At 31 December 2009		Norway	Eurasia excluding Norway	Africa	America	Total
Number of wells in progress						
Developement Wells	— gross	35	7	11	111	164
	— net	15.3	1.0	2.6	58.6	77.5
Exploratory Wells	— gross	4	-	1	6	11
	— net	1.8	-	0.1	2.1	4.0

Top

3.9.2 Report of DeGolyer and MacNaughton

Statiol's estimates of proved reserves are not materially different from those prepared by independent petroleum engineering consultants.

DeGolyer and MacNaughton, petroleum engineering consultants, have performed an independent evaluation of Statoil's proved reserves as of 31 December 2009. The evaluation accounts for 100 % of Statoil's proved reserves. The aggregated net proved reserves estimates prepared by DeGolyer and MacNaugthon do not differ materially from those prepared by Statoil when compared on the basis of net equivalent barrels.

Net proved reserves at 31 December 2009	Oil, Condensate and LPG (mmbbl)	Sales Gas (bcf)	Oil Equivalent (mmboe)
Estimated by Statoil	2,174	18,148	5,408
Estimated by DeGolyer and MacNaughton	2,284	18,274	5,540

A reserves report summarising this evaluation is included as Exhibit 15(a)(iii).

Top

3.10 Regulation

The principal Norwegian legislation governing our petroleum activities in Norway consists of the Norwegian Petroleum Act and the Norwegian Petroleum Taxation Act.

The principal Norwegian legislation governing our petroleum activities in Norway and on the NCS is currently the Norwegian Petroleum Act of 29 November 1996 (the "Petroleum Act"), and the regulations issued thereunder, as well as the Norwegian Petroleum Taxation Act of 13 June 1975 (the "Petroleum Taxation Act"). The Petroleum Act states the principle that the Norwegian state is the owner of all subsea petroleum on the NCS, that exclusive right to resource management is vested in the Norwegian state and that the Norwegian state alone is authorised to award licences for petroleum activities. We are dependent on the Norwegian state for approval of our NCS exploration and development projects and our applications for production rates for individual fields.

Under the Petroleum Act, the Norwegian Ministry of Petroleum and Energy is responsible for resource management and for administering petroleum activities on the NCS. The main task of the Ministry of Petroleum and Energy is to ensure that petroleum activities are conducted in accordance with the applicable legislation, the policies adopted by the Norwegian parliament, the Storting, and relevant decisions of the Norwegian State. The Ministry of Petroleum and Energy primarily implements petroleum policy through its power to administer the award of licences and approve operators' field and pipeline development plans, as well as petroleum transport and gas sales contracts. Only those plans that conform to the policies and regulations adopted by the Storting are approved. As set out in the Petroleum Act, if a plan involves an important principle or will have a significant economic or social impact, it must also be submitted to the Storting for acceptance before being approved by the Ministry of Petroleum and Energy.

We are not required to submit any decisions relating to our operations to the Storting. However, the Storting's role with respect to major policy issues in the petroleum sector may affect us in two ways: firstly, when the Norwegian State acts in its capacity as majority owner of our shares and, secondly, when the Norwegian State acts in its capacity as regulator:

- The Norwegian State held 67% of our ordinary shares as of 12 March 2010. The Norwegian State's shareholding in Statoil is managed by the Ministry of Petroleum and Energy. The Ministry of Petroleum and Energy will normally decide how the Norwegian State will vote on proposals submitted to general meetings of the shareholders. However, in certain exceptional cases, it may be necessary for the Norwegian State to seek approval from the Storting before voting on a certain proposal. This will normally be the case if we issue additional shares and such issuance would significantly dilute the Norwegian State's holding, or if such issuance would require a capital contribution from the Norwegian State in excess of government mandates. It is not possible to predict what stance the Norwegian Storting will take on a proposal for issuance of additional shares that would either significantly dilute its holding of Statoil shares or require a capital contribution from it in excess of governmental mandates. A decision by the Norwegian State against our proposal to issue additional shares would prevent us from raising additional capital in this manner and could adversely affect our ability to pursue business opportunities and to further develop the company.
- The Norwegian State exercises important regulatory powers over us, as well as over other companies and corporations. As part of our business, we, or the partnerships to which we are a party, frequently need to apply for licences and other approval of various kinds from the Norwegian State. In respect of certain important applications, such as the approval of major plans for operation and development of fields, the Ministry of Petroleum and Energy must obtain the consent of the Storting before it can approve our or the relevant partnership's application. This may take additional time and affect the content of the decision. Although Statoil is majority-owned by the Norwegian State, it does not receive preferential treatment with respect to licences granted by or under any other regulatory rules enforced by the Norwegian State.

Although Norway is not a member of the European Union, or EU, it is a member of the European Free Trade Association (EFTA). The EU and its member states have entered into the Agreement on the European Economic Area, referred to as the EEA Agreement, with the members of EFTA (except Switzerland).

The EEA Agreement makes certain provisions of EU law binding between the states of the EU and the EFTA states, and also between the EFTA states themselves. An increasing volume of regulation affecting us is adopted within the EU and then applied to Norway under the EEA Agreement. As a Norwegian company operating both within EFTA and the EU, our business activities are regulated by both EEA law and EU law to the extent that EU law has been incorporated into EEA law under the EEA Agreement.

Top

3.10.1 The Norwegian licensing system

Production licences are the most important type of licence awarded under the Petroleum Act, and the Ministry of Petroleum and Energy holds executive discretionary power to award a production licence and to decide the terms of that licence.

In 2009, we participated in 222 production licences on the NCS. As a participant in licences, we are subject to the regulations of the Norwegian licensing system.

Production licences are the most important type of licence awarded under the Petroleum Act, and the Ministry of Petroleum and Energy holds executive discretionary power to award a production licence and to decide the terms of that licence. The Government is not entitled to award us a licence in an area until the Storting has decided to open the area in question for exploration. The terms of our production licences are decided by the Ministry of Petroleum and Energy.

A production licence grants the holder an exclusive right to explore for and produce petroleum within a specified geographical area. The licensees become the owners of the petroleum produced from the field covered by the licence. Notwithstanding the exclusive rights granted under a production licence, the Ministry of Petroleum and Energy has the power, in exceptional cases, to permit third parties to carry out exploration in the area covered by a production licence. For a list of our shares in production licences, see report section 3.1.4 Operational review - E&P Norway - Production on the NCS.

Production licences are normally awarded through licensing rounds. The first licensing round for NCS production licences was announced in 1965. The award of the first licences covered areas in the North Sea. Over the years, the awarding of licences has moved northward and covers areas in both the Norwegian Sea and the Barents Sea. In recent years, the principal licensing rounds have mainly included licences in the Norwegian Sea. Beginning in 2003, the Norwegian government changed its policy on mature areas and introduced a scheme for awarding production licences called "Award in Predefined Areas" (APA) in mature parts of the Norwegian continental shelf. The awarding of licences in the predefined areas has taken place every year since 2003. In a report to the Storting, the Ministry of Petroleum and Energy has announced that this policy will continue.

The Norwegian State accepts licence applications from individual companies and group applications. This allows us to choose our exploration and development partners.

Production licences are awarded to joint ventures. As is the case for most fields on the NCS, our production activities are conducted through joint venture arrangements with other companies and in some cases with the Norwegian State through its wholly-owned company Petoro. The members of the joint venture are jointly and severally responsible to the Norwegian State for obligations arising from petroleum operations carried out under the licence. Once a production licence is awarded, the licensees are required to enter into a joint operating agreement and an accounting agreement that regulate the relationship between the partners. The Ministry of Petroleum and Energy decides the form of the joint operating agreements and accounting agreements.

