



Statoil

Directors' Report 2009



Board of directors report

Statoil delivered a strong operational performance in 2009. The company has a solid financial position and is well placed to continue to deliver long term growth and shareholder value.

The company increased its equity production in 2009 by 2% to 1.962 mboe per day. Statoil also delivered a successful exploration programme, while maintaining a strict 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 synergies from the merger in 2007 have been achieved. Additional cost savings have been implemented during 2009.

The company has had a strong cash flow through times of financial turmoil and has maintained its sound financial position. Statoil is thus positioned to deliver according to its stated production guidance for 2012, despite the current weakness in the gas markets. The group has a strong resource potential and a high quality project portfolio to underpin profitable growth also beyond 2012.

The Statoil share

The board of directors proposes a dividend of NOK 6.00 per share for 2009 making a total of NOK 19.1 billion.

The board of directors has decided to make adjustments to the dividend policy in order to establish a more predictable dividend level going forward. The new policy does not imply any change in the long-term dividend level, including potential share buy-backs, compared to the previous policy. The ambition is to grow the annual cash dividend, measured in NOK per share, in line with long-term underlying earnings. When proposing the annual dividend level, the board of directors will take into consideration expected cash flow, capital expenditure plans, financing requirements and appropriate financial flexibility.

In 2008, ordinary dividend was NOK 4.40 per share, as well as NOK 2.85 per share in special dividend for a total of NOK 7.25 per share and an aggregate total of NOK 23.1 billion.

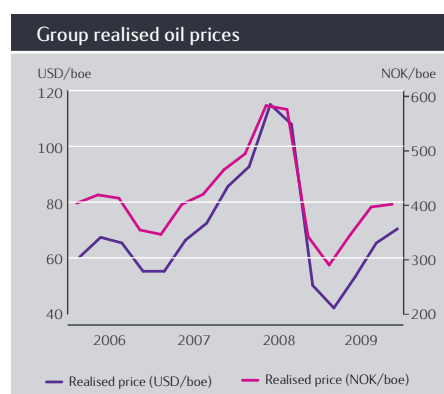
The Statoil share price development reflected the growing economic optimism as the share price is showing an upward trend during 2009, starting out 2 January 2009 at NOK 118.40, ending up at NOK 144.80 at the end of 2009.

Group profit and loss analysis

Net operating income was NOK 121.6 billion in 2009, compared to NOK 198.8 billion in 2008. The decrease was primarily attributable to lower prices of liquids and gas, and increased depreciation, amortisation and impairment losses, partly offset by income from higher volumes sold.

Consolidated statement of income (in NOK billion)	For the year ended 31 December		Change
	2009	2008	
Revenues and other income			
Revenues	462.3	652.0	(29%)
Net income from associated companies	1.8	1.3	39%
Other income	1.4	2.8	(51%)
Total revenues and other income	465.4	656.0	(29%)
Operating expenses			
Purchase, net of inventory variation	205.9	329.2	(37%)
Operating expenses	56.9	59.3	(4%)
Selling, general and administrative expenses	10.3	11.0	(6%)
Depreciation, amortisation and net impairment losses	54.1	43.0	26%
Exploration expenses	16.7	14.7	14%
Total operating expenses	343.8	457.2	(25%)
Net operating income	121.6	198.8	(39%)
Net financial items	(6.7)	(18.4)	(64%)
Income tax	(97.2)	(137.2)	(29%)
Net income	17.7	43.3	(59%)
Earnings per share for income attributable to equity holders of company basic and diluted	5.7	13.6	(58%)

Revenues and other income was NOK 465.4 billion in 2009, compared to NOK 656.0 billion in 2008. Most of the revenues stem from the sale of lifted crude oil, natural gas and refined products. 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 the 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.

Total liquids liftings amounted to 1.045 mmbse per day in 2009, an increase of 3% compared to last year.

Total liftings of gas increased by 6% from 696 mboe per day in 2008 to 740 mboe per day in 2009.

Net income from associated companies was NOK 1.8 billion in 2009 compared to NOK 1.3 billion in 2008.

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

Purchase, net of inventory variation amounted to NOK 205.9 billion in 2009, compared to NOK 329.2 billion in 2008. The 37% decrease from 2008 to 2009 mainly stem from lower prices of liquids measured in NOK.

Operating expenses include field production and transport systems costs related to the company's share of oil and natural gas production. Operating expenses were NOK 56.9 billion in 2009, which is a reduction of 4% since 2008. The reduction was mainly attributable to reduced transportation costs and the reversal of provisions related to a take-or-pay contract in previous periods.

Total liquids and gas entitlement production increased from 1.751 mmbœ per day in 2008 to 1.806 mmbœ per day in 2009. Equity production of oil and gas increased from 1.925 mmbœ per day in 2008 to 1.962 mmbœ per day in 2009.

