crude oil and petroleum products over a period not exceeding 21 months and cash flows related to interest payments over a period not exceeding 10 months. Hedge ineffectiveness related to Statoil's outstanding cash flow hedges was immaterial and recorded to earnings during the quarter ended March 31, 2004. The net change in Accumulated other comprehensive income associated with the current period hedging transactions was NOK 79 million after tax. The net amount reclassified into earnings during the quarter was NOK 37 million after tax. At March 31, 2004, the net deferred hedging loss in Accumulated other comprehensive income related to cash flow hedges was NOK 64 million after tax, most of which will affect earnings over the next 12 months. The unrealized loss component of derivative instruments excluded from the assessment of hedge effectiveness related to cash flow hedges during the quarter ended March 31, 2004 was immaterial.

### Fair Value Hedges

Statoil has designated certain derivative instruments as fair value hedges to hedge against changes in the value of financial liabilities. There was no gain or loss component of a derivative instrument excluded from the assessment of hedge effectiveness related to fair value hedges during the quarter ended March 31, 2004. The net gain recognized in earnings in Income before income taxes and minority interest during the quarter for ineffectiveness of fair value hedges was immaterial.

## 3. SEGMENTS

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

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

Natural Gas has as of January 1, 2004 taken over various international gas activities from International Exploration and Production. The activities include business development of gas sale activities in some foreign countries, construction of a pipeline for transportation of natural gas from Azerbaijan to Turkey and Liquefied Natural Gas (LNG) sales from the Cove Point terminal in USA. Prior periods' figures have been adjusted to reflect the new structure.

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

Segment data for the three months ended March 31, 2004 and 2003 is presented below:

(in NOK million)	Exploration and Production Norway	International Exploration and Production	Natural Gas	Manufacturing and Marketing	Other and eliminations	Total
<b>Three months ended March 31, 2004</b>						
Revenues third party	237	647	8,947	56,603	376	66,810
Revenues inter-segment	16,986	1,231	109	5	(18,331)	0
Income (loss) from equity investments	(3)	0	59	179	(15)	220
<b>Total revenues</b>	<b>17,220</b>	<b>1,878</b>	<b>9,115</b>	<b>56,787</b>	<b>(17,970)</b>	<b>67,030</b>
Income before financial items, other items, income taxes and minority interest	11,605	714	2,905	859	(38)	16,045
Segment income taxes	(8,688)	(216)	(1,809)	(189)	0	(10,902)
<b>Segment net income</b>	<b>2,917</b>	<b>498</b>	<b>1,096</b>	<b>670</b>	<b>(38)</b>	<b>5,143</b>
<b>Three months ended March 31, 2003</b>						
Revenues third party	550	300	6,744	58,748	285	66,627
Revenues inter-segment	16,193	1,150	103	53	(17,499)	0
Income (loss) from equity investments	(49)	0	49	(45)	(19)	(64)
<b>Total revenues</b>	<b>16,694</b>	<b>1,450</b>	<b>6,896</b>	<b>58,756</b>	<b>(17,233)</b>	<b>66,563</b>
Income before financial items, other items, income taxes and minority interest	10,085	457	1,821	1,446	(49)	13,760
Segment income taxes	(7,660)	(138)	(1,347)	(455)	86	(9,514)
<b>Segment net income</b>	<b>2,425</b>	<b>319</b>	<b>474</b>	<b>991</b>	<b>37</b>	<b>4,246</b>

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

(in NOK million)	For the three months ended March 31,	
	2004	2003
Segment net income	5,143	4,246
Net financial items	(1,015)	(1,185)
Tax on financial items and other tax adjustments	675	656
Minority interest	(103)	(125)
<b>Net income</b>	<b>4,700</b>	<b>3,592</b>
Segment income taxes	10,902	9,514
Tax on financial items and other tax adjustments	(675)	(656)
<b>Income taxes</b>	<b>10,227</b>	<b>8,858</b>

#### 4. INVENTORIES

Inventories are valued at the lower of cost or market. Costs of crude oil held at refineries and the majority of refined products are determined under the last-in, first-out (LIFO) method. Certain inventories of crude oil, refined products and non-petroleum products are determined under the first-in, first-out (FIFO) method. There have been no liquidations of LIFO layers which resulted in a material impact to net income for the reported periods.