The governing body of the joint venture is the management committee. Each member is entitled to one seat on the management committee. The management committee's tasks are set out in the joint operating agreement and include setting guidelines for the operator of the field, exercising control over the activities of the operator, and making decisions on the activities of the joint venture. Votes in the management committee are counted by a combination of the number of members in the joint venture and their ownership interests. The number of votes required to make a decision varies from licence to licence, but a decision is normally reached when a certain number of the members and a percentage of the ownership interests, specified individually in each licence, have voted in favour of a proposal. The voting rules are structured so that a licensee holding more than 50% of a licence normally cannot vote through a proposal on its own, but will need the support of one or more of the other licensees. In licences awarded since 1996 where the SDFI holds an interest, the Norwegian State, acting through the SDFI management company, may veto decisions made by the joint venture management committee, which, in the opinion of the Norwegian State, would not be in compliance with the obligations of the licence with respect to the Norwegian State's exploitation policies or financial interests. This veto power has never been used.

Under the joint operating agreements covering licences awarded prior to 1996, the management company that supervises the Norwegian State's SDFI interest, Petoro AS, has the power, with certain exceptions, to make decisions unilaterally in matters that are assumed to be of a political nature or matters of principle, or which may have significant social or socio-economic consequences, if Petoro AS is acting under the direction of its shareholder. Prior to the establishment of the SDFI management company, Statoil held this right, which was exercised three times, most recently in 1988. In autumn 2002, the Storting began to allow individual licence groups to substitute this special voting rule for the SDFI with a veto rule similar to the veto rules that have applied to licences awarded since 1996. Such substitution is subject to the approval of the Ministry of Petroleum and Energy.

The day-to-day management of a field is the responsibility of an operator appointed by the Ministry of Petroleum and Energy. In 2009, we were the operator for 42 of our 48 production licences. The operator is in practice always a member of the joint venture holding the production licence, although this is not legally required. The terms of engagement of the operator are set out in the joint operating agreement. Under the joint operating agreement, an operator can normally terminate its engagement at six months' notice. However, with the consent of the Ministry of Petroleum and Energy, the management committee may instruct the operator to continue to perform its duties until a new operator has been appointed. The management committee can terminate the operator's engagement at six months' notice on an affirmative vote by all members of the management committee other than the operator. A change of operator requires the consent of the Ministry of Petroleum and Energy. In special cases, the Ministry of Petroleum and Energy can order a change of operator.

Licensees are required to submit a plan for development and operation, or PDO, to the Ministry of Petroleum and Energy for approval. In respect of fields of a certain size, the Storting has to accept the PDO before it is formally approved by the Ministry of Petroleum and Energy. Until the PDO has been approved by the Ministry of Petroleum and Energy, the licensees cannot, without the prior consent of the Ministry of Petroleum and Energy, undertake material contractual obligations or commence construction work.

Production licences are normally awarded for an initial exploration period, which is typically six years, but can either be for a shorter period or for a maximum period of ten years. During this exploration period, the licensees must meet a specified work obligation set out in the licence. The work obligation will typically include seismic surveying and/or exploration drilling. If the licensees fulfil the obligations set out in the production licence, they are entitled to require that the licence be prolonged for a period specified at the time when the licence is awarded, typically 30 years. As a rule, the right to prolong the licence does not apply to the whole of the geographical area covered by the initial licence, but only to a percentage, typically 50%. The size of the area that must be relinquished is determined at the time the licence is awarded. In special cases, the Ministry of Petroleum and Energy may extend the duration of a production licence.

If natural resources other than petroleum are discovered in the area covered by a production licence, the Norwegian State may decide to delay petroleum production in the area. If such a delay is imposed, the licensees are, with certain exceptions, entitled to a corresponding extension of the licence period. To date, such a delay has never been imposed.

If important public interests are at stake, the Norwegian State may direct us and other licensees on the NCS to reduce the production of petroleum. From 15 July 1987 until the end of 1989, licensees were directed to curtail oil production by 7.5%. Between 1 January 1990 and 30 June 1990, licensees were directed to curtail oil production by 5%. In 1998, the Norwegian State resolved to reduce Norwegian oil production by about 3%, or 100 mbbl per day. In March 1999, the Norwegian State decided to further increase the reduction to 200 mbbl per day. In the second quarter of 2000, the reduction was again set to 100 mbbl per day. On 1 July 2000, this restriction was removed. By a Royal Decree of 19 December 2001, the Norwegian government decided that Norwegian oil production would be reduced by 150 mbbl per day from 1 January 2002 until 30 June 2002. This amounted to a reduction in output of approximately 5%.

Licensees may buy or sell interests in production licences subject to the consent of the Ministry of Petroleum and Energy and the approval of the Ministry of Finance of a corresponding tax treatment position. The Ministry of Petroleum and Energy must also approve indirect transfers of interests in a licence, including changes in the ownership of a licensee, if they result in a third party obtaining a decisive influence over the licensee. In most licences there are no pre-emption rights in favour of the other licensees. However, the SDFI, or the Norwegian State, as appropriate, still holds pre-emption rights in all licences. Except from one minor transaction which is still pending approval, all of our licencing transactions entered into in 2009 were approved by the Ministry of Petroleum and Energy and Ministry of Finance.

A licence from the Ministry of Petroleum and Energy is also required in order to establish facilities for the transport and utilisation of petroleum. When applying for such licences, the owners, which are in practice licensees under a production licence, must prepare a plan for installation and operation. Licences for the establishment of facilities for transport and utilisation of petroleum will normally be awarded subject to certain conditions. Typically, these conditions require the facility owners to enter into a participants' agreement. The ownership of most facilities for transport and utilisation of petroleum in Norway and on the NCS are organised as joint ventures of a group of licence holders, and the participants' agreements are similar to the joint operating agreements entered into by the members of joint ventures holding production licences. All of our applications for facility licences submitted in 2009 have been granted by the Ministry of Petroleum and Energy.

Licensees are required to prepare a decommissioning plan before a production licence or a licence to establish and use facilities for the transportation and utilisation of petroleum expires or is relinquished, or the use of a facility ceases. The decommissioning plan must be submitted to the Ministry of Petroleum and Energy no sooner than five and no later than two years prior to the expiry of the licence or the cessation of the use of the facility, and it must include a proposal for the disposal of facilities on the field. On the basis of the decommissioning plan, the Ministry of Petroleum and Energy makes a decision as to the disposal of the facilities.

The Norwegian State is entitled to take over the fixed facilities of the licensees when a production licence expires, is relinquished or revoked. In respect of facilities on the NCS, the Norwegian State decides whether any compensation will be payable for facilities thus taken over. If the Norwegian State should choose to take over onshore facilities, the ordinary rules of compensation in connection with the expropriation of private property apply. None of our production licences expired in 2009 and none are due to expire in 2010.

Licences for the establishment of facilities for transport and utilisation of petroleum typically include a clause whereby the Norwegian State can require that the facilities be transferred to it free of charge on expiry of the licence period.

Top

3.10.2 Gas sales and transportation

We market gas from the Norwegian continental shelf on our own and the Norwegian state's behalf. Gas is transported through the Gassled pipeline network to customers in Europe.

Gas sales contracts with buyers for the supply of Norwegian gas are concluded individually with each company.

The upstream gas transportation system consists of several pipelines owned by a joint venture called Gassled. We have a 32.102% direct ownership interest in Gassled (32.881% including our indirect interest through our 28.58% holding in Norsea Gas AS) and are responsible for technical operation of the majority of the gas export pipelines and onshore plants in the Gassled processing and transportation system. See section 3.3.3 Operational review-Natural Gas-Norway's gas transport system.

