

Financial statements

2nd quarter 2005

CONSOLIDATED STATEMENTS OF INCOME - USGAAP

(in NOK million)	For the three months ended June 30,		For the six months ended June 30,		For the year ended December 31,
	2005	2004	2005	2004	2004
REVENUES					
Sales	92,748	70,961	176,897	137,041	303,756
Equity in net income of affiliates	318	284	754	504	1,209
Other income	29	60	67	790	1,253
Total revenues	93,095	71,305	177,718	138,335	306,218
EXPENSES					
Cost of goods sold	(56,864)	(44,945)	(106,183)	(83,612)	(188,179)
Operating expenses	(7,113)	(6,632)	(14,330)	(13,587)	(27,350)
Selling, general and administrative expenses	(1,802)	(1,165)	(3,358)	(2,085)	(6,298)
Depreciation, depletion and amortization	(4,535)	(3,908)	(9,041)	(8,061)	(17,456)
Exploration expenses	(861)	(430)	(1,385)	(720)	(1,828)
Total expenses before financial items	(71,175)	(57,080)	(134,297)	(108,065)	(241,111)
Income before financial items, income taxes and minority interest	21,920	14,225	43,421	30,270	65,107
Net financial items	(860)	(144)	(2,607)	(1,159)	5,739
Income before income taxes and minority interest	21,060	14,081	40,814	29,111	70,846
Income taxes	(14,106)	(9,665)	(26,937)	(19,892)	(45,425)
Minority interest	(204)	(61)	(354)	(164)	(505)
Net income	6,750	4,355	13,523	9,055	24,916
Net income per ordinary share	3.12	2.01	6.24	4.18	11.50
Dividend declared per ordinary share	5.30	2.95	5.30	2.95	2.95
Weighted average number of ordinary shares outstanding	2,165,828,391	2,166,143,715	2,165,929,863	2,166,143,715	2,166,142,636

See notes to the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS - USGAAP

(in NOK million)	2005	At June 30, 2004	At December 31, 2004
ASSETS			
Cash and cash equivalents	2,038	14,560	5,028
Short-term investments	1,023	2,509	11,621
Cash, cash equivalents and short-term investments	3,061	17,069	16,649
Accounts receivable	31,324	23,539	31,736
Accounts receivable - related parties	41	2,597	0
Inventories	8,425	5,786	6,971
Prepaid expenses and other current assets	7,788	5,526	9,713
Total current assets	50,639	54,517	65,069
Investments in affiliates	10,612	11,615	10,339
Long-term receivables	8,066	8,810	8,176
Net property, plant and equipment	174,279	142,628	152,916
Other assets	15,270	11,984	11,743
TOTAL ASSETS	258,866	229,554	248,243
LIABILITIES AND SHAREHOLDERS' EQUITY			
Short-term debt	4,601	6,572	4,730
Accounts payable	20,287	15,354	19,282
Accounts payable - related parties	7,572	6,367	5,621
Accrued liabilities	11,396	10,593	12,385
Income taxes payable	25,549	19,587	19,117
Total current liabilities	69,405	58,473	61,135
Long-term debt	32,780	34,175	31,459
Deferred income taxes	41,744	38,973	44,270
Other liabilities	25,787	22,606	24,733
Total liabilities	169,716	154,227	161,597
Minority interest	1,558	1,480	1,616
Common stock (NOK 2.50 nominal value), 2,189,585,600 shares authorized and issued	5,474	5,474	5,474
Treasury shares	(104)	(59)	(60)
Additional paid-in capital	37,293	37,728	37,273
Retained earnings	48,195	30,292	46,153
Accumulated other comprehensive income (loss)	(3,266)	412	(3,810)
Total shareholders' equity	87,592	73,847	85,030
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	258,866	229,554	248,243

See notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS – USGAAP

(in NOK million)	For the six months ended June 30,		For the year ended December 31,
	2005	2004	2004
OPERATING ACTIVITIES			
Consolidated net income	13,523	9,055	24,916
<u>Adjustments to reconcile net income to net cash flows provided by operating activities:</u>			
Minority interest in income	354	164	505
Depreciation, depletion and amortization	9,041	8,061	17,456
Exploration expenditures written off	131	28	110
(Gains) losses on foreign currency transactions	707	722	(1,919)
Deferred taxes	(2,801)	(57)	5,006
(Gains) losses on sales of assets and other items	(129)	(910)	(1,531)
<u>Changes in working capital (other than cash and cash equivalents):</u>			
• (Increase) decrease in inventories	(1,454)	(793)	(1,645)
• (Increase) decrease in accounts receivable	371	4,056	(1,149)
• (Increase) decrease in prepaid expenses and other current assets	(1,149)	388	(4,590)
• (Increase) decrease in short-term investments	10,598	6,805	(2,307)
• Increase (decrease) in accounts payable	3,112	(2,370)	(147)
• Increase (decrease) in other payables	(635)	(449)	1,449
• Increase (decrease) in taxes payable	6,432	1,911	1,387
(Increase) decrease in non-current items related to operating activities	990	(163)	1,266
Cash flows provided by operating activities	39,091	26,448	38,807
INVESTING ACTIVITIES			
Additions to property, plant and equipment	(28,718)	(14,137)	(31,800)
Exploration expenditures capitalized	(760)	(440)	(748)
Change in long-term loans granted and other long-term items	(514)	(2,153)	(2,650)
Proceeds from sale of assets	618	983	3,239
Cash flows used in investing activities	(29,374)	(15,747)	(31,959)
FINANCING ACTIVITIES			
New long-term borrowings	332	4,473	4,599
Repayment of long-term borrowings	(2,432)	(919)	(6,574)
Distribution to minority shareholders	(403)	(167)	(559)
Dividends paid	(11,481)	(6,390)	(6,390)
Net short-term borrowings, bank overdrafts and other	1,397	(479)	(131)
Cash flows used in financing activities	(12,587)	(3,482)	(9,055)
Net increase (decrease) in cash and cash equivalents	(2,870)	7,219	(2,207)
Effect of exchange rate changes on cash and cash equivalents	(120)	25	(81)
Cash and cash equivalents at the beginning of the period	5,028	7,316	7,316
Cash and cash equivalents at the end of the period	2,038	14,560	5,028

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

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. All such adjustments are of normal and recurring nature. 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, 2004 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, 2004.

Statoil adopted Financial Accounting Standard (FAS) 123 R Share-Based Compensation in the fourth quarter of 2004, as an employee share saving plan was introduced. Employees have the opportunity to buy shares in Statoil every year up to a ceiling of five per cent of their gross salary. For shares held for at least two calendar years, employees will receive one bonus share for every two purchased. The bonus element is valued at the grant day and amortized to income over the vesting period. The effect on the Consolidated statement of income and financial position is immaterial.

As of January 1, 2005, Statoil adopted Financial Accounting Standard Board (FASB) Staff Position FSP FAS 19-1, Accounting for Suspended Well Costs. Upon adoption of the FSP, the Company evaluated all existing capitalized exploratory well expenditures under the provisions of the FSP. The adoption did not have any effects on Statoil's Consolidated statement of income and financial position.

The FASB issued in March 2005 Interpretation No. 47 (FIN 47), Accounting for Conditional Asset Retirement Obligations, to clarify the requirement to record liabilities stemming from a legal obligation to clean up and retire fixed assets, when a retirement depends on a future event. FIN 47 is effective for fiscal years ending after December 15, 2005, and we expect to adopt this in the fourth quarter of 2005. Statoil has not yet estimated the impact, if any, of the new interpretation.

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 six months. Hedge ineffectiveness related to Statoil's outstanding cash flow hedges was NOK 103 million and recorded to earnings during the quarter ended June 30, 2005. The net change in Accumulated other comprehensive income associated with the current period hedging transactions was NOK 22 million after tax. The net amount reclassified into earnings during the quarter was NOK 99 million after tax. At June 30, 2005, the net deferred hedging loss in Accumulated other comprehensive income related to cash flow hedges was NOK 183 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 June 30, 2005 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 June 30, 2005. The net loss recognized in earnings in Income before income taxes and minority interest during the quarter for ineffectiveness of fair value hedges was NOK 14 million.

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.