(in NOK million)	At March 31,		At December 31,
	2004	2003	2003
Crude oil	2,686	843	2,192
Petroleum products	2,611	2,277	2,470
Other	950	816	1,065
Total - inventories valued on a FIFO basis	6,247	3,936	5,727
Excess of current cost over LIFO value	(992)	(947)	(734)
Total	5,255	2,989	4,993

#### 5. SHAREHOLDERS' EQUITY

For the period ended March 31, 2004 there have been the following changes in shareholders' equity:

(in NOK million)	Total shareholders' equity
Shareholders' equity January 1, 2004	70,174
Net income for the period	4,700
Foreign currency translation adjustment	657
Derivatives designated as cash flow hedges	(40)
Shareholders' equity March 31, 2004	75,491

The following sets forth Statoil's Comprehensive income for the periods shown:

(in NOK million)	For the three months ended	
	2004	March 31, 2003
Net income	4,700	3,592
Foreign currency translation adjustment	657	2,398
Derivatives designated as cash flow hedges	(40)	29
Comprehensive income	5,317	6,019

#### 6. FINANCIAL ITEMS

(in NOK million)	For the three months ended	
	2004	March 31, 2003
Interest and other financial income	245	404
Currency exchange adjustments, net	(1,252)	(1,540)
Interest and other financial expenses	(254)	(187)
Realized and unrealized gain (loss) on securities, net	246	138
Net financial items	(1,015)	(1,185)

## 7. PROVISION FOR RIG RENTAL CONTRACTS

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

(in NOK million)	For the three months ended		For the year ended
	2004	March 31, 2003	December 31, 2003
Provision at the beginning of the period	1,360	960	960
Increase (decrease) during the period	(267)	727	454
Cost incurred during the period	(83)	(27)	(54)
Provision at the end of the period	1,010	1,660	1,360

## 8. COMMITMENTS AND CONTINGENT LIABILITIES

In 2004 Statoil as an owner in BTC Co Ltd has entered into guarantee commitments for financing of the development of the BTC pipeline amounting to USD 140 million (NOK 0.9 billion), USD 107 million of which are subject to the balance sheet recognition requirements of FIN 45. Since net present value of expected fees to be received exceeds the net present value of expected payments under the guarantees, in accordance with FIN 45 no liability has been reflected in the balance sheet related to these guarantee commitments.

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

The Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim) has issued a preliminary charge alleging violations of the Norwegian General Civil Penal Code provision concerning illegal influencing of foreign government officials and is conducting an investigation concerning a consulting agreement which Statoil entered into in 2002 with Horton Investments Ltd. The Company has also been notified by the U.S. Securities and Exchange Commission that the Commission is conducting an inquiry into the consultancy arrangement to determine if there have been any violations of U.S. federal securities laws. Iranian authorities have been carrying out inquiries into the matter. It has been reported in the international press that in April 2004 the Iranian Consultative Assembly approved an official probe into allegations of corruption concerning the consulting agreement in Iran.

## 9. EMPLOYEE RETIREMENT PLANS

Pensions cost for the period (1):

(in NOK million)	For the three months ended March 31, 2004
Benefit earned during the period, net of participants' contributions	251
Interest cost on prior periods benefit obligation	234
Expected return on plan assets	(220)
Amortization of loss	39
Amortization of prior service cost	9
Amortization of net transition assets	4
Net periodic benefit cost (defined benefit plans)	317
Defined contribution plans	8
Multiemployer plans	0
Total net pension cost for the period (2)	325

(1) Based on estimates from actuary reports at December 31, 2003.

(2) For comparison, the Total net pension cost for the year 2003 was NOK 897 million.

See note number 17 to the consolidated financial statements by December 31, 2003.

## 10. SUBSEQUENT EVENTS AND SIGNIFICANT ACQUISITIONS AND DISPOSITIONS

Statoil and BP signed an agreement in June 2003 whereby Statoil will acquire 49 per cent of BP's interests in the In Salah gas project and 50 per cent of BP's interest in the In Amenas gas condensate project, both in Algeria. Statoil has paid BP USD 740 million, and has in addition covered the expenditures incurred after January 1, 2003 related to the acquired interests. Amendments to the two projects' co-operation agreements implementing Statoil as participant in the projects require approval by the Council of Ministers. The approval process has now commenced. The payments made by Statoil have been accounted for as long-term prepayments at March 31, 2004 pending such final approval.

