sheet, amounts to less than 10 per cent of the total assets reflected on our unconsolidated balance sheet without following a creditor notice procedure as required for reducing the share capital. Furthermore, we can only distribute dividends to the extent compatible with good and careful business practice with due regard to any losses which we may have incurred after the last balance sheet date or which we may expect to incur. Finally, the amount of dividends we can distribute is calculated on the basis of our unconsolidated financial statements. Retained earnings available for distribution is based on Norwegian accounting principles and legal regulations and amounted to NOK 96,826 million (before provisions for dividend for the year ended December 31, 2006 of NOK 19,690 million) at December 31, 2006.

Although we currently intend to pay annual dividends on our ordinary shares, we cannot assure you that dividends will be paid or as to the amount of any dividends. Future dividends will depend on a number of factors prevailing at the time our board of directors considers any dividend payment. See Item 8-Financial Information-Dividend Policy for a description of our dividend policy.

The following table shows the cash dividend amounts paid to all shareholders since 2002 on a per share basis and in the aggregate, as well as cash dividends proposed by our board of directors to be paid in 2007 on our ordinary shares for the fiscal year 2006.

	Per ordinary share (2)				Total (in million)	
Year	Ordinary dividend NOK	Special dividend NOK	Total dividend NOK	Total dividend USD (1)	NOK	USD (1)
2002	2.90		2.90	0.47	6,282	1,009
2003	2.95		2.95	0.47	6,390	1,026
2004	3.20	2.10	5.30	0.85	11,481	1,843
2005	3.60	4.60	8.20	1.32	17,756	2,851
2006	4.00	5.12	9.12	1.46	19,690	3,161

(1) The USD amounts in the table above are based on the noon buying rate for Norwegian kroner on December 29, 2006, which was NOK 6.2287 to USD 1.00.
(2) For fiscal years 2006, 2005 and 2004 the total dividend per share consisted of an ordinary dividend and a special dividend. There is no distinction between ordinary and special dividends under Norwegian law. The 2006 dividend is expected to be paid in early June 2007.

In 2004 and 2005 the total dividend per share represented an ordinary dividend and a special dividend. The total cash dividend per share proposed by the board of directors for 2006 also includes an ordinary dividend and a special dividend. The special dividends paid in these years are the result of increased annual net income due to higher realized oil and gas prices. There is no guarantee that special dividends will be paid in the future, even if higher oil and gas prices are sustained over time. There is no distinction between ordinary and special dividends under Norwegian law.

Since we will only pay dividends in Norwegian kroner, exchange rate fluctuations will affect the U.S. dollar amounts received by holders of ADSs after the ADR depositary converts cash dividends into U.S. dollars.

Share repurchases
In 2006, Statoil's board of directors modified our dividend policy to allow the target annual return to shareholders to be achieved through a combination of a cash dividend and share repurchases. The dividend policy was modified following the share repurchase authorization granted by the shareholders on May 10, 2006. See Item 8-Financial Information-Dividend Policy for a description of our dividend policy as modified by the board of directors in 2006.

Pursuant to the share repurchase authorization, in 2006 we acquired 5,867,000 shares in the market for subsequent cancellation. In accordance with our agreement with the Norwegian State, a corresponding number of the State's shares (14,291,848) will also be redeemed and cancelled. See Item 7-Major Shareholders and Related Party Transactions for further information regarding the agreement with the Norwegian State. We will not undertake any further share repurchases until the proposed merger with Norsk Hydro's oil and gas business is completed, which, subject to regulatory approval, is currently expected to occur in the third quarter of 2007.

There is no guarantee that share repurchases will continue in the future. Future share repurchases will depend on the authorization of our shareholders, as well as a number of factors prevailing at the time our board of directors considers any share repurchase.

Risk Factors

Risks Related to Our Business

A substantial or extended decline in oil or natural gas prices would have a material adverse effect on us.