Segment data for the three months ended June 30, 2005 and 2004 and the six months ended June 30, 2005 and 2004 is presented below:

(in NOK million)	Exploration and Production Norway	International Exploration and Production	Natural Gas	Manufacturing and Marketing	Other and eliminations	Total
Three months ended June 30, 2005						
Revenues third party (including Other income)	496	1,620	9,097	81,162	402	92,777
Revenues inter-segment	22,273	2,667	120	1,955	(27,015)	0
Income (loss) from equity investments	32	0	71	226	(11)	318
Total revenues	22,801	4,287	9,288	83,343	(26,624)	93,095
Income before financial items, income taxes and minority interest	17,106	2,236	1,117	1,610	(149)	21,920
Imputed segment income taxes	(12,861)	(699)	(720)	(336)	0	(14,616)
Segment net income	4,245	1,537	397	1,274	(149)	7,304
Three months ended June 30, 2004						
Revenues third party (including Other income)	375	789	7,111	62,422	324	71,021
Revenues inter-segment	16,630	1,343	38	187	(18,198)	0
Income (loss) from equity investments	34	0	52	216	(18)	284
Total revenues	17,039	2,132	7,201	62,825	(17,892)	71,305
Income before financial items, income taxes and minority interest	11,668	906	1,193	633	(175)	14,225
Imputed segment income taxes	(8,606)	(297)	(811)	(110)	0	(9,824)
Segment net income	3,062	609	382	523	(175)	4,401
Six months ended June 30, 2005						
Revenues third party (including Other income)	968	2,940	19,084	153,802	170	176,964
Revenues inter-segment	43,927	4,503	280	1,933	(50,643)	0
Income (loss) from equity investments	58	0	139	588	(31)	754
Total revenues	44,953	7,443	19,503	156,323	(50,504)	177,718
Income before financial items, income taxes and minority interest	33,578	3,863	2,672	3,560	(252)	43,421
Imputed segment income taxes	(25,258)	(1,208)	(1,814)	(747)	0	(29,027)
Segment net income	8,320	2,655	858	2,813	(252)	14,394
Six months ended June 30, 2004						
Revenues third party (including Other income)	612	1,436	16,058	119,025	700	137,831
Revenues inter-segment	33,616	2,574	147	192	(36,529)	0
Income (loss) from equity investments	31	0	111	395	(33)	504
Total revenues	34,259	4,010	16,316	119,612	(35,862)	138,335
Income before financial items, income taxes and minority interest	23,273	1,620	4,098	1,492	(213)	30,270
Imputed segment income taxes	(17,294)	(513)	(2,620)	(299)	0	(20,726)
Segment net income	5,979	1,107	1,478	1,193	(213)	9,544

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

(in NOK million)	For the three months ended June 30,		For the six months ended June 30,	
	2005	2004	2005	2004
Segment net income	7,304	4,401	14,394	9,544
Net financial items	(860)	(144)	(2,607)	(1,159)
Tax on financial items and other tax adjustments	510	159	2,090	834
Minority interest	(204)	(61)	(354)	(164)
Net income	6,750	4,355	13,523	9,055
Imputed segment income taxes	14,616	9,824	29,027	20,726
Tax on financial items and other tax adjustments	(510)	(159)	(2,090)	(834)
Income taxes	14,106	9,665	26,937	19,892

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 June 30,		At December 31,
	2005	2004	2004
Crude oil	5,627	3,267	3,664
Petroleum products	3,864	2,800	3,344
Other	1,218	924	1,253
Total - inventories valued on a FIFO basis	10,709	6,991	8,261
Excess of current cost over LIFO value	(2,284)	(1,205)	(1,290)
Total	8,425	5,786	6,971

5. SHAREHOLDERS' EQUITY

For the period ended June 30, 2005 there have been the following changes in shareholders' equity:

(in NOK million)	Total shareholders' equity
Shareholders' equity January 1, 2005	85,030
Net income for the period	13,523
Dividends paid	(11,481)
Treasury shares acquired	(44)
Value of Stock compensation plan	20
Foreign currency translation adjustment	651
Derivatives designated as cash flow hedges	(107)
Shareholders' equity June 30, 2005	87,592

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

(in NOK million)	For the three months ended June 30,		For the six months ended June 30,	
	2005	2004	2005	2004
Net income	6,750	4,355	13,523	9,055
Foreign currency translation adjustment	(533)	549	651	1,206
Derivatives designated as cash flow hedges	121	(158)	(107)	(198)
Comprehensive income	6,338	4,746	14,067	10,063

6. FINANCIAL ITEMS

(in NOK million)	For the three months ended June 30,		For the six months ended June 30,	
	2005	2004	2005	2004
Interest and other financial income	475	282	768	527
Currency exchange adjustments, net	(1,478)	(335)	(4,060)	(1,587)
Interest and other financial expenses	(87)	(33)	(50)	(287)
Realized and unrealized gain (loss) on securities, net	230	(58)	735	188
Net financial items	(860)	(144)	(2,607)	(1,159)

7. COMMITMENTS AND CONTINGENT LIABILITIES

In 2004 Statoil, as an owner in BTC Co, entered into guarantee commitments for financing of the development of the BTC pipeline. At June 30, 2005 these guarantee commitments amount to USD 110 million (NOK 0.7 billion), and 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 Consolidated Balance Sheets related to these guarantee commitments.