By Royal Decree of 20 December 2002, the Norwegian authorities issued regulations relating to access to and tariffs for capacity in the upstream gas transportation system. There are three main considerations behind the regulations. Firstly, together with the Act adopted by the Storting in June 2002, the regulations implement the Gas Directive of the European Union. Secondly, they established a system for access to the upstream gas transportation system that is compatible with company-based gas sales from the NCS. Thirdly, they provided for the new ownership structure of the upstream gas transportation system (Gassled).

Parts of the regulations have general application and parts - including the tariffs - are only applicable to the upstream gas transportation system owned by the Gassled joint venture. The regulations establish the main principles for access to the upstream gas transportation system. The access regime consists of a regulated primary market where, pursuant to the regulations, the right to book spare capacity is allocated to users with needs for the transport of natural gas. Furthermore, the access regime consists of a secondary market where capacity can be transferred between users after the allocation in the primary market if transportation needs change.

Capacity in the primary market is released and booked through Gassco AS on the internet. Spare capacity is released for pre-defined time periods at announced points in time and with specific time limits for reservations. If reservations exceed the spare capacity, the spare capacity will be allocated on the basis of an allocation formula. However, in the event of scarce capacity, consideration must first be given to the owners' duly substantiated needs for capacity, limited to twice the owner's equity interest in the upstream pipeline network.

Based on authorisation granted under the regulations, tariffs for the use of capacity in Gassled are decided by the Ministry of Petroleum and Energy. The ministry's policy for determining the tariffs is to avoid excessive returns on the capital invested in the transportation system, allowing the return on the Norwegian petroleum activity to be taken out on the fields instead of in the transportation systems. The tariffs are paid for booked capacity and not on the basis of the actually transported volume.

Top

3.10.3 The EU Gas Directive

The EU Gas Directive, which has been included in the EEA Agreement and incorporated into Norwegian legislation, regulates the European gas market in conjunction with the Gas Transmission Access Regulation of 2005.

Most of our gas is sold under long-term gas contracts to customers in the EU, a gas market that continues to be affected by changes in EU regulations and the implementation of such regulations in EU member states. Such regulation affects our ability to expand or even maintain our current market position, as quantities sold under our gas sales contracts may be subject to a material change in gas prices as a result of the regulations under the EU Gas Directive.

The Directive requires that, with effect from July 2007, all consumers in Europe should be able to choose their energy supplier. Fundamental changes to this directive were adopted by the European Union in July 2009 and will enter into force in EU in March 2011 (set out in EC Directive 2009/73), with specific focus on the separation of ownership of transmission assets from supply activities. The objective of these changes is to increase competition in national markets and integrate them into regional and, eventually, a single EU-wide market for natural gas. It is difficult to predict the effect liberalisation measures will have on the development of gas prices, but the main objective of the single gas market is to create greater choice and reduce prices for customers through increased competition.

Top

3.10.4 HSE regulation

Our petroleum operations in Norway are subject to extensive regulation with regard to health, safety and the environment, or HSE.

Under the Petroleum Act, which is administered by the Ministry of Petroleum and Energy, our petroleum operations must be conducted in compliance with a reasonable standard of care, taking into consideration the safety of employees, the environment and the economic values represented by installations and vessels. The Petroleum Act specifically requires that petroleum operations be carried out in such a manner that a high level of safety is maintained and developed in accordance with technological developments. Statoil established a system for monitoring the technical safety of its facilities and plants in 2001, and, as part of this system, it collects and interprets information from its operating activities and incorporates risk management into its operating activities.

We are required at all times to maintain a plan to deal with emergency situations in our petroleum operations. During an emergency, the Ministry of Labour, the Ministry of Fisheries and Coastal Affairs/the Norwegian Coastal Administration may decide that other parties should provide the necessary resources, or otherwise adopt measures to obtain the necessary resources, to deal with the emergency for the account of the licensees.

The Petroleum Safety Authority Norway (PSA) has regulatory responsibility for safety, emergency preparedness and the working environment for all petroleum-related activities. The PSA's area of responsibility includes supervision of safety, emergency preparedness and the working environment for both offshore and onshore facilities.

In our capacity as holder of licences under the Petroleum Act, we are subject to strict statutory liability in respect of losses or damage suffered as a result of pollution caused by spills or discharges of petroleum from petroleum facilities covered by any of our licences. This means that anyone who suffers damage or loss as a result of pollution caused by any of our NCS licence areas can claim compensation from us without needing to demonstrate that the damage is due to any fault on our part. If the pollution is caused by a force majeure event, a Norwegian court may reduce the level of damages to a level it considers reasonable.

Top

3.10.5 Taxation of Statoil

We are subject to ordinary Norwegian corporate income tax as well as to a special petroleum tax relating to our offshore activities. We are also subject to a special carbon dioxide emissions tax and a nitrogen oxide fee.

Under our production licences we are obliged to pay an area fee to the Norwegian State. Below is a summary of certain key aspects of the Norwegian tax rules that apply to our operations.

Corporate income tax
Our profits, both from offshore oil and natural gas activities and from onshore activities, are subject to Norwegian corporate income tax. The corporate income tax rate is currently 28%. Our profits are computed in accordance with ordinary Norwegian corporate income tax rules, subject to certain modifications that apply to companies engaged in petroleum operations. Gross revenue from oil production and the value of lifted stocks of oil are determined on the basis of norm prices. Norm prices are decided on a monthly basis by the Petroleum Price Board, a body whose members are appointed by the Ministry of Petroleum and Energy, and published quarterly. The Petroleum Taxation Act states that the norm prices shall correspond to the prices that could have been obtained in a sale of petroleum between independent parties in a free market. When adopting norm prices, the Petroleum Price Board takes a number of factors into consideration, including spot market prices and contract prices in the industry.

The maximum rate of depreciation of development costs related to offshore production installations and pipelines is 16.67% per year. Depreciation starts when the cost is incurred. Exploration costs may be deducted in the year in which they are incurred. Financial costs related to the offshore activity are calculated directly based on a formula set out in the Petroleum Tax Act. The financial costs deductible against the offshore tax regime are the total financial costs multiplied by 50% of tax values divided by average interest-bearing debt. All other financial costs and income are allocated to the onshore tax regime.

Any tax losses may be carried forward indefinitely against subsequent income earned. Fifty percent of losses relating to activity conducted onshore in Norway may be deducted from NCS income subject to the 28% tax rate. Losses on foreign activities may not be deducted against NCS income. Losses on offshore activities are fully deductible from onshore income.

By using group contributions between Norwegian companies in which we hold more than 90% of the shares and the votes, tax losses and taxable income can be offset to a great extent. Group distributions are not deductible from our offshore income.

Dividends received are subject to tax in Norway. The basis for taxation is 3% of the dividend amounts received, which is subject to the standard 28% income tax rate. Dividends from low-tax countries or portfolio investments outside the EEA will under certain circumstances be subject to the standard 28% income tax rate based on the full amounts received.

Capital gains from the realisation of shares are taxable. The basis for taxation is 3% of the gain, which is subject to the standard 28% income tax. Capital losses from the realisation of shares are not deductible. Exemptions apply to shares held in companies domiciled in low-tax countries or portfolio investments outside the EEA, where, under certain circumstances, capital gains will be subject to the standard 28% income tax rate and capital losses will be deductible.

