of damages to the extent it considers reasonable.

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. Under our production licenses we are obligated to pay royalties and an area fee to the Norwegian State. Set forth 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 which 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 provides that the norm prices shall correspond to the prices that could have been obtained in case of a sale of petroleum between independent parties in a free market. When adopting norm prices, the Petroleum Price Board takes into consideration a number of factors, including spot market prices and contract prices within the industry.

The maximum rate for depreciation of development costs related to offshore production installations and pipelines is 16 2/3% per year. The depreciation starts when the expense is incurred. Exploration costs may be deducted in the year in which they are incurred. Most financial items are allocated to onshore and offshore activities in proportion to the remaining tax balances of assets related to onshore and offshore activities, respectively. There is an adjustment factor allowing companies with an equity ratio of more than 0.2 to allocate a higher share of net financial items to the offshore tax regime.

Any NCS losses may be carried forward indefinitely against subsequent income earned. Any onshore losses may be carried forward for 10 years. Fifty percent of losses relating to activity conducted onshore in Norway may be deducted from NCS income subject to the 28% tax rate. Losses from foreign activities may not be deducted against NCS income. Losses from offshore activities are fully deductible against onshore income.

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

As a result of tax credits granted against tax levied on dividends received from Norwegian companies, we are effectively not subject to tax on dividends from Norwegian companies. Dividends from foreign companies are normally subject to income tax in both Norway and the foreign company's state of residence. If Norway has entered into a tax treaty with the foreign company's state of residence, the tax of the foreign company's state of residence is normally limited to a withholding tax at a specified rate. We are entitled to credit such withholding taxes against Norwegian income tax payable on the dividends.

Furthermore, if we own more than 10% of the capital of a foreign company, we are also entitled to a tax credit for a proportionate part of the foreign company's income tax. This tax credit is only available against Norwegian taxes payable on the dividends received from the company. To obtain credit for taxes paid in the foreign company's state of residence, we must provide documentation proving that income taxes actually have been paid in the foreign state, and that the foreign taxes are creditable against Norwegian taxes.

Special petroleum tax. A special petroleum tax is levied on profits derived 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 the 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 against the special petroleum tax, and a tax-free allowance, or uplift, is granted at a rate of 5% per year. The uplift is computed on the basis of the original capitalized cost, including capitalized interest, of offshore production installations. The uplift may be deducted from taxable income for a period of six years starting the year in which the capital expenditures are incurred. Unused uplift may be carried forward indefinitely. Special provisions apply to investments made prior to 1992.

Carbon dioxide emissions tax. A special carbon dioxide emissions tax applies to petroleum activities on the NCS. The tax is currently NOK 0.75 per standard cubic meter of gas burned or directly released, and per liter of oil burned.

Area fee. After the expiration of the initial exploration period, the holders of production licenses are required to pay an area fee. The amount of the area fee is set out in regulations promulgated under the Petroleum Act. In respect of most of the production licenses, the initial annual area fee is currently NOK 7,000 per square kilometer. The annual area fee is increased yearly by NOK 7,000 until it reaches NOK 70,000 per square kilometer.

Royalty. We and other oil companies have an obligation to pay a royalty to the Norwegian State for oil produced on fields for which a plan for development and operation was approved prior to January 1, 1986. The royalty varies from 8% to 16% of the gross production value, and increases with the level of production. The Ministry of Petroleum and Energy may on six months' notice require that the royalty be paid in kind by delivery of petroleum. The Ministry of Petroleum and Energy has exercised this right so that we are currently required to pay royalty by delivering oil. Such royalty oil is repurchased by us at a calculated market price. No royalty is charged on natural gas or NGL production.

In a 1999 Government proposal, the Norwegian State announced that the remaining royalty obligations would be gradually abolished. The obligation to pay royalty currently only remains for the Gullfaks and Oseberg fields and will be abolished completely by the end of 2005.

EU Regulation

EU Gas Directive

Fundamental changes are now taking place in the organization and operation of the European gas market, with the objective of opening up national markets to competition and integrating them into a single internal market for natural gas. It is difficult to predict the effect of liberalization measures on the evolution of gas prices, but the main objective of the single gas market is to bring greater choice and reduced prices for customers through increased competition.

The EU Gas Directive, Directive 98/30/EC, was to be implemented in the national legislation of the EU member states by August 10, 2000. The Directive was included in the EEA Agreement in June 2002 and was incorporated into Norwegian legislation in 2002.

Main Provisions of the Gas Directive. The Directive establishes common rules for the transmission, distribution, supply and storage of natural gas. It lays down the rules relating to the organization and functioning of the natural gas sector, access to the market, the operation of systems, and the criteria and procedures applicable to the granting of authorizations for transmission, distribution, supply and storage of natural gas. To these ends, it imposes a series of obligations on EU member states and other states implementing the Directive.

The main purpose of the Directive is to require owners of gas pipelines to open up their transport systems, including systems within domestic markets, to eligible customers, such as distribution companies and large industrial customers in order to bring greater competition into the European gas market. Eligible customers are to be specified by EU member states but must include at least all gas-fired power generators (subject to optional thresholds for combined heat and power producers) and all other final customers consuming more than a specified annual volume of gas. From August 10, 2000, the specified annual volume of gas was 25 mmcm. This will decrease to 15 mmcm on August 10, 2003 and to 5 mmcm on August 10, 2008. This decrease in volumes required to qualify as an eligible customer is intended to open national gas markets. The Directive requires that from August 10, 2000, the definition of eligible customers must result in an opening of the market equal to at least 20% of the total national gas consumption. This will increase to 28% on August 10, 2003 and to 33% on August 10, 2008.