The production cost per boe based on equity volumes 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 for the 12 months ending 31 December 2009 and 2008, was NOK 35.3 and NOK 33.3, respectively.

Selling, general and administrative expenses amounted to NOK 10.3 billion in 2009, compared to NOK 11.0 billion in 2008. The improvement is mainly due to cost savings.

Depreciation, amortisation and net impairment losses 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. The 26% increase in depreciation, amortisation and impairment expenses was mainly due to increased production 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 and Denmark.

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, up 14% from 2008. The increase was mainly due to a higher number of wells drilled and a higher portion of exploration expenditure capitalised in previous years being impaired.

Exploration (in NOK billion)	For the year ended 31 December		
	2009	2008	change
Exploration expenditure (total activity level)	16.9	17.8	(5%)
Expensed, previously capitalised exploration expenditure	7.0	3.7	89%
Capitalised share of current periods exploration activity	(7.2)	(6.8)	6%
Exploration expense	16.7	14.7	14%

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. In 2008, a total of 79 exploration and appraisal wells and nine exploration extension wells were completed, 48 on the NCS and 40 internationally. Thirty-five exploration and appraisal wells and six exploration extension wells were declared as discoveries.

Net operating income was NOK 121.6 billion in 2009, compared to NOK 198.8 billion in 2008. The decrease was primarily attributable to lower prices of liquids and gas, and increased depreciation, amortisation and impairment losses, partly offset by income from higher volumes sold.

In 2009, net operating income was affected by the following items: impairment losses net of reversals (NOK 12.2 billion) and underlift (NOK 1.2 billion) negatively affected net operating income, while higher fair value of derivatives (NOK 2.2 billion), higher values of products in operational storage (NOK 2.1 billion), other accruals (NOK 1.3 billion), gain on sale of assets (NOK 0.5 billion) and reversals of restructuring costs (NOK 0.3 billion) all positively affected net operating income in 2009.

In 2008, net operating income was affected by the following items: impairment charges net of reversals (NOK 4.8 billion), lower values of products in operational storage (NOK 2.8 billion), underlift (NOK 2.4 billion) and other accruals (NOK 2.3 billion) all affected net operating income in 2008 negatively, while increased fair value of derivatives (NOK 1.8 billion), gains on derivatives to hedge the value of inventories (NOK 0.8 billion), gains on sales of assets (NOK 1.4 billion) and reversal of restructuring cost accrual (NOK 1.6 billion) positively affected net operating income in 2008.

Net financial items amounted to a loss of 6.7 billion in 2009, compared to a loss of NOK 18.4 billion in 2008. The NOK 11.7 billion positive change was mostly attributable to NOK 2.0 billion net currency gains caused by a 17% weakening of US dollar versus the NOK for the year ended 31 December 2009, compared to NOK 32.6 billion in net currency losses caused by a 29% strengthening of the US dollar versus the NOK for the year ended 31 December 2008.

Income taxes were NOK 97.2 billion in 2009, equivalent to a tax rate of 84.6%, compared to NOK 137.2 billion in 2008, equivalent to a tax rate of 76.0%. The increase in the tax rate from 2008 to 2009 was mainly due to significant taxable exchange gains, which do not have an impact on the statement of income for companies in the group whose functional currency is USD. In 2009 the taxable income related to these exchange gains is estimated to be NOK 25.0 billion higher than income before tax, which increases the tax rate. In addition, the tax rate was increased by relatively higher income from the NCS with higher than average tax rates, and impairment losses with lower than average tax rates.

In 2009, the **non-controlling interest** (minority interest) in net profit was negative NOK 0.6 billion, compared to NOK 0.005 billion in 2008. The non-controlling interest is primarily related to the Mongstad refinery.

Net income was NOK 17.7 billion in 2009, compared to NOK 43.3 billion in 2008. The 59% decrease from 2008 to 2009 is mainly due to reduced operating income caused by lower revenues from liquids and gas sales and a higher effective tax rate, only partly offset by reduced loss on net financial items.

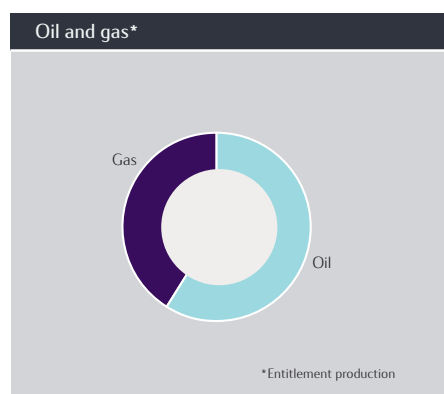