Special petroleum tax
A special petroleum tax is levied on profits from petroleum production and pipeline transportation on the NCS. The special petroleum tax is currently levied at a rate of 50%. The special tax is applied to relevant income in addition to standard 28% income tax, resulting in a 78% marginal tax rate on income subject to petroleum tax. The basis for computing the special petroleum tax is the same as for income subject to ordinary corporate income tax, except that onshore losses are not deductible from the special petroleum tax, and a tax-free allowance, or uplift, is granted at a rate of 7.5% per year. The uplift is computed on the basis of the original capitalised cost of offshore production installations. The uplift may be deducted from taxable income for a period of four years, starting in the year in which the capital expenditure is incurred. Unused uplift may be carried forward indefinitely.

Abandonment costs
Abandonment costs incurred can be deducted as operating expenses. Provisions for future abandonment costs are not tax deductible.

Carbon dioxide emissions tax
A special carbon dioxide emissions tax applies to petroleum activities on the NCS. The tax is NOK 0.46 for 2009 and NOK 0.47 for 2010 per standard cubic metre of gas burned or directly released and per litre of oil burned. In addition, companies operating on the NCS have to buy allowances to cover the carbon dioxide emissions from the petroleum activities.

Nitrogen oxide emissions tax
With effect from 1 January 2007, the Norwegian government introduced a nitrogen oxide tax applicable to emissions of nitrogen oxide on the NCS. The fee is NOK 15.85 per kilogram of nitrogen oxide for 2009 and NOK 16.14 for 2010.

As an alternative to paying the nitrogen oxygen fee, companies can voluntarily agree to contribute to an industry nitrogen oxygen fund for the years 2008-2010. The contribution to the fund is NOK 11 per kilogram of nitrogen oxide emissions. We have entered into an agreement to contribute to the fund.

Area fee
After the expiry of the initial exploration period, the holders of production licences are required to pay an area fee. The amount of the area fee is set out in regulations issued under the Petroleum Act. In respect of most of the production licences, the initial annual area fee is currently NOK 30,000 per square kilometre. For the subsequent year the fee is increased to NOK 60,000 per square kilometre and thereafter the yearly fee is increased to NOK 120,000 per square kilometre. Production licences for which a plan for development and operation (PDO) has been submitted are, from the time of submission of the PDO and for as long as extraction from the deposit takes place, exempt from the obligation to pay the area fee for the area defining the deposits included in the PDO.

Taxation outside Norway
Statoil's international petroleum activities are subject to tax pursuant to local tax legislation. Fiscal regulation of our upstream operations is generally based on corporate income tax regimes and/or production sharing agreement (PSA) regimes. Royalties may be applicable in each regime.

Generally, income from Statoil's upstream production outside Norway is subject to tax at the higher of the Norwegian onshore rate (28%) or the prevailing tax rate in the countries in which it operates. Statoil is subject to excess (or "windfall") profit tax in some of the countries where it produces crude oil.

Production sharing agreements
Under a PSA, the host government typically retains the right to the hydrocarbons in place. Under a PSA, the contractor normally receives a share of the oil produced to recover its costs, and is also entitled to an agreed share of the oil as profit. The allocation of profit oil between the state and the contractors is typically increasingly based on a success factor, such as surpassing certain specified internal rates of return, production rates or accumulated production. Normally, the contractors carry the exploration costs and risk prior to a commercial discovery and are then entitled to recover those costs during the producing phase. Fiscal provisions in a PSA contract are to a large extent negotiable and are unique to each PSA. Parties to a PSA are generally insulated from legislative changes in a country's general tax laws.

Income tax regimes
Under an income tax/royalty regime, companies are granted licences by the government to extract petroleum, and the state may be entitled to royalties in addition to tax based on the company's net taxable income from production. In general, the fiscal terms surrounding these licences are not negotiable and the company is subject to legislative changes to the tax laws.

Top

3.10.6 The Norwegian state's participation

The Norwegian State's policy as a shareholder in Statoil has been and continues to be to ensure that petroleum activities create the highest possible value for the Norwegian State.

Initially, the Norwegian State's participation in petroleum operations was largely organised through us. In 1985, the Norwegian State established the State's Direct Financial Interest, or SDFI, through which the Norwegian State has direct participating interests in licences and petroleum facilities on the NCS. As a result, the Norwegian State holds interests in a number of licences and petroleum facilities in which we also hold interests.

As a result of changes in global markets and competitive conditions in the petroleum industry, the Norwegian State carried out a strategic review of its oil and gas policy in 2000. Based on the results of this strategic review, the Norwegian State prepared a plan to restructure its petroleum holdings on the NCS that was approved by the Storting on 26 April 2001. The key elements of the restructuring plan led to:

- the partial privatisation of Statoil
- restructuring of the Norwegian State's SDFI assets, including the sale of SDFI assets to us and to other oil and gas companies, and an exchange of interests in certain oil and gas infrastructure between the SDFI and us
- the establishment of procedures to ensure that, as long as the Norwegian State instructs us to do so, we will continue to market and sell the State's oil and gas, together with our oil and gas
- the transfer of responsibility for and management of the SDFI's assets from us to a new company called Petoro AS, which is wholly owned by the Norwegian State; and
- the transfer of operational responsibility for certain pipelines on the NCS from us to Gassco AS, which is wholly owned by the Norwegian State.

Top

3.10.7 Marketing and sale of SDFI oil and gas

Historically, we have marketed and sold the Norwegian State's oil and gas as part of our own production, and the Norwegian State has elected to continue this arrangement.

Accordingly, at an extraordinary general meeting held on 27 February 2001, the Norwegian State, as sole shareholder, revised our articles of association by adding a new article that requires us to continue to market and sell the Norwegian State's oil and gas together with our own oil and gas in accordance with an instruction established in shareholder resolutions in effect from time to time. At an extraordinary general meeting held on 25 May 2001, the Norwegian State, as sole shareholder, approved a resolution containing the instructions referred to in the new article. This resolution is referred to as the owner's instruction.

The Norwegian State has a coordinated ownership strategy aimed at maximising the aggregate value of its ownership interests in Statoil and the Norwegian State's oil and gas. This is reflected in the owner's instruction, which contains a general requirement that, in our activities on the NCS, we are required to take account of these ownership interests in decisions that may affect the execution of this marketing arrangement.

The owner's instruction sets forth specific terms for the marketing and sale of the Norwegian State's oil and gas. The principal provisions of the owner's instruction are set out below.

Objectives
The overall objective of the marketing arrangement is to obtain the highest possible total value for our oil and gas and the Norwegian State's oil and gas and to ensure an equitable distribution of the total value creation between the Norwegian State and us. In addition, the following considerations are important:

- to create the basis for long-term and predictable decisions concerning the marketing and sale of the Norwegian State's oil and gas;
- to ensure that results, including costs and revenues related to our oil and gas and the Norwegian State's oil and gas, are transparent and possible to measure; and
- to ensure efficient and simple administration and execution.

Our tasks
Our tasks under the owner's instruction are to market and sell the Norwegian State's oil and gas and to carry out all necessary tasks, other than those carried out jointly with other licensees under the production licence, relating to the marketing and sale of the Norwegian State's oil and gas, including, but not limited to, responsibility for processing, transport and marketing. In the event that the owner's instruction is terminated, in whole or in part, by the Norwegian State, the owner's instruction provides for a mechanism under which contracts for the marketing and sale of the Norwegian State's oil and gas to which we are a party may be assigned to the Norwegian State or its nominee. Alternatively, the Norwegian State may require that the contracts be continued in our name, but that, in the underlying relationship between the Norwegian State and us, the Norwegian State has all rights and obligations related to the Norwegian State's oil and gas.

Costs
The Norwegian State does not pay us a specific consideration for executing these tasks, but the Norwegian State reimburses us for its proportionate share of certain costs, which, under the owner's instruction, may be our actual costs or an amount specifically agreed.