In addition, the Directive contains provisions relating to upstream pipeline networks. EU member states are required to take the necessary measures to ensure that natural gas undertakings and eligible customers, wherever they are located, are able to obtain access to upstream pipeline networks, including facilities supplying technical services incidental to such access in accordance with the Directive, except for the parts of such networks and facilities which are used for local production operations at the site of a field where the gas is produced. Access shall be provided in a manner determined by the EU member state in accordance with the relevant legal instruments. EU member states shall apply the objectives of fair and open access, achieving a competitive market in natural gas and avoiding any abuse of a dominant position, taking into account security and regularity of supplies, capacity which is or can reasonably be made available and environmental protection. Ownership in the Norwegian pipeline network has been consolidated into a common ownership structure, the joint venture Gassled. See above under -The Norwegian Gas Sales Organization.

If a natural gas undertaking encounters, or expects that it would encounter, serious economic and financial difficulties because of its take-or-pay commitments accepted in one or more gas purchase contracts, an application for a temporary derogation from the access to the system may be sent to the member state or its designated authority. Applications must be presented on a case-by-case basis either before or after refusal of access to the system and must be accompanied by all relevant information on the nature and extent of the problem and on the efforts taken to solve the problem. Derogations granted by a member state or its competent authority must be notified to the EC Commission, which may request that the decision to grant the derogation be amended or withdrawn. If this request is not complied with, a final decision is taken by the Commission assisted by a committee of the Member States and/or the Council.

New Proposals. On February 3, 2002, the Council adopted a common position to amend the Directive and to extend its provision. Common positions will be sent to the European Parliament for a second reading in accordance with the decision procedure. Final adoption of the amended Directive is expected to take place during the first half of 2003.

The main points covered by the Council's compromise are as follows:

- The timetable for liberalization of the gas market follows a two-step approach, with deadlines for the full opening of the market on July 1, 2004 for non-household users and July 1, 2007 for household users.

- Provisions on unbundling of transmission and distribution system operators are included essentially in order to prevent cross-subsidies that would be detrimental to competition in the future liberalized environment. The amendment proposal provides that transmission and distribution system operators should be independent, in terms of their legal form as well as organization and decision-making, from activities not relating to transmission and distribution. Legal and management unbundling of transmission undertakings will take place upon entry into force of the amended Directive and legal unbundling at distribution level as from the date of full market opening.

No specific amendments are proposed to Article 23 of the Directive, which regulates access to upstream pipeline networks.

COMPETITION

The integrated oil and gas industry is characterized by intense competition for customers, production licenses, operatorships, capital and experienced human resources. The industry is currently subject to several important influences, which we must deal with effectively if we are to remain competitive and achieve our goals.

Consolidation. In the past few years, the strategic and competitive landscape of the oil and gas industry has been transformed by a wave of mergers and acquisitions. This activity has been driven mainly by the need to enhance shareholder returns, to respond to the growing competitive threat of national oil companies, and to achieve greater operational scale to capture new, attractive business opportunities. In 1998, the following mergers took place: BP/Amoco, Exxon/Mobil and Total/Fina. In 1999, further merger activity involved BPAmoco/ARCO, Repsol/YPF and TotalFina/Elf. In addition, Norsk Hydro acquired all the outstanding shares in Saga Petroleum after which we acquired certain Saga assets. In 2000, Chevron and Texaco announced a merger, while ENI acquired British Borneo and Lasmo. In 2001, Phillips announced the acquisition of Tosco and a merger with Conoco.

Deregulation. The establishment of free, competitive and integrated markets has become an important governmental objective in many countries. Initiatives such as the Directive aim to alter the framework of laws and institutions that govern the European gas industry. This includes, among others, the obligation on owners or operators of gas transportation facilities to offer non-discriminatory access to third parties wishing to use the infrastructure, and the opening of the industry to new participants. The relationship between customers and suppliers of gas is expected to change as a result of greater competition, with the emphasis on bringing down costs for energy purchasers.

International Opportunities. Significant shifts in the global political climate have provided oil and gas companies with access to previously inaccessible hydrocarbon resources in regions such as the former Soviet Union and the Middle East. New licensing rounds such as in the deepwater offshore sector of Western Africa have also created new exploration and development opportunities. Most recoverable oil and gas resources are believed to be located in such areas, where the political risk mostly remains high. Long-term growth in our reserves and production will require us to capture international opportunities in the face of significant competition.

Technological Advances. Technological innovations in the oil and gas industry have improved the industry's performance in finding and developing hydrocarbon resources. Exploration success rates have improved, field life and recovery rates from existing and marginal fields have been increased, and full project cycle costs have generally been reduced. These have been achieved by applying advanced technology more effectively. In addition, the exploitation of hydrocarbon reserves in remote deepwater and harsh environment offshore regions has been made possible by improvements in subsea development capabilities and sophisticated floating production and storage units. In general, there is comparable access to technology across the industry, and, in order to achieve our strategic and financial goals, we will need to compete on the basis of applying available technology to complex projects in the most skillful manner.

Environmental and Social Concerns. Oil and gas companies are facing increasing demand to conduct their operations in the context of and consistent with environmental and social goals. Investors, customers and governments are more actively following companies' performance on environmental responsibility and human rights, including performance with respect to the development of alternative and renewable sources of energy.

Organizational Structure

The following table sets forth our significant subsidiaries, equity interest and the subsidiaries' country of incorporation. In all cases our voting interest is equivalent to our equity interest.

SUBSIDIARY	EQUITY INTEREST %	COUNTRY OF INCORPORATION
Statoil Norge AS	100	Norway
Statoil Danmark A/S	100	Denmark
Statoil AB	100	Sweden
Statoil (U.K.) Limited	100	Great Britain
Statoil North America Inc	100	United States of America