Historically, prices for oil and natural gas have fluctuated widely in response to changes in many factors. We do not and will not have control over the factors affecting prices for oil and natural gas. These factors include:

• global and regional economic and political developments in resource-producing regions, particularly in the Middle East and South America;
• global and regional supply and demand;
• the ability of the Organization of Petroleum Exporting Countries (OPEC) and other producing nations to influence global production levels and prices;
• prices of alternative fuels which affect our realized prices under our long-term gas sales contracts;
• Norwegian and foreign governmental regulations and actions;
• global economic conditions;
• price and availability of new technology; and
• weather conditions.

It is impossible to predict future oil and natural gas price movements with certainty. Declines in oil and natural gas prices will adversely affect our business, results of operations and financial condition, liquidity and our ability to finance planned capital expenditures. For an analysis of the impact on income before financial items, taxes and minority interest from changes in oil and gas prices, see Item 5–Operating and Financial Review and Prospects–Operating Results–Factors Affecting Our Results of Operations. Lower oil and natural gas prices also may reduce the amount of oil and natural gas that we can produce economically or reduce the economic viability of projects planned or in development.

Exploratory drilling involves numerous risks, including the risk that we will encounter no commercially productive oil or natural gas reservoirs, which could materially adversely affect our results.

We are exploring or considering exploring in various geographic areas, including new resource provinces such as the Norwegian Sea, the Barents Sea, the U.S. Gulf of Mexico, onshore Algeria and Libya, as well as offshore Venezuela where environmental conditions are challenging and costs can be high. In addition, our use of advanced technologies requires greater pre-drilling expenditures than traditional drilling strategies. The cost of drilling, completing and operating wells is often uncertain. As a result, we may incur cost overruns or may be required to curtail, delay, or cancel drilling operations because of a variety of factors, including unexpected drilling conditions, pressure or irregularities in geological formations, equipment failures or accidents, adverse weather conditions, compliance with governmental requirements and shortages or delays in the availability of drilling rigs and the delivery of equipment. For example, we have entered into long-term leases on drilling rigs which may turn out not to be required for the originally intended operations and we cannot be certain that these rigs will be re-employed or at what rate they will be re-employed. Fluctuations in the market for leases on drilling rigs will also have an impact on the rates we can charge in re-employeeing these rigs. Our overall drilling activity or drilling activity within a particular project area may be unsuccessful. Such failure will have a material adverse effect on our results of operations and financial condition.

If we fail to acquire or find and develop additional reserves, our reserves and production will decline materially from their current levels.

The majority of our proved reserves are on the Norwegian Continental Shelf (NCS), a maturing resource province. Except to the extent we conduct successful exploration and development activities or acquire properties containing proved reserves, or both, our proved reserves will decline as reserves are produced. In addition, the volume of production from oil and natural gas properties generally declines as reserves are depleted. For example, some of our major fields such as Gullfaks, are dependent on satellite fields to maintain production, and, unless efforts to improve the development of satellite fields are successful, production will gradually decline. Our future production is highly dependent upon our success in finding or acquiring and developing additional reserves. If we are unsuccessful, we may not meet our long-term ambitions for growth in production, and our future total proved reserves and production will decline and adversely affect our results of operations and financial condition.

We encounter competition from other oil and natural gas companies in all areas of our operations, including the acquisition of licenses, exploratory prospects and producing properties.

The oil and gas industry is extremely competitive, especially with regard to exploration for, and exploitation and development of new sources of oil and natural gas.

Some of our competitors are much larger, well-established companies with substantially greater resources, and in many instances they have been engaged in the oil and gas business for much longer than we have. These larger companies are developing strong market power through a combination of different factors, including:

• diversification and reduction of risk;
• financial strength necessary for capital-intensive developments;
• exploitation of benefits of integration;
• exploitation of economies of scale in technology and organization;
• exploitation of advantages of expertise, industrial infrastructure and reserves; and
• strengthening of positions as global players.

These companies may be able to pay more for exploratory prospects and productive oil and natural gas properties and may be able to define, evaluate, bid for and purchase a greater number of properties and prospects, including operatorships and licenses, than our financial or human resources permit. For more information on the competitive environment, see Item 4–Information on the Company–Business Overview.