Price mechanisms
For sales of the Norwegian State's natural gas, both to us and to third parties, the payment to the Norwegian State is based on either achieved prices, a net back formula or market value. We now purchase all of the Norwegian State's oil and NGL. Pricing of the crude oil is based on market reflective prices. NGL prices are based on either achieved prices, market value or market reflective prices.

Lifting mechanism
As part of the coordinated ownership strategy, a lifting mechanism for the Norwegian State's and our oil and gas is established in accordance with rules set out in the owner's instruction.

To ensure neutral weighting between the Norwegian State's and our own natural gas volumes, a list has been established for deciding the priority between each individual field. To decide the ranking, a mathematical optimisation model is used that describes existing and planned production facilities, infrastructure and processing terminals in which the Norwegian State and we have ownership interests. The list yields a result giving the highest total net present value for the Norwegian State's and our oil and gas. In the evaluation, the following objective criteria shall apply:

- the effect of the draw on the depletion rate
- identification of time-critical fields
- influence on oil/liquid fields with associated gas requiring gas disposal; and
- spare capacity and flexibility in transportation systems and onshore facilities.

The various fields are ranked in accordance with the assumed total value creation for the Norwegian State and us, assuming all of the fields meet our profitability requirements if we participate as a licensee, and the Norwegian State's profitability requirements if the State is a licensee. The list is updated annually or more frequently if events occur that may significantly influence the ranking. Within each individual field in which both the Norwegian State and we are licensees, the Norwegian State and we will deliver volumes and share income in accordance with our respective participating interests.

The Norwegian State's oil and NGL are lifted together with our oil and NGL in accordance with applicable lifting procedures for each individual field and terminal.

Withdrawal or amendment
The Norwegian State may at any time utilise its position as majority shareholder of Statoil to withdraw or amend the instruction requiring us to market and sell the SDFI oil and natural gas together with our own.

Top

3.10.8 Petoro AS

In 1985, the Norwegian State began taking a direct financial interest in production licences through the establishment of the SDFI, and, in 2001, a new state-owned company, Petoro, was formed to manage SDFI assets.

From the establishment of Statoil in 1972 and until 1 January 1985, the participation of the Norwegian State in production licences and facilities for the transport and utilisation of petroleum took place entirely through Statoil. With effect from January 1985, the Norwegian State's participation was reorganised through the establishment of the SDFI. Through this reorganisation, the Norwegian State began taking a direct financial interest in production licences. The establishment of the SDFI entailed the transfer of a substantial part of our participation in most of our then licences to the SDFI, although, formally, such licences continued to be held wholly in our name. Since its establishment in 1985, the SDFI has taken shares in most licences awarded. The SDFI also holds shares in a number of oil and gas pipelines and land-based terminal facilities.

In connection with the restructuring, the Norwegian State formed a new state-owned company, Petoro AS, in May 2001, which took over responsibility for, and the management of, the SDFI assets as licensee, in accordance with a new chapter of the Petroleum Act. The Norwegian State continues to be the beneficial owner of these assets. We continue to market and sell the Norwegian State's oil and gas together with our own oil and gas in accordance with the owner's instruction described in report section 3.10.7 Operational review-Regulation-Marketing and sale of the SDFI oil and gas. One of the tasks of Petoro AS is to supervise our compliance with the owner's instruction.

Petoro AS does not own any of the oil and gas produced under the licence interests it holds, it does not receive any revenues from sales of the Norwegian State's oil and gas, and it is not permitted to have an operator role. However, Petoro AS may become a participant in new licences awarded by the Norwegian State.

Top

3.10.9 Gassco AS

In connection with the restructuring of the Norwegian State's oil and gas interests in May 2001, the Norwegian State formed a separate company, Gassco AS.

Gassco took over as operator of the natural gas transportation system previously operated by us on 1 January 2002. Gassco AS is wholly owned by the Norwegian State. The owners of the infrastructure systems appointed Gassco AS as the new operator.

The transfer of the operatorship to Gassco AS was made without consideration of, and does not affect existing arrangements, with respect to ownership or access to the natural gas transportation system or transport tariffs. However, in accordance with the joint venture agreements for each of the gas transportation assets, the operator is entitled to be reimbursed for its costs as operator. Accordingly, since Gassco AS was appointed as operator, we no longer receive such reimbursement, and we will, as will other users of the infrastructure, be required to pay our share of Gassco AS's expenses relating to the operation of the natural gas pipelines in which we hold interests.

Gassco AS has entered into contracts with us for each infrastructure joint venture, pursuant to which we will carry out technical operating activities on behalf of Gassco AS, such as system maintenance, for which we will receive reimbursement of costs. Either Gassco AS or we may terminate each of these contracts without cause, except for the contract for the Statpipe joint venture, after five years. Either Gassco AS or we may also terminate the part of the Statpipe contract that concerns the offshore pipelines, after five years. Currently, Gassco AS may terminate the part of the Statpipe contract that concerns the Kårstø plant at any time, provided that two-thirds of the owners, representing more than two-thirds of the ownership interests, have supported such termination.

The natural gas transportation system was transferred to a new joint venture called Gassled as of 1 January 2003. Gassco AS is the operator of the Gassled joint venture. Our direct ownership interest in Gassled is currently 32.102% (32.881% including our indirect interest through our 28.58% holding in Norsea Gas AS), 15.73% in Zeepipe Terminal JV and 20.87% in Dunkerque Terminal DA. From 1 January 2011, our direct ownership interest in Gassled will be reduced to 28.217% due to an increased ownership interest for Petoro. In addition, our ownership interest in Gassled may also change as a result of the inclusion of existing or new infrastructure or if Gassled undertakes further investments without participation from its owners in the same ratio as their ownership interests in Gassled. For more information on the Gassled joint venture, see report section 3.3.3 Operational review - Natural Gas - Norway's gas transportation system.

Top

3.11 Competition

There is intense competition in the oil and gas industry for customers, production licences, operatorships, capital and experienced human resources.

In recent years, the oil and gas industry has experienced consolidation, as well as increased deregulation and integration in strategic markets.

Statoil competes with major integrated oil and gas companies, as well as with independent and government-owned companies for the acquisition of assets and licences for the exploration, development and production of oil and gas, and for the refining, marketing and trading of crude oil, natural gas and related products. Key factors affecting competition in the oil and gas industry are oil and gas prices and demand, the cost of exploration and production, global production levels, alternative fuels and governmental and environmental regulations.

Statoil's ability to remain competitive will depend, among other things, on management's continued focus on reducing unit costs and improving efficiency, maintaining long-term growth in our reserves and production through continued technological innovation and our ability to seize international opportunities in areas where our competitors may also be actively pursuing exploration and development opportunities. The company believes that it is in a position to compete effectively in each of its business segments.

Top

3.12 Property, plant and equipment

We have interests in real estate in numerous countries throughout the world, but no one individual property is significant to us as a whole.

Our principal offices located at Forusbeen 50, N-4035, Stavanger, Norway, comprise approximately 135,000 square metres of office space, and are owned by Statoil.

A contract has been signed with IT Fornebu Holding AS in Oslo for the long-term lease of a new 60,000 square metre office building to be built at Fornebu in Bærum municipality. The building, which will enable all of Statoil's activities in the Oslo region to be consolidated, will be ready for occupation in autumn 2012. IT Fornebu Holding AS will be the owner and Statoil will be the tenant.

For a description of our significant reserves and sources of oil and natural gas, see note 35 - Supplementary oil and gas information in the Consolidated Financial Statements in this report.