Statoil Detaljhandel has issued guarantees amounting to a total of SEK 0.9 billion (NOK 0.8 billion), the main part of which relates to guarantee commitments to retailers. The liability recognized under FIN 45 in the Consolidated Balance Sheets related to these guarantee commitments is immaterial at period-end.

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

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

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

The Ministry of Energy and Petroleum in Venezuela is challenging the production level and the royalty rates of the Sincor joint venture. The partners in Sincor are jointly evaluating actions to be taken. The exposure, if any, cannot be determined at this time.

8. EMPLOYEE RETIREMENT PLANS

(in NOK million)	For the three months ended June 30,		For the six months ended June 30,		For the year ended December 31,
	2005	2004	2005	2004	2004
Benefit earned during the period	266	272	530	523	1,062
Interest cost on prior periods' benefit obligation	254	243	509	477	938
Expected return on plan assets	(286)	(250)	(572)	(470)	(902)
Amortization of loss	10	49	22	92	175
Amortization of prior service cost	10	9	20	18	34
Net periodic benefit cost (defined benefit plans)	254	323	509	640	1,307
Defined contribution plans	14	8	23	16	34
Total net pension cost for the period	268	331	532	656	1,341

9. SUBSEQUENT EVENTS AND SIGNIFICANT BUSINESS DEVELOPMENT TRANSACTIONS

On April 27, 2005 Statoil entered into an agreement to acquire assets from EnCana Corporation's Gulf of Mexico subsidiary amounting to USD 2.0 billion plus the balance of costs incurred between effective date January 1, 2005 and closing date. The acquisition includes working interests in six discoveries, including a 25 per cent interest in the Tahiti discovery currently in the early development stage, and an average 40 per cent working interest in 239 gross blocks covering approximately 1.4 million acres (5,665 square km). The closing of the transaction took place May 26, 2005. The investment is recognised in the segment International Exploration and Production.

In June 2005 Statoil agreed to sell its 50 per cent holding in Borealis A/S to IOB Holding A/S, a company jointly owned by International Petroleum Investment Company, UAE and OMV Aktiengesellschaft, Austria. Borealis' activity consist primarily of production of olefins and polyolefins as feedstock for plastic products. Including a dividend of EUR 80 million, the sales price amounts to EUR 1 billion. Statoil's book value of the investment in Borealis is NOK 6.2 billion as per June 30, 2005. Gain on the sale is dependent on net profit from July 1, 2005 to closing, and the EUR/NOK exchange rate. Subject to approval from the EU commission and competition authorities in relevant countries outside EU, the transaction is expected to be closed in the second half of 2005. The gain will be recorded in the Manufacturing and Marketing segment.

10. RECONCILIATION BETWEEN USGAAP AND NGAAP

(in NOK million)	For the three months ended June 30,		For the six months ended June 30,		For the year ended December 31,
	2005	2004	2005	2004	2004
Net income for the period per USGAAP	6,750	4,355	13,523	9,055	24,916
a) Inventory adjustment, from LIFO to FIFO, before tax	548	213	994	471	556
b) Other adjustments, before tax	234	(144)	(23)	(42)	(844)
c) Tax impact of the above adjustments, and other tax adjustments	(173)	6	(256)	(108)	118
Net income for the period per NGAAP	7,359	4,430	14,238	9,376	24,746

(in NOK million)	2005	At June 30, 2004	At December 31, 2004
	Shareholders' equity per USGAAP	87,592	73,847
Minority interests per USGAAP	1,558	1,480	1,616
a) Inventory adjustment, from LIFO to FIFO, before tax	2,284	1,205	1,290
b) Other adjustments, before tax	(409)	410	(395)
c) Tax impact of the above adjustments, and other tax adjustments	(640)	(604)	(375)
d) Other comprehensive income: Deferred changes in minimum pension obligations and derivatives (after tax)	320	315	225
e) Accrued dividends payable	0	0	(11,481)
Shareholders' equity per NGAAP	90,705	76,653	75,910

a) Per NGAAP the inventories are valued using the FIFO principle. Under USGAAP the inventory is partly valued using LIFO.