As we face a variety of challenges in executing our strategic objective of successfully exploiting growth opportunities available to us, the growth of our business may be compromised if we are unable to execute on our strategy and our financial and production targets may be revised as a result of acquisitions made in accordance with our strategy.

An important element of our strategy is to continue to pursue attractive growth opportunities available to us, both in enhancing our asset portfolio and expanding into new markets. The opportunities that we are actively pursuing may involve acquisitions of businesses or properties that complement or expand our existing portfolio. Our ability to implement this strategy successfully will depend upon a variety of factors, including our ability to:

• identify acceptable opportunities;
• negotiate favorable terms;
• develop the performance of new market opportunities or acquired properties or businesses promptly and profitably;
• integrate acquired properties or businesses into our operations; and
• arrange financing, if necessary.

As we pursue business opportunities in new and existing markets, we anticipate that significant investments and costs will be related to the development of such opportunities. We may incur or assume unanticipated liabilities, losses or costs associated with assets or businesses acquired. Any failure by us to pursue and execute new business opportunities successfully could result in financial losses and could inhibit growth.

If we are successful in the pursuit of our strategy and the making of such acquisitions, and no assurances can be given that we will be, our ability to achieve our financial, capital expenditure and production targets may be materially affected. Any such new projects we acquire will require additional capital expenditure and will increase the cost of our finding and development. It is likely that such acquisitions will be in the exploratory or development phase and not in the production phase, which will have a material adverse effect on our net return in proportion to our average capital employed. These projects may also have different risk profiles than our existing portfolio. These and other effects of such acquisitions could result in us having to revise either or both of our targets with respect to unit production costs and production.

In addition, the pursuit of acquisitions or new business opportunities could divert financial and management resources away from our day-to-day operations to the integration of acquired operations or properties. We may require additional debt or equity financing to undertake or consummate future acquisitions or projects, which financing may not be available on terms satisfactory to us, if at all, and may, in the case of equity, be dilutive to our earnings per share.

Our development projects involve many uncertainties and operating risks that can prevent us from realizing profits and can cause substantial losses.

Our development projects may be delayed or unsuccessful for many reasons, including cost overruns, lower oil and gas prices, equipment shortages, mechanical and technical difficulties and industrial action. These projects will also often require the use of new and advanced technologies, which can be expensive to develop, purchase and implement, and may not function as expected. In addition, some of our development projects will be located in deepwater or other hostile environments, such as the Barents Sea, or produced from challenging reservoirs, which can exacerbate such problems. There is a risk that development projects that we undertake may suffer from such problems, For example, we encountered cost overruns and construction challenges on the Snøhvit project.

Our development projects on the NCS also face the challenge of remaining profitable where we are increasingly developing smaller satellite fields in mature areas and our projects are subject to the Norwegian State’s relatively high taxes on offshore activities. Our other development projects in mature fields in Western Europe also face potentially higher operating costs. In addition, our development projects, particularly those in remote areas, could become less profitable, or unprofitable, if we experience a prolonged period of low oil or gas prices.

Many of our mature fields are producing increasing quantities of water with oil and gas. Our ability to dispose of this water in acceptable ways may impact our oil and gas production.

We may not be able to produce some of our oil and gas economically due to a lack of necessary transportation infrastructure when a field is in a remote location.

Our ability to exploit economically any discovered petroleum resources beyond our proved reserves will be dependent upon, among other factors, the availability of the necessary infrastructure to transport oil and gas to potential buyers at a commercially acceptable price. Oil is usually transported by tankers to refineries, and gas is usually transported by pipeline to processing plants and end-users. We may not be successful in our efforts to secure transportation and markets for all of our potential production.

Some of our international interests are located in politically, economically and socially unstable areas, which could disrupt our operations.