Top

3.13 Related party transactions

We have the following transactions with related parties, including state-owned entities and the DnBNOR bank:

Transactions with the Norwegian state
For a description of shares held by the Norwegian state, see report section 6.4 Shareholder information-Major shareholders. See also report section 4.2.7 Financial analysis and review -Liquidity and capital resources - Material contracts.

Transactions with other entities in which the Norwegian State is a major shareholder
Because the Norwegian State controls a substantial proportion of industry in Norway, there are many state-controlled entities with whom we do business. The financial value of most such transactions is relatively small, and the ownership interest of the Norwegian State in such counterparties has not had any effect on the arm's-length nature of the transactions. In respect of the goods and services that we purchase in particular, we purchase telephone services from Telenor ASA, a telecommunications company in which the Norwegian State holds a 53.97% interest. Such purchases are made pursuant to standard tariff rates applicable to public and private companies in Norway.

Other transactions with the Norwegian State
Total purchases of liquids and natural gas from the Norwegian State amounted to NOK 74,338 million (204 mmboe) in 2009. In 2008 and 2007, the total purchases amounted to NOK 112,682 million (223 mmboe) and NOK 98,498 million (237 mmboe) respectively. Purchases of natural gas from the Norwegian State (excluding purchases from licences and sales on behalf of the Norwegian State) amounted to NOK 265 million in 2009. In 2008 and 2007, the purchases of natural gas amounted to NOK 375 million and NOK 287 million, respectively. The significant amounts included in the line item Payables to associated companies and other related parties in note 25 Trade and other payables to the Consolidated financial statement, are amount payables to the Norwegian State for these purchases. The prices paid by Statoil for the oil purchased from the Norwegian State are estimated at market prices. In addition, Statoil sells the Norwegian State's natural gas in its own name, but for the account and risk of the Norwegian State.

The Norwegian State compensates Statoil for its relative share of the costs related to certain Statoil natural gas storage and terminal investments and related activities. See report section 3.10.7 Operational review-Regulation-Marketing and sale of the SDFI oil and gas for more details.

Although the Norwegian State is Statoil's majority owner, Statoil does not receive any preferential treatment with respect to licences granted by the Norwegian State or under any other regulatory rules enforced by the Norwegian State.

Employee loans
We have a general arrangement with DnBNOR whereby DnBNOR makes available to each of our employees personal consumer loans of up to NOK 300,000. The employees pay the "norm interest rate", which is variable and set by the Norwegian State, and we pay the difference between the norm interest rate and the then-current market interest rate. We also guarantee these loans up to an aggregate maximum amount of NOK 10 million. The repayment period is up to eight years. Our obligations resulting from paying the interest rate difference will be dependent on the loan volume, but, based on current interest rates, it would not exceed NOK 5 million per year.

Members of the corporate executive committee and the board of directors may not take up loans under the current programme. None of the three employee-elected members of the board of directors and none of members of the corporate executive committee had any balances outstanding under this facility as of 15 March 2010.

Employees at certain employment levels are entitled to an interest-free car loan from the company. Members of the corporate executive committee and employee-elected members of the board are generally excluded from this arrangement, and none of them had any balances outstanding as of 15 March 2010.

Top

4 Financial analysis and review

Statoil delivered a strong operational performance in 2009 and the company is in good financial shape and well positioned to continue to deliver growth and shareholder value towards 2012 and beyond.

The company met its guided production level by increasing equity production by 2%, to 1.962 mboe per day. It also delivered a successful exploration programme while maintaining cost control and capital discipline. However, net operating income was down by 39%, mainly because of lower prices for both oil and gas. Net operating income amounted to NOK 121.6 billion.

Around 80% of the Hydro merger synergies have been achieved, and the remainder are expected to be realised during 2010. Significant cost reductions have secured Statoil's highly competitive operating unit cost position.

The company has had a strong cash flow throughout the financial turmoil and has a sound financial position. Statoil is thus positioned to continue its production growth towards 2012 despite the current weakness in the gas markets, and it has projects and resource potential to underpin profitable growth beyond 2012. The board of directors is proposing an attractive dividend of NOK 6.00 per share for 2009.

Top

4.1 Continued deliveries in turbulent markets

Statoil delivers sound financial and operational results in a demanding market. The activity level is high, and our production is growing according to plan.

In 2009, Statoil delivered total liquids and gas entitlement production of 1.806 mboe per day, up 3% from 1.751 mboe per day in 2008. The contribution from international operations reached the highest level yet, accounting for approximately 20% of the entitlement production. Total equity production increased by 2% from 2008, to 1.962 mboe per day in 2009.

Despite strong production and increased contribution from higher volumes, net operating income was down 39% at NOK 121.6 billion in 2009, compared with NOK 198.8 billion in 2008. The decrease was mainly attributable to lower prices for oil and gas and increased depreciation, amortisation and impairment losses. Having realised approximately 80% of the expected synergies from the merger, Statoil has reduced overall expenses, reduced expenditures related to logistics and procurement, improved operational efficiencies, and increased value creation through commodities trading.

Statoil delivered an extensive exploration programme in 2009. Of a total of 70 exploration wells completed before 31 December 2009, 29 were drilled outside the NCS. Forty wells were announced as discoveries, seven of which are located outside the NCS. In 2009, 481 mmboe were added through revisions, extensions and discoveries, compared with additions of 230 mmboe in 2008, also through revisions, extensions and discoveries.

In all, Statoil achieved a reserve replacement ratio of 73% in 2009.

Statoil maintained a high level of activity in progressing projects into production in 2009. Four projects on the NCS and two international projects came on stream in 2009. Eight new projects have been sanctioned for development in 2009, three of which are outside Norway.

In 2009, the group gained access to 13 new exploration licences in India, Canada, GoM, Libya, Brasil and the Faroe Islands. On the NCS, we were awarded access to 13 new licences, as operator for six and as partner in seven. We were also awarded five licence extensions, as operator for four and partner in one. In addition, the group signed a contract with Lukoil and the Iraqi government concerning an 18.75% interest in the West Ourna 2 field in Iraq.

Top

4.1.1 Sales volumes

Sales volumes include our lifted entitlement volumes, the sale of SDFI volumes as well as our marketing of third party volumes

We take part in the production of oil and natural gas volumes, and incur capital expenditures and operating expenses on the basis of such equity volumes. Under certain profit sharing agreements (PSAs), a portion of the equity production is distributed to the relevant government before arriving at the volumes that we are ultimetely entitled to sell (entitlement volumes). The timing of when we lift our share of entitlement volumes may cause us to at any point in time have a difference between our share of entitlement volumes and the volumes lifted. This difference is called overlift if we have lifted more than our share of the entitlement production, and underlift if our cumulative lifting is less than our share of the entitlement volumes. The lifted volumes and volumes in inventory are the basis for what we can sell to third parties.

In addition to our own volumes of lifted entitlement production and in storage, we market and sell oil and gas owned by the Norwegian state through the Norwegian state's share in production licences, known as the State's Direct Financial Interest, or SDFI. For additional information, see section 3.13 Operational review-Related party transactions. The following table shows SDFI and Statoil sales volume information for crude oil and natural gas, as applicable, for the periods indicated. The Statoil natural gas sales volumes include equity volumes sold by Natural Gas, natural gas volumes sold by International E&P and ethane volumes.

For more information on the differences between equity and entitlement production, sales volumes and lifted volumes, see section 4.1.10 Financial analysis and review - Continued deliveries in turbulent markets - Definitions of reported volumes.