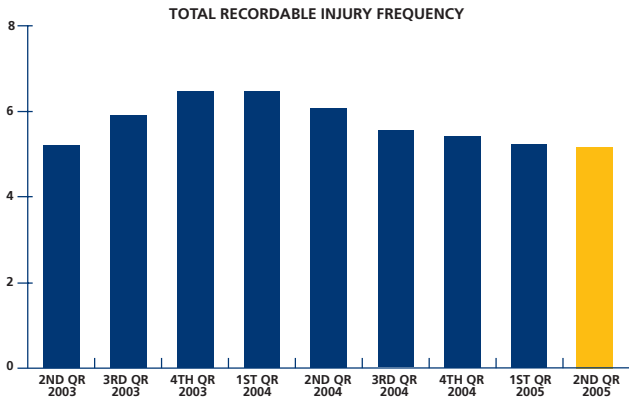
b) Other adjustments is mainly unrealized gains on non-exchange traded (OTC) derivatives.

c) Changes in deferred tax expense and deferred tax liability primarily consist of taxes on the above adjustments.

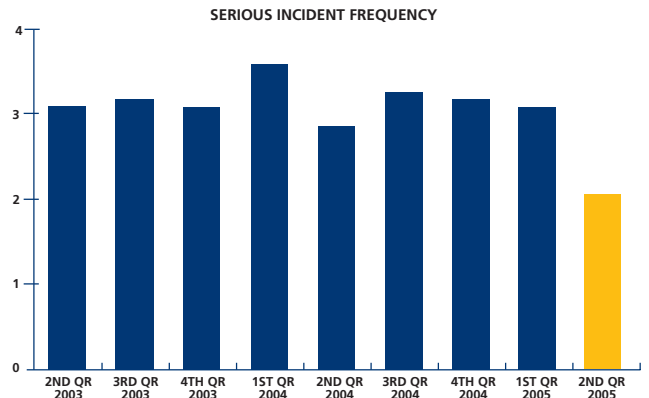
d) Other comprehensive income includes certain gains and losses related to pensions and unrealized derivative hedge positions which have been deferred and reflected directly in equity under USGAAP.

e) Per NGAAP dividends relating to current year's net income is reflected as a liability as of year-end. Under USGAAP dividends are not accrued until approved by the shareholders.

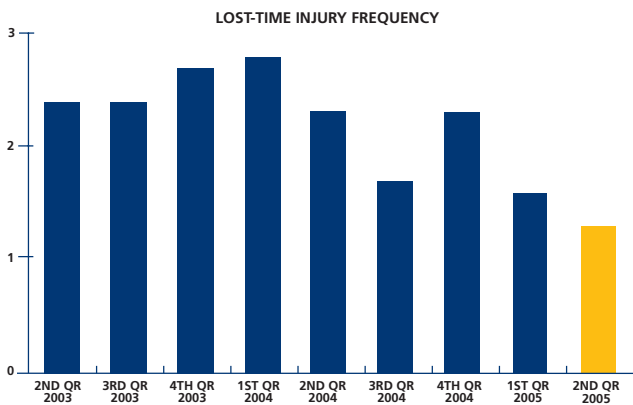
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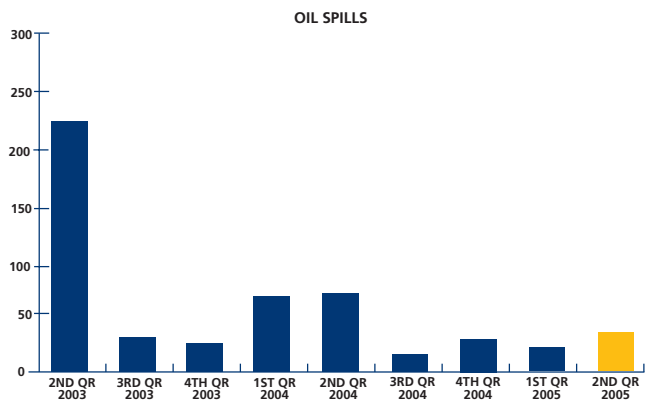
The total recordable injury frequency specifies the number of injuries (lost-time injuries, injuries requiring alternative work and other injuries excluding first-aid cases) per million working hours. Statoil and contractor employees are included.



The serious incident frequency specifies the number of incidents with a very serious nature per million working hours. Statoil and contractor employees are included.



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 market operations.