We have assets located in unstable regions around the world. For example, there was war and civil strife in the Caspian region through much of the 1990s. In addition, the states bordering the Caspian Sea dispute ownership and distribution of proceeds from the Caspian’s seabed and subsoil resources. Our activities in the Persian Gulf may be subject to disruption due to, for example, war and terrorism. Other countries, such as Venezuela, Nigeria and Angola, where we also have operations, have experienced expropriation or nationalization of property, civil strife, strikes, acts of war, guerrilla activities and insurrections. For more information regarding recent developments in Venezuela relating to the Sincor project, see Item 4-Information on the Company-International Exploration and Production. The occurrence of incidents related to political, economic or social instability could disrupt our operations in any of these regions, causing a decline in production that could have a material adverse effect on our results of operations or financial condition.

Our activities in Iran could lead to U.S. sanctions.

In August 1996, the United States adopted the Iran and Libya Sanctions Act, referred to as ILSA, which authorizes the President of the United States to impose sanctions (from a list that includes denial of financing by the export-import bank and limitations on the amount of loans or credits available from U.S. financial institutions) against persons found by the President to have knowingly made investments in Iran of USD 20 million or more that directly and significantly contribute to the enhancement of such countries’ ability to develop their petroleum resources. The Iran-Libyan Sanctions Act was adopted with the objective of denying Iran and Libya the ability to support acts of international terrorism and fund the development or acquisition of weapons of mass destruction. In April 2004, the application of ILSA was terminated but ILSA continues in force with respect to Iran. In September 2006, ILSA's name was changed to the Iran Sanctions Act of 1996 (ISA). We might take part in certain exploration projects or study activities with respect to Iran. In October 2002, we signed a participation agreement with Petropars of Iran, pursuant to which we assumed the operatorship for the offshore part of phases 6-7-8 of the South Pars gas development project in the Persian Gulf. At the end of 2006, we had invested USD 394 million in connection with the project. We cannot predict interpretations of or the implementation policy of the U.S. Government under ISA with respect to our current or future activities in Iran or other areas. It is possible that the United States may determine that these or other activities will constitute activity covered by ISA and will subject us to sanctions.

We are exposed to potentially adverse changes in the tax regimes of each jurisdiction in which we operate.

We operate in 34 countries around the world, and any of these countries could modify its tax laws in ways that would adversely affect us. Most of our operations are subject to changes in tax regimes in a similar manner as other companies in our industry. In addition, in the long term, the marginal tax rate in the oil and gas industry tends to change in correlation with the price of crude oil. Significant changes in the tax regimes of countries in which we operate could have a material adverse affect on our liquidity and results of operation.

We are exposed to potential losses and could be seriously harmed by natural disasters or operational catastrophes.

Exploration for and production of oil and natural gas is hazardous, and natural disasters, operator error or other occurrences can result in oil spills, loss of containment of hazardous materials exposed to blowouts, cratering, fires, equipment failure, and loss of well control. Failure to manage these risks could result in injury or loss of life, damage or destruction of wells and production facilities pipelines and other property and damage to the environment. Offshore operations are subject to marine perils, including severe storms and other adverse weather conditions, vessel collisions, and governmental regulations, as well as interruptions or termination by governmental authorities based on environmental and other considerations. Losses and liabilities arising from such events would significantly reduce our revenues or increase our costs and have a material adverse effect on our operations or financial condition.

The crude oil and natural gas reserve data in this Annual Report on Form 20-F are only estimates, and our future production, revenues and expenditures with respect to our reserves may differ materially from these estimates.

The reliability of proved reserve estimates depends on:

• the quality and quantity of our geological, technical and economic data;
• whether the prevailing tax rules and other government regulations, contracts, and oil, gas and other prices will remain the same as on the date estimates are made;
• the production performance of our reservoirs; and
• extensive engineering judgments.

Many of the factors, assumptions and variables involved in estimating reserves are beyond our control and may prove to be incorrect over time. Results of drilling, testing and production after the date of the estimates may require substantial upward or downward revisions in our reserve data. In addition, fluctuations in oil and gas prices will have an impact on our proved reserves associated with fields governed by Production Sharing Agreements, or PSAs, as part of our entitlement under PSAs relates to the recovery of development costs. Any downward adjustment could lead to lower future production and thus adversely affect our financial condition, future prospects and market value.