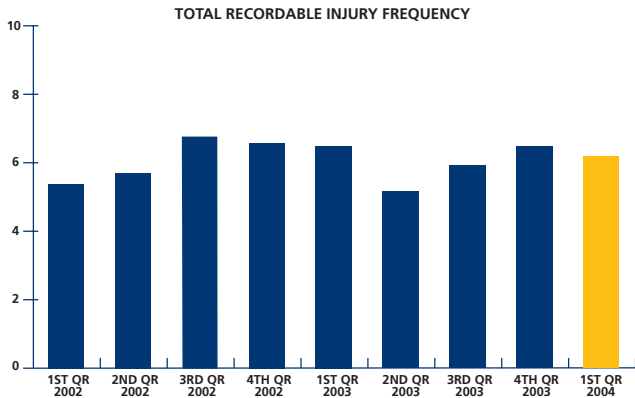
In January 2004 Statoil acquired in all 11.24 per cent of the Snøhvit Field, 10 per cent from Norsk Hydro and 1.24 per cent from Svenska Petroleum, respectively. Following completion of these transactions, Statoil will have an ownership share of 33.53 per cent of the Snøhvit Field. The transactions will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

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

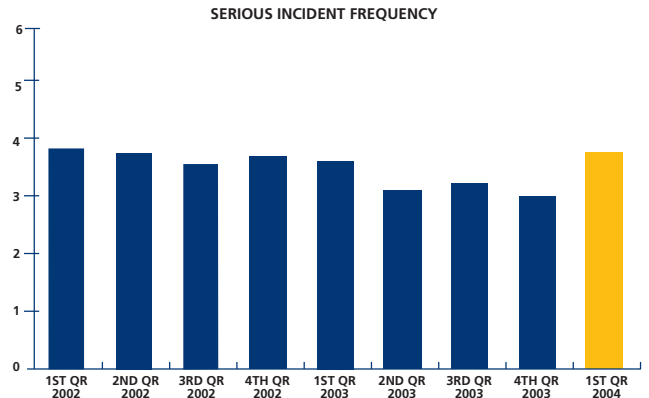
ICA AB and Statoil have signed a letter of intent covering the acquisition by Statoil of ICA's holding in Statoil Detaljhandel Skandinavia AS (SDS). ICA and Statoil currently own 50 per cent each of SDS. Subject to approval by the boards of Statoil and ICA, the finalized deal, if any, is expected to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

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

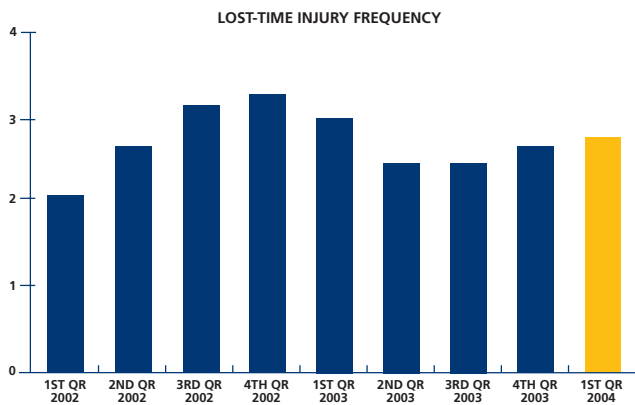
# HSE ACCOUNTING



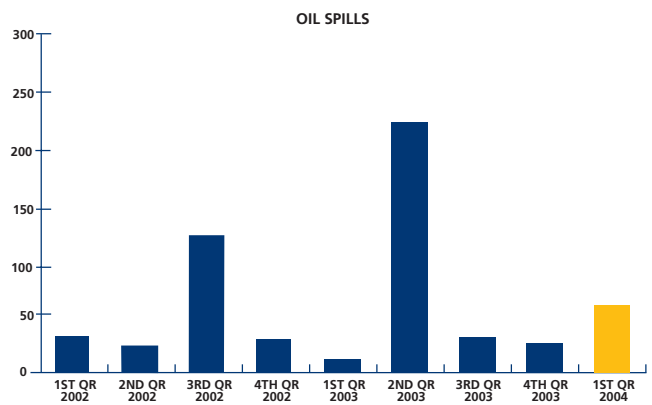
The total recordable injury frequency specifies the number of injuries (lost-time injuries, injuries requiring alternative work and other injuries excluding first-aid cases) per million working hours. Statoil and contractor employees are included.



The serious incident frequency specifies the number of incidents with a very serious nature per million working hours.



The lost-time injury frequency specifies the number of total recordable injuries causing loss of time at work per million working hours. Statoil and contractor employees are included.



Oil spills (scm) cover unintentional oil spills to the external environment from Statoil operations (in cubic metres). 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.