	Year ended December 31,		
Sales Volumes	**2009**	**2008**	**2007**
Statoil: (1)			
Crude oil (mmbbls) (2)	**381**	372	395
Natural gas (bcf)	**1462**	1387	1257
Natural gas (bcm) (3)	**41.4**	39.3	35.6
Combined oil and gas (mmboe)	**642**	619	619
Third party volumes: (4)			
Crude oil (mmbbls)(2)	**257**	242	240
Natural gas (bcf)	**192**	127	177
Natural gas (bcm) (3)	**5.4**	3.6	5.0
Combined oil and gas (mmboe)	**291**	265	271
SDFI assets owned by the Norwegian State:			
Crude oil (mmbbls) (2)	**200**	213	235
Natural gas (bcf)	**1,431**	1,440	1,327
Natural gas (bcm) (3)	**40.5**	40.8	37.6
Combined oil and gas (mmboe)	**455**	470	472
Total			
Crude oil (mmbbls) (2)	**838**	827	869
Natural gas (bcf)	**3,085**	2,955	2,760
Natural gas (bcm) (3)	**87.4**	83.7	78.2
Combined oil and gas (mmboe)	**1388**	1353	1361

(1) The Statoil volumes included in the table above are based on the premise that volumes sold were equal to lifted volumes in the relevant year. Changes in inventory may cause these volumes to differ from the sales volumes reported elsewhere in this report by the Oil Trading and Supplies (OTS) organisation in the Manufacturing and Marketing segment in that such volumes include volumes still in inventory or transit held by other reporting entities within the group. Excluded from such volumes are volumes lifted by the International E&P but not sold by OTS, and volumes lifted by E&P Norway or International and still in inventory or in transit.
(2) Sales volumes of crude oil include NGL and condensate. All sales volumes reported in the table above include internal deliveries to our manufacturing facilities.
(3) At a gross calorific value (GCV) of 40 MJ/scm.
(4) Third party volumes of crude oil include both volumes purchased from partners in our upstream operations and other cargos purchased in the market. The third party volumes are purchased either for sale to third parties or for our own use. Third party volumes of natural gas include third party LNG volumes related to our activities at the Cove Point regasification terminal in the U.S.

Top

4.1.2 Group profit and loss analysis

Revenues and other income were NOK 465.4 billion in 2009, which is NOK 190.6 billion lower than in 2008 and NOK 57.4 billion lower than in 2007. Most of the revenues stem from the sale of lifted crude oil, natural gas and refined products produced and marketed by Statoil.

Consolidated statement of income	Year ended 31 December				
(in NOK billion)	**2009**	**2008**	**2007**	**09-08 change**	**08 -07 change**
Revenues and other income					
Revenues	**462.3**	652.0	521.7	(29%)	25%
Net income from associated companies	**1.8**	1.3	0.6	39%	111%
Other income	**1.4**	2.8	0.5	(51%)	428%
Total revenues and other income	**465.4**	656.0	522.8	(29%)	25%
Operating expenses					
Purchase, net of inventory variation	**205.9**	329.2	260.4	(37%)	26%
Operating expenses	**56.9**	59.3	60.3	(4%)	(2%)
Selling, general and administrative expenses	**10.3**	11.0	14.2	(6%)	(23%)
Depreciation, amortisation and net impairment losses	**54.1**	43.0	39.4	26%	9%
Exploration expenses	**16.7**	14.7	11.3	14%	30%
Total operating expenses	**343.8**	457.2	385.6	(25%)	19%
Net operating income	**121.6**	198.8	137.2	(39%)	45%
Net financial items	**(6.7)**	(18.4)	9.6	(64%)	(291%)
Income tax	**(97.2)**	(137.2)	(102.2)	(29%)	(34%)
Net income	**17.7**	43.3	44.6	(59%)	(3%)
Earnings per share for income attributable to equity holders of company basic and diluted	**5.7**	13.6	13.8	(58 %)	(100 %)

Operational data	Year ended 31 December				
	2009	**2008**	**2007**	**09-08 change**	**08-07 change**
Average liquids price (USD/bbl)	**58.0**	91.0	70.5	(36 %)	29 %
USDNOK average daily exchange rate	**6.30**	5.63	5.86	12 %	(4 %)
Average liquids price (NOK/bbl)	**364**	513	413	(29 %)	24 %
Gas prices (NOK/scm)	**1.90**	2.40	1.66	(21 %)	45 %
Refining margin, FCC (USD/boe)	**4.3**	8.2	7.5	(48 %)	9 %
Total entitlement liquids production (mboe per day)	**1066**	1055	1070	1 %	(1 %)
Total entitlement gas production (mboe per day)	**740**	696	654	6 %	6 %
Total entitlement liquids and gas production (mboe per day)	**1806**	1751	1724	3 %	2 %
Total equity liquids production (mboe per day)	**1202**	1200	1165	0 %	3 %
Total equity gas prodcution (mboe per day)	**760**	725	674	5 %	8 %
Total equity liquids and gas production (mboe per day)	**1962**	1925	1839	2 %	5 %
Total liquids liftings (mboe per day)	**1045**	1019	1081	3 %	(6 %)
Total gas liftings (mboe per day)	**740**	696	654	6 %	6 %
Total liquids and gas liftings (mboe per day)	**1785**	1714	1735	4 %	(1 %)
Production cost entitlement volumes					
(NOK/boe, last 12 months)	**38.4**	38.1	44.1	1 %	(14 %)
Equity production cost excluding restructuring and gas injection cost (NOK/boe, last 12 months)	**35.3**	33.3	31.2	6 %	7 %

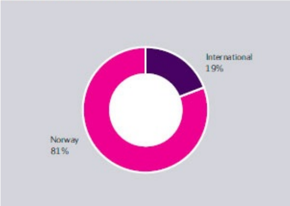
Revenues and other income was NOK 465.5 billion in 2009, compared to NOK 656,0 billion in 2008 and NOK 521.7 billion in 2007. Most of the revenues stem from the sale of lifted crude oil, natural gas and refined products produced and marketed by Statoil. In addition, we also market and sell the Norwegian state's share of liquids from the NCS. All purchases and sales of the Norwegian State's production of liquids are recorded as purchases net of inventory variations and sales, respectively.

The NOK 190.6 billion decrease in revenues from 2008 to 2009 was mainly attributable to lower prices of both liquids and gas. Realised prices of liquids measured in NOK decreased by 29% from 2008 to 2009, contributing NOK 56.5 billion to the reduction in revenues. Gas prices were down 21% in 2009 compared to last year, and contributed NOK 25.0 billion to the reduction in revenues. The reduction in revenues was partly compensated by a 4% increase in liftings of both liquids and gas, with a total off-setting effect of NOK 15.2 billion. The decrease in revenues related to volumes purchased from The Norwegian State contributed NOK 124.3 billion.

Realised prices of liquids measured in NOK increased by 29% from 2007 to 2008, contributing NOK 37.0 billion to the revenues, whereas the overall gas sales volumes contributed NOK 6.1 billion and the increase in prices of natural gas contributed NOK 29.2 billion to the change. This was partly off-set by a decrease in liftings of liquids of NOK 9.0 billion. The increase in revenues related to volumes purchased from The Norwegian State contributed NOK 71.0 billion.

The volumes lifted and sold will over time equal our production of entitlement volumes, but may be higher or lower in any period due to differences between the capacity of the vessels lifting our volumes and the actual entitlement production in the period. Total liquids liftings was 1.045 mmboe per day in 2009, an increase of 3% compared to last year. In 2008, total liquids liftings decreased from 1.081 mmboe per day in 2007 to 1.019 mmboe per day in 2008. The average daily underlift was 21 mboe per day in 2009 and 37 mboe per day in 2008, while there was an average overlift of 11 mboe per day and 2007.

