

Financial statements

3rd quarter 2004

CONSOLIDATED STATEMENTS OF INCOME USGAAP

(in NOK million)	For the three months ended September 30,		For the nine months ended September 30,		For the year ended
	2004 (unaudited)	2003 (unaudited)	2004 (unaudited)	2003 (unaudited)	December 31, 2003 (note 1)
REVENUES					
Sales	82,056	62,444	219,097	183,567	248,527
Equity in net income of affiliates	204	193	708	321	616
Other income	671	17	1,461	95	232
Total revenues	82,931	62,654	221,266	183,983	249,375
EXPENSES					
Cost of goods sold	(54,128)	(38,779)	(137,740)	(110,797)	(149,645)
Operating expenses	(6,291)	(5,995)	(19,878)	(19,320)	(26,651)
Selling, general and administrative expenses	(1,678)	(1,264)	(3,763)	(4,602)	(5,517)
Depreciation, depletion and amortization	(4,224)	(3,856)	(12,285)	(11,457)	(16,276)
Exploration expenses	(519)	(592)	(1,239)	(1,543)	(2,370)
Total expenses before financial items	(66,840)	(50,486)	(174,905)	(147,719)	(200,459)
Income before financial items, other items, income taxes and minority interest	16,091	12,168	46,361	36,264	48,916
Net financial items	1,685	844	526	55	1,399
Other items	0	0	0	(6,025)	(6,025)
Income before income taxes and minority interest	17,776	13,012	46,887	30,294	44,290
Income taxes	(11,830)	(8,662)	(31,722)	(17,781)	(27,447)
Minority interest	(128)	(71)	(292)	(245)	(289)
Net income	5,818	4,279	14,873	12,268	16,554
Net income per ordinary share	2.69	1.98	6.87	5.66	7.64
Weighted average number of ordinary shares outstanding	2,166,143,715	2,166,143,715	2,166,143,715	2,166,143,685	2,166,143,693

See notes to the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS USGAAP

(in NOK million)	At September 30, 2004 (unaudited)	2003 (unaudited)	At December 31, 2003 (note 1)
ASSETS			
Cash and cash equivalents	18,338	22,767	7,316
Short-term investments	4,707	3,963	9,314
Cash, cash equivalents and short-term investments	23,045	26,730	16,630
Accounts receivable	30,620	23,981	28,048
Accounts receivable - related parties	72	2,608	2,144
Inventories	6,811	4,425	4,993
Prepaid expenses and other current assets	8,271	7,136	7,354
Total current assets	68,819	64,880	59,169
Investments in affiliates	11,091	10,837	11,022
Long-term receivables	8,524	6,725	14,261
Net property, plant and equipment	152,197	125,876	126,528
Other assets	11,968	9,753	10,620
TOTAL ASSETS	252,599	218,071	221,600
LIABILITIES AND SHAREHOLDERS' EQUITY			
Short-term debt	6,673	1,375	4,287
Accounts payable	18,995	15,658	17,977
Accounts payable - related parties	8,071	5,286	6,114
Accrued liabilities	11,730	10,322	11,454
Income taxes payable	30,809	24,794	17,676
Total current liabilities	76,278	57,435	57,508
Long-term debt	34,030	36,186	32,991
Deferred income taxes	39,496	37,330	37,849
Other liabilities	23,006	19,255	21,595
Total liabilities	172,810	150,206	149,943
Minority interest	1,436	1,510	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	36,110	23,341	27,627
Accumulated other comprehensive income (loss)	(900)	(129)	(596)
Total shareholders' equity	78,353	66,355	70,174
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	252,599	218,071	221,600

See notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS USGAAP

(in NOK million)	For the nine months ended September 30, 2004 (unaudited)	2003 (unaudited)	For the year ended December 31, 2003 (note 1)
OPERATING ACTIVITIES			
Consolidated net income	14,873	12,268	16,554
<u>Adjustments to reconcile net income to net cash flows provided by operating activities:</u>			
Minority interest in income	292	245	289
Depreciation, depletion and amortization	12,285	11,457	16,276
Exploration expenditures written off	68	255	256
(Gains) losses on foreign currency transactions	596	2,190	781
Deferred taxes	277	(6,908)	(6,177)
(Gains) losses on sales of assets and other items	(1,220)	5,964	5,719
<u>Changes in working capital (other than cash and cash equivalents):</u>			
• (Increase) decrease in inventories	(1,485)	917	349
• (Increase) decrease in accounts receivable	(105)	5,657	2,054
• (Increase) decrease in prepaid expenses and other current assets	(1,597)	3	(1,511)
• (Increase) decrease in short-term investments	4,607	1,304	(4,047)
• Increase (decrease) in accounts payable	2,232	(4,096)	(949)
• Increase (decrease) in other payables	400	(884)	2,436
• Increase (decrease) in taxes payable	13,079	6,436	(682)
(Increase) decrease in non-current items related to operating activities	65	(219)	(551)
Cash flows provided by operating activities	44,367	34,589	30,797
INVESTING ACTIVITIES			
Additions to property, plant and equipment	(24,642)	(16,203)	(22,075)
Exploration expenditures capitalized	(516)	(434)	(331)
Change in long-term loans granted and other long-term items	(3,151)	(813)	(7,682)
Proceeds from sale of assets	1,266	6,627	6,890
Cash flows used in investing activities	(27,043)	(10,823)	(23,198)
FINANCING ACTIVITIES			
New long-term borrowings	4,599	3,383	3,206
Repayment of long-term borrowings	(3,914)	(2,940)	(2,774)
Distribution to minority shareholders	(340)	(298)	(356)
Dividends paid	(6,390)	(6,282)	(6,282)
Net short-term borrowings, bank overdrafts and other	(237)	(2,264)	(1,656)
Cash flows used in financing activities	(6,282)	(8,401)	(7,862)
Net increase (decrease) in cash and cash equivalents	11,042	15,365	(263)
Effect of exchange rate fluctuations on cash and cash equivalents	(20)	700	877
Cash and cash equivalents at the beginning of the period	7,316	6,702	6,702
Cash and cash equivalents at the end of the period	18,338	22,767	7,316