We face foreign exchange risks that could adversely affect our results of operations.

Our business faces foreign exchange risks because a large percentage of our revenues and cash receipts are denominated in U.S. dollars while a significant portion of our operating expenses and income taxes accrue in Norwegian kroner, reflecting our operations on the NCS. Movements between the U.S. dollar and Norwegian kroner may adversely affect our business. While an increase in the value of the U.S. dollar against the Norwegian kroner can be expected to increase our reported earnings, such an increase would also be expected to increase our operating expenses and the value of our debt, which would be recorded as a financial expense, and, accordingly, would adversely affect our net income. See Item 5–Operating and Financial Review and Prospects–Liquidity and Capital Resources–Risk Management.

We are exposed to risks relating to trading and supply activities.

Statoil is engaged in substantial trading and commercial activities in the physical markets and also uses financial instruments such as futures, options, over-the-counter (OTC) forward contracts, market swaps and contracts for differences related to crude oil, petroleum products, natural gas and electricity in order to manage price volatility. We also use financial instruments to manage foreign exchange and interest rate risk.

Although Statoil believes it has established appropriate risk management procedures, trading activities involve elements of forecasting and Statoil bears the risk of market movements - the risk of significant losses if prices move contrary to expectations - and the risk of default by counterparties. See Item 5-Operating and Financial Review and Prospects-Liquidity and Capital Resources-Risk Management below for more information regarding risk management. Any of these risks could have an adverse effect on our results of operations and financial condition.

Risks Related to the Regulatory Regime

Competition is expected to increase in the European gas market, currently our main market for gas sales, as a result of European Union, or EU, directives which could adversely affect our ability to expand or even maintain our current market position or result in reduction in prices in our gas sales contracts.

Fundamental changes continue to occur in the organization and operation of the European gas market, with the objective of opening national markets to competition and integrating them into a single market for natural gas. This process started with the EU Gas Directive, which became effective in August 2000. The Directive was included in the EEA Agreement in June 2002, and all necessary changes in order to implement the Directive into Norwegian legislation were made during 2002. The Directive requires EEA states to take certain minimum steps to open their gas markets to greater competition. Each state must specify annually the wholesale and final gas customers inside its territory that have the legal capacity to contract for or be sold natural gas by the gas supplier of their choice.

The Directive also requires that eligible customers be given the right to negotiate agreements for using gas transport systems directly or rights of access based on tariffs or other mechanisms. In 2003, a new Gas Directive approved by the EU accelerated the requirements for market opening, allowing both large users and households to freely choose their supplier earlier than previously anticipated. The new Gas Directive was implemented in Norwegian legislation in June 2006.

Most of our gas is sold under long-term gas contracts to customers in the EU, a gas market that will continue to be affected by changes in EU regulations and implementation of such regulations in EU member states. As a result of the Directives, our ability to expand or even maintain our current market position could be materially adversely affected and quantities sold under our gas sales contracts may be subject to a material reduction in gas prices.

We may incur material costs to comply with, or as a result of, health, safety and environmental laws and regulations.

Compliance with environmental laws and regulations in Norway and abroad could materially increase our costs. We incur and expect to continue to incur, substantial capital and operating costs to comply with increasingly complex laws and regulations covering the protection of the environment and human health and safety, including costs to reduce certain types of air emissions and discharges to the sea and to remediate contamination at various owned and previously-owned facilities and at third party sites where our products or wastes have been handled or disposed. The Norwegian Petroleum Safety Authority (PSA) was established on January 1, 2004, with the regulatory responsibility for safety, emergency preparedness and the working environment for all petroleum-related activities. See Item 4–Information on the Company—Regulation.