Distribution of proved reserves



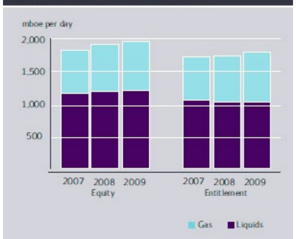
Entitlement volumes lifted is the basis for the revenue recognition, while equity production volumes affect operating costs more directly. See report section Financial analysis and review - Continued deliveries in turbulent markets - Sales volumes for more details on the PSA effects that causes differences between equity and entitlement volumes. See below for more details on the difference between lifted and produced volumes.

Net income from associated companies was NOK 1.8 billion in 2009, NOK 1.3 billion in 2008 and NOK 0.6 billion in 2007.

Other income was NOK 1.4 billion in 2009, compared with NOK 2.8 billion in 2008 and NOK 0.5 billion in 2007. The income in 2009 stem mainly from insurance proceeds relating to business interruptions. The income in 2008 and 2007 was mainly related to gain from sale of assets.

Purchase, net of inventory variation includes the cost of the oil and NGL production purchased from the Norwegian state pursuant to the Owners Instruction. The purchase, net of inventory variation amounted to NOK 205.9 billion in 2009, compared to NOK 329.2 billion in 2008 and NOK 260.4 billion in 2007. The increase from 2007 through 2008 was mainly caused by higher prices of liquids measured in NOK, while the 37% decrease from 2008 to 2009 mainly stem from lower prices of liquids measured in NOK.

Entitlement and equity production



Operating expenses include field production costs and transport systems related to the company's share of oil and natural gas production. Operating expenses were NOK 56.9 billion in 2009, reduced by 4% since 2008 when operating expenses were NOK 59.3 billion. The reduction was mainly attributable to reduced transportation costs and the reversal of a provision related to a take or pay contract in previous periods. In 2007, operating expenses were NOK 60.3 billion, and the 2% decrease from 2007 to 2008 was primarily due to restructuring costs related to the merger in 2007 and was only partly offset by increased costs related to start-up of new fields, higher activity and industry cost inflation in 2008.

Total liquids and gas entitlement production increased from 1.751 mmboe per day in 2008 to 1.806 mmboe per day in 2009. In 2007, total liquids and gas production was 1.724 mmboe per day. activities. Equity production of oil and gas increased from 1.925 mmboe per day in 2008 to 1.962 mmboe per day in 2009. In 2007, equity production of liquids and gas was 1.839 mmboe per day.

The 2% increase in equity production from 2008 to 2009 was primarily due to increased production from start-up of new fields, ramp-up on existing fields, partly offset by declining production from mature fields, various operational issues and maintenance activities. Entitlement production increased by 3% due to the same reasons and also due to a less adverse effect of product sharing agreements (PSA-effects).

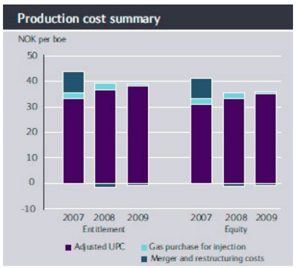
The 5% increase in equity production from 2007 to 2008 was primarily due to new fields coming on stream and a higher gas off-take, partly offset by declining production from maturing fields. The 2% increase in entitlement production was due to the same reasons, but was partly offset by higher adverse PSA-effects.

The production cost per boe based on entitlement volumes was NOK 38.4 for the 12 months ended 31 December 2009, compared with NOK 38.1 for the 12 months ending 31 December 2008. In 2007, the production cost per boe was NOK 44.1. Production costs are incurred based on our equity production. Management therefore thinks that unit of production cost based on equity production is a better measure of cost control than unit of production cost based on entitlement volumes. Based on equity volumes, the production cost per boe for the two periods was NOK 35.3 and NOK 34.6, respectively.

Adjusted for restructuring costs and other costs arising from the merger recorded in the fourth quarter of 2007 and gas injection costs, the production cost per boe of equity production for the 12 months ending 31 December 2009 and 2008, was NOK 35.3 and NOK 33.3 respectively.

Adjustments are made for certain costs related to the purchase of gas used for injection into oil-producing reservoirs. The adjustment facilitates comparison of field production costs with other fields which do not pay for their own gas used for injection into oil producing reservoirs.

Production cost summary



Selling, general and administrative expenses include expenses related to the sale and marketing of our products, such as business development costs, payroll and employee benefits. These amount to NOK 10.3 billion in 2009, compared to NOK 11.0 billion in 2008 and NOK 14.2 billion in 2007. The 6% decrease from 2008 to 2009 consists of numerous different factors, cost savings being one of them. The 23% decrease from 2007 to 2008 was mainly due to restructuring costs related to the merger in 2007 and was only partly offset by increased costs related to higher activity and industry cost inflation in 2008.

Depreciation, amortisation and impairment includes depreciation of production installations and transport systems, depletion of fields in production, amortisation of intangible assets and depreciation of capitalised exploration expenditure. It also includes write-downs of impaired long-lived assets and reversals of impairments. These expenses amounted to NOK 54.1 billion in 2009, compared to NOK 43.0 billion in 2008 and NOK 39.4 billion in 2007.

The 26% increase in depreciation, amortisation and impairment expenses in 2009 compared to 2008 was due to increased production on the NCS and impairment charges net of reversals of NOK 7.1 billion, mostly related to assets in the Gulf of Mexico and refinery assets in Norway.

Depreciation, amortisation and impairment expenses in 2008 showed a increase of 9% compared to 2007. The increase was due to impairment charges net of reversals of NOK 2.3 billion, mostly related to the Gulf of Mexico, and an increase in production.

		Year ended 31 December			
Depreciation, amortisation and net impairment losses (in NOK billion)	**2009**	**2008**	**2007**	**09-08 change**	**08-07 change**
Ordinary depreciation	**(46.5)**	(40.4)	(37.0)	15 %	9 %
Amortisation of intangible assets	**(0.1)**	(0.1)	(0.2)	5 %	(31 %)
Impairments, net of reversals	**(6.4)**	(2.4)	(2.2)	166 %	11 %
Impairment of intangible assets	**(1.0)**	0.0	0.0	n/a	n/a
Depreciation, amortisation and net impairment losses	**(54.1)**	(43.0)	(39.4)	26 %	9 %

Exploration expenditures are capitalised to the extent that exploration efforts are considered successful, or pending such assessment. Otherwise, such expenditures are expensed. The exploration expense consists of the expensed portion of our exploration expenditure in 2009 and write-offs of exploration expenditure capitalised in previous years. In 2009, the exploration expenses were NOK 16.7 billion, a 14% increase since 2008 when exploration expenses were NOK 14.7 billion. In 2007, exploration expenses were NOK 11.3 billion.

			For the year ended 31 December		
Exploration (in NOK billion)	**2009**	**2008**	**2007**	**09-08 change**	**08-07 change**
Exploration expenditure (activity)	**16.9**	17.8	14.2	-5%	25%
Expensed, previously capitalised exploration expenditure	**7.0**	3.7	1.7	89%	118%
Capitalised share of current periods exploration activity	**(7.2)**	(6.8)	(4.6)	6%	48%
Exploration expense	**16.7**	14.7	11.3	14%	30%

The 14% increase in exploration expenses from 2008 to 2009 was mainly due to a higher number of wells drilled and a higher portion of exploration expenditure capitalised in previous years being impaired. The 30% increase in exploration expenses from 2007 to 2008 was mainly due to a higher number of wells drilled, generally more expensive wells, higher field evaluation costs and delineation of the oil sands project in Canada.

In 2009, a total of 68 **exploration and appraisal wells** and two exploration extension wells were completed, 41 on the NCS and 29 internationally. Thirty-eight exploration and appraisal wells and two exploration extension wells have been declared as discoveries.