Changes in working capital items resulting from the disposal of the subsidiary Navion in the second quarter of 2003 are excluded from Cash flows provided by operating activities and classified as Proceeds from sale of assets. 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 flow 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. 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 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 certain natural gas activities were transferred to the Natural Gas segment from the International Exploration and Production and the Exploration and Production Norway segments. 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 15 months and cash flows related to interest payments over a period not exceeding four months. Hedge ineffectiveness related to Statoil's outstanding cash flow hedges was NOK 109 million and recorded to earnings during the quarter ended September 30, 2004. The net change in Accumulated other comprehensive income associated with the current period hedging transactions was NOK 115 million after tax. The net amount reclassified into earnings during the quarter was NOK 160 million after tax. At September 30, 2004, the net deferred hedging loss in Accumulated other comprehensive income related to cash flow hedges was NOK 178 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 September 30, 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 September 30, 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 certain activities from International Exploration and Production. The activities consist of gas sale activities in some foreign countries, construction of a pipeline for transportation of natural gas from Azerbaijan to Turkey and sale of Statoil's natural gas processed at the Cove Point terminal in the 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 was transferred to Gassled, and the operatorship taken over by Gassco. The transfer does not lead to significant changes in Statoil's existing rights, obligations or book values of the Kollsnes assets. Assets related to Kollsnes were transferred from Exploration and Production Norway to Natural Gas at 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 and the nine months ended September 30, 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
Three months ended September 30, 2004						
Revenues third party	372	951	6,595	74,410	399	82,727
Revenues inter-segment	17,791	2,004	91	(150)	(19,736)	0
Income (loss) from equity investments	23	0	46	149	(14)	204
Total revenues	18,186	2,955	6,732	74,409	(19,351)	82,931
Income before financial items, other items, income taxes and minority interest	12,552	1,517	939	995	88	16,091
Segment income taxes	(9,353)	(466)	(625)	(235)	0	(10,679)
Segment net income	3,199	1,051	314	760	88	5,412
Three months ended September 30, 2003						
Revenues third party	334	645	5,344	55,842	296	62,461
Revenues inter-segment	14,950	825	99	18	(15,892)	0
Income (loss) from equity investments	43	0	43	113	(6)	193
Total revenues	15,327	1,470	5,486	55,973	(15,602)	62,654
Income before financial items, other items, income taxes and minority interest	9,580	474	1,339	826	(51)	12,168
Segment income taxes	(7,085)	(235)	(962)	(119)	35	(8,366)
Segment net income	2,495	239	377	707	(16)	3,802
Nine months ended September 30, 2004						
Revenues third party	984	2,387	22,653	193,435	1,099	220,558
Revenues inter-segment	51,407	4,578	238	42	(56,265)	0
Income (loss) from equity investments	54	0	157	544	(47)	708
Total revenues	52,445	6,965	23,048	194,021	(55,213)	221,266
Income before financial items, other items, income taxes and minority interest	35,825	3,137	5,037	2,487	(125)	46,361
Segment income taxes	(26,647)	(979)	(3,245)	(534)	0	(31,405)
Segment net income	9,178	2,158	1,792	1,953	(125)	14,956
Nine months ended September 30, 2003						
Revenues third party	1,264	1,492	17,115	162,842	949	183,662
Revenues inter-segment	44,302	3,088	320	94	(47,804)	0
Income (loss) from equity investments	15	0	155	155	(4)	321
Total revenues	45,581	4,580	17,590	163,091	(46,859)	183,983
Income before financial items, other items, income taxes and minority interest	27,681	1,469	4,312	2,957	(155)	36,264
Segment income taxes	(20,611)	(538)	(3,047)	(596)	34	(24,758)
Segment net income	7,070	931	1,265	2,361	(121)	11,506