In our capacity as holder of licenses on the NCS under the Norwegian Petroleum Act of November 29, 1996, we are subject to statutory strict liability in respect of losses or damages suffered as a result of pollution caused by spills or discharges of petroleum from petroleum facilities covered by any of our licenses. This means that anyone who suffers losses or damages as a result of pollution caused by operations at any of our NCS license areas can claim compensation from us without needing to demonstrate that the damage is due to any fault on our part.

Whether in Norway or abroad, new laws and regulations, the imposition of tougher requirements in licenses, increasingly strict enforcement of or new interpretations of existing laws and regulations, or the discovery of previously unknown contamination may require future expenditures to:

- modify operations;
- install pollution control equipment;
- perform site clean-ups; or
- curtail or cease certain operations.

In particular, we may be required to incur significant costs to comply with the 1997 Kyoto Protocol to the United Nations Framework Convention on Climate Change, known as the Kyoto Protocol, and other pending EU laws and directives. In addition, increasingly strict environmental requirements, including those relating to gasoline sulfur levels and diesel quality, affect product specifications and operational practices. Future expenditures to meet such specifications could have a material adverse effect on our operations or financial condition.

Political and economic policies of the Norwegian State could affect our business.

The Norwegian State plays an active role in the management of NCS hydrocarbon resources. In addition to its direct participation in petroleum activities through the SDFI and its indirect impact through tax and environmental laws and regulations, the Norwegian State awards licenses for reconnaissance, production and transportation and approves, among other things, exploration and development projects, gas sales contracts and applications for (gas) production rates for individual fields. The Norwegian State may also, if important public interests are at stake, direct us and other oil companies to reduce production of petroleum. Reductions of up to 7.5 per cent have been imposed in the past. By a royal decree of December 19, 2001, the Norwegian government decided that Norwegian oil production should be reduced by 150,000 barrels per day from January 1, 2002 until June 30, 2002. This amounted to roughly a 5 per cent reduction in output. Further, in the production licenses in which the SDFI holds an interest, the Norwegian State retains the ability to direct petroleum licensees' actions in certain circumstances.

If the Norwegian State were to take additional action pursuant to its extensive powers over activities on the NCS or to change laws, regulations, policies or practices relating to the oil and gas industry, our NCS exploration, development and production activities and results of operations could be materially and adversely affected. For more information about the Norwegian State's regulatory powers, see Item 4–Information on the Company—Regulation.

Risks Related to Our Ownership by the Norwegian State

The interests of our majority shareholder, the Norwegian State, may not always be aligned with the interests of our other shareholders, which may affect our decisions relating to the NCS.

The Norwegian Parliament, known as the Storting, and the Norwegian State have resolved that the Norwegian State's shares in Statoil and the SDFI's interests in NCS licenses must be managed pursuant to a coordinated ownership strategy for the Norwegian State's oil and gas interests. Under this strategy, the Norwegian State has required us to continue to market the Norwegian State's oil and gas together with our own as a single economic unit.

Pursuant to the coordinated ownership strategy for the Norwegian State's shares in us and the SDFI, the Norwegian State requires us in our activities on the NCS to take account of the Norwegian State's interests in all decisions which may affect the development and marketing of our own and the Norwegian State's oil and gas.

The Norwegian State holds more than a two-thirds majority of our shares. Accordingly, the Norwegian State has the power to determine matters submitted for a vote of shareholders, including amending our articles of association and electing all of the members of the corporate assembly except employee representatives. The employees may claim the right to be represented by up to one-third of the members of the board of directors as well as the corporate assembly. The corporate assembly is responsible for electing our board of directors and communicates its recommendations concerning the board of directors' proposals about the annual accounts, balance sheets, allocation of profits and coverage of losses of our company to the general meeting. The interests of the Norwegian State in deciding these and other matters and the factors it considers in exercising its votes, especially pursuant to the coordinated ownership strategy for the SDFI and our shares held by the Norwegian State, could be different from the interests of our other shareholders. Accordingly, when making commercial decisions relating to the NCS, we have to take into account the Norwegian State's coordinated ownership strategy and we may not be able to fully pursue our own commercial interests, including those relating to our strategy on development, production and marketing of oil and gas.