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 September 30,		For the nine months ended September 30,	
	2004	2003	2004	2003
Segment net income	5,412	3,802	14,956	11,506
Net financial items	1,685	844	526	55
Other items (see note 1)	0	0	0	(6,025)
Change in deferred tax due to new legislation (see note 1)	0	0	0	6,712
Tax on financial items and other tax adjustments	(1,151)	(296)	(317)	265
Minority interest	(128)	(71)	(292)	(245)
Net income	5,818	4,279	14,873	12,268
Segment income taxes	10,679	8,366	31,405	24,758
Change in deferred tax due to new legislation (see note 1)	0	0	0	(6,712)
Tax on financial items and other tax adjustments	1,151	296	317	(265)
Income taxes	11,830	8,662	31,722	17,781

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 September 30,		At December 31,
	2004	2003	2003
Crude oil	3,816	1,782	2,192
Petroleum products	3,761	2,378	2,470
Other	1,088	970	1,065
Total - inventories valued on a FIFO basis	8,665	5,130	5,727
Excess of current cost over LIFO value	(1,854)	(705)	(734)
Total	6,811	4,425	4,993

5. SHAREHOLDERS' EQUITY

For the period ended September 30, 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	14,873
Dividends paid	(6,390)
Foreign currency translation adjustment	(150)
Derivatives designated as cash flow hedges	(154)
Shareholders' equity September 30, 2004	78,353

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

(in NOK million)	For the three months ended September 30,		For the nine months ended September 30,	
	2004	2003	2004	2003
Net income	5,818	4,279	14,873	12,268
Foreign currency translation adjustment	(1,356)	(812)	(150)	3,265
Derivatives designated as cash flow hedges	44	1	(154)	87
Comprehensive income	4,506	3,468	14,569	15,620

6. FINANCIAL ITEMS

(in NOK million)	For the three months ended September 30,		For the nine months ended September 30,	
	2004	2003	2004	2003
Interest and other financial income	320	263	847	1,045
Currency exchange adjustments, net	1,528	764	(59)	(906)
Interest and other financial expenses	(184)	(222)	(471)	(793)
Realized and unrealized gain (loss) on securities, net	21	39	209	709
Net financial items	1,685	844	526	55

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 September 30,		For the nine months ended September 30,		For the year ended December 31,
	2004	2003	2004	2003	2003
Provision at the beginning of the period	810	1,660	1,360	960	960
Increase (decrease) during the period	0	(73)	(380)	658	454
Cost incurred during the period	(70)	(27)	(240)	(58)	(54)
Provision at the end of the period	740	1,560	740	1,560	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 Consolidated Balance Sheets 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 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 been carrying out inquiries into the matter. In April 2004 the Iranian Consultative Assembly initiated an official probe into allegations of corruption in connection with the Horton matter with Iran. The probe was finalized for the parliamentary session at the end of May. 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.

9. EMPLOYEE RETIREMENT PLANS

Pension cost for the period (1):

(in NOK million)	For the three months ended September 30, 2004	For the nine months ended September 30, 2004
Benefit earned during the period, net of participants' contribution	253	776
Interest cost on prior periods' benefit obligation	242	719
Expected return on plan assets	(236)	(706)
Amortization of loss	46	138
Amortization of prior service cost	9	27
Net periodic benefit cost (defined benefit plans)	314	954
Defined contribution plans	11	27
Total net pension cost for the period (2)	325	981

(1) Based on estimates from actuary reports at May 21, 2004 and December 31, 2003.

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

See note 17 to the Consolidated Financial Statements at December 31, 2003.

10. SUBSEQUENT EVENTS AND SIGNIFICANT BUSINESS DEVELOPMENT TRANSACTIONS

Statoil and BP signed an agreement in June 2003 whereby Statoil acquired 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. The Council of Ministers recently approved the amendments to the two projects' co-operation agreements implementing Statoil as a participant in the projects. The two projects have been transferred from Long-term receivables to Property, plant and equipment in the Consolidated Balance Sheets as of June 30, 2004.

In January 2004 Statoil acquired 11.24 per cent of the Snøhvit Field, of which 10 per cent from Norsk Hydro and 1.24 per cent from Svenska Petroleum. Following these transactions, Statoil has an ownership share of 33.53 per cent in the Snøhvit Field.

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 Statements of Income.

Statoil has in June 2004 signed an agreement with the US-based energy company Dominion regarding additional capacity at the Cove Point liquefied natural gas (LNG) terminal in the USA. The agreement involves annual terminal capacity for approximately 7.7 billion cubic metres of gas for a 20-year period with planned start-up in 2008, and is subject to approval from US authorities.

Statoil has acquired the retailer group ICA's 50 per cent holding in Statoil Detaljhandel Skandinavia AS (SDS), and now owns 100 per cent of SDS. Following approval under the EU merger control regulations on July 1, the transaction was completed on July 8, 2004. Based on Statoil's ownership share, SDS has been accounted for in accordance with the equity method up to and including the second quarter of 2004. SDS is consolidated as a subsidiary from the third quarter 2004.

In October 2004 Statoil sold its 50 per cent interest in the joint venture "Partrederiet West Navigator DA", which owns the deepwater drill ship West Navigator, to Smedvig. The agreed purchase price is USD 175 million for the vessel adjusted for Statoil's share of cash flow from the operation of the vessel from May 1, 2004. The sale will be completed in the fourth quarter of 2004, and the effect on Net Income will be immaterial.