If the Norwegian State's coordinated ownership strategy is not implemented and pursued in the future, then our mandate to continue to sell the Norwegian State's oil and gas together with our own as a single economic unit is likely to be prejudiced. Loss of the mandate to sell the SDFI's oil and gas could have an adverse effect on our position in our markets. For further information about the Norwegian State's coordinated ownership strategy, see Item 7–Major Shareholders and Related Party Transactions–Major Shareholders.

Risks Related to the Proposed Merger with Norsk Hydro’s Oil and Gas Business
A failure to complete the proposed merger with Norsk Hydro’s oil and gas business could result in certain non-recoverable costs, negatively affect our ability to realize our strategic goals and negatively impact our share price.

On December 18, 2006, the board of directors of Statoil and Norsk Hydro ASA announced that they had agreed to recommend to their shareholders a merger of Norsk Hydro’s oil and gas activities with Statoil. See Item 4-Information on the Company-Business Overview for more information regarding the proposed merger. There is no assurance that the other conditions to the completion of the merger will be satisfied. If the merger is not completed for any reason, we will be subject to several risks, including the following:

• we would not realize any of the anticipated benefits of the merger;
• the current market price of our common stock may reflect a market assumption that the merger will occur. Failure to complete the merger could result in a negative perception by the stock market of Statoil generally and a resulting decline in the market price of our common stock;
• certain costs relating to the merger (such as legal, accounting and financial advisory fees) are payable by us whether or not the merger is completed;
• there may be substantial disruption to, and a distraction of, our management and employees from day-to-day operations, because matters related to the merger (including integration planning) may require substantial commitments of time and resources, which could otherwise have been devoted to other opportunities that could have been beneficial to Statoil; and
• we would continue to face the risks that we currently face as an independent entity.

The failure to integrate the operations of Statoil and Norsk Hydro’s oil and gas business successfully and on a timely basis could reduce the profitability of the combined entity and adversely affect its share price.

We anticipate certain benefits to arise from the proposed merger, such as new growth opportunities, improved performance, efficiencies, synergies and cost savings. Achievement of these benefits will depend in part upon whether the operations and the personnel of the two companies can be integrated in an efficient, effective and timely manner. If the merged company is not successful in this integration, its financial results could be adversely impacted. The challenges involved in this integration include the following:

• obtaining the required approvals of various regulatory agencies, any of which could impose conditions or restrictions on its approval;
• retaining key employees and customers;
• moving existing resources across areas of operations to improve efficiency;
• minimizing the diversion of management attention from ongoing business concerns; and
• addressing possible differences in the business cultures, processes, controls, procedures and systems of Statoil and Norsk Hydro’s oil and gas business.

The anticipated benefits from our proposed merger with Norsk Hydro’s oil and gas business may not be achieved.

The success of the proposed merger will depend, in part, on the merged company’s ability to effectively pursue additional growth opportunities, achieve improved performance, and realize efficiencies, synergies, cost savings and certain other benefits from combining our operations with those of Norsk Hydro’s oil and gas business. Even if the merged company is able to successfully combine the operations of Statoil and Norsk Hydro’s oil and gas business, it may not be possible to realize the full benefits that we currently anticipate to result from the merger, or realize these benefits within the time frame that is currently expected. The benefits of the merger may be offset by operating losses relating to changes in commodity prices or in oil and gas industry conditions, risks and uncertainties relating to the combined company’s exploration and production prospects, an increase in operating or other costs, unanticipated difficulties and costs related to the integration, the impact of competition and other risk factors relating to the industry.

Forward-Looking Statements

This Annual Report on Form 20-F contains forward-looking statements that involve risks and uncertainties, in particular under Item 4–Information on the Company and Item 5–Operating and Financial Review and Prospects. In some cases, we use words such as “believe”, “intend”, “expect”, “anticipate”, “plan”, “target” and similar expressions to identify forward-looking statements. All statements other than statements of historical facts, including, among others, statements regarding our future financial position, business strategy, expectations for the proposed merger with Norsk Hydro’s oil and gas business, budgets, reserve information, reserve replacement rates, reserve recovery factors, projected levels of capacity, oil and gas production forecasts, production growth, projected operating costs, exploration expenditure, estimates of capital expenditure, expected exploration and development activities and plans, start-up dates for upstream and downstream activities, HSE goals and objectives of management for future operations, are forward-looking statements. You should not place undue reliance on these forward-looking statements. Our actual results could differ materially from those anticipated in the forward-looking statements for many reasons, including the risks described above in Item 3–Key Information, below in Item 5–Operating and Financial Review and Prospects, and elsewhere in this Annual Report on Form 20-F.

These forward-looking statements reflect current views with respect to future events and are, by their nature, subject to significant risks and uncertainties because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including levels of industry product supply, demand and pricing; currency exchange rates; political and economic policies of Norway and other oil-producing countries; general economic conditions; political stability and economic growth in relevant areas of the world; global political events and actions, including war, terrorism and sanctions; the timing of bringing new fields on stream; material differences from reserves estimates; inability to find and develop reserves; adverse changes in tax regimes; development and use of new technology; geological or technical difficulties; the actions of competitors; the actions of field partners; natural disasters and other changes to business conditions; and other factors discussed elsewhere in this report.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot assure you that our future results, level of activity, performance or achievements will meet these expectations. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. Unless we are required by law to update these statements, we will not necessarily update any of these statements after the date of this Annual Report, either to conform them to actual results or to changes in our expectations.

Statements Regarding Competitive Position

Statements made in Item 4–Information on the Company, referring to Statoil’s competitive position, are based on our belief, and in some cases rely on a range of sources, including investment analysts’ reports, independent market studies and our internal assessments of market share based on publicly available information about the financial results and performance of market participants.

Item 4 Information on the Company

History and Development of the Company

Statoil ASA is a public limited company organized under the laws of Norway with its registered office at Forusbeen 50, N-4035 Stavanger, Norway. Our telephone number is +47 51 99 00 00. Our registration number in the Norwegian Register of Business Enterprises is 923 609 016. Statoil ASA was incorporated on September 18, 1972 under the name Den norske stats oljeselskap a.s. At an extraordinary general meeting held on February 27, 2001, it was resolved to change our company name to Statoil ASA and convert into a public listed company, or ASA.

Business Overview

We are an integrated oil and gas company, headquartered in Stavanger, Norway. Based on both production and reserves we are a major international oil and gas company and the largest company in Scandinavia in terms of oil and gas production. Our proved reserves as of December 31, 2006 consisted of 1,675 mmbbls of oil and 399 bcm (equivalent to 14.1 tcf) of natural gas, which represents an aggregate of 4,185 mmboe. Our operations commenced in 1972 with a primary focus on the exploration, development and production of oil and natural gas from the Norwegian Continental Shelf, or NCS. Since then, we have grown both domestically and internationally into a company with 25,435 employees and business operations in 34 countries as of December 31, 2006.

We review our petroleum reserves in the course of business from time to time as new information becomes available. This information can relate to remaining reserves, existing production performance, decisions related to development, production, acquisition and divestment of reserves and changes in economic conditions. In addition, information on proved oil and gas reserves, standardized measure of discounted net cash flows relating to proved oil and gas reserves, and other information related to proved oil and gas reserves reported in the Supplementary Information on Oil and Gas Producing Activities is collected and checked for consistency and conformity with applicable standards by a central group that is independent of the E&P business units. Although this group reviews the information centrally, each asset team is responsible for ensuring that it is in compliance with the requirements of the SEC and our corporate standards. Before presenting the aggregated results to the responsible management of the relevant business units and the Chief Executive Officer for approval, this central group asks DeGolyer and MacNaughton, independent petroleum engineering consultants, to perform an independent evaluation of proved reserves, which was last performed as of December 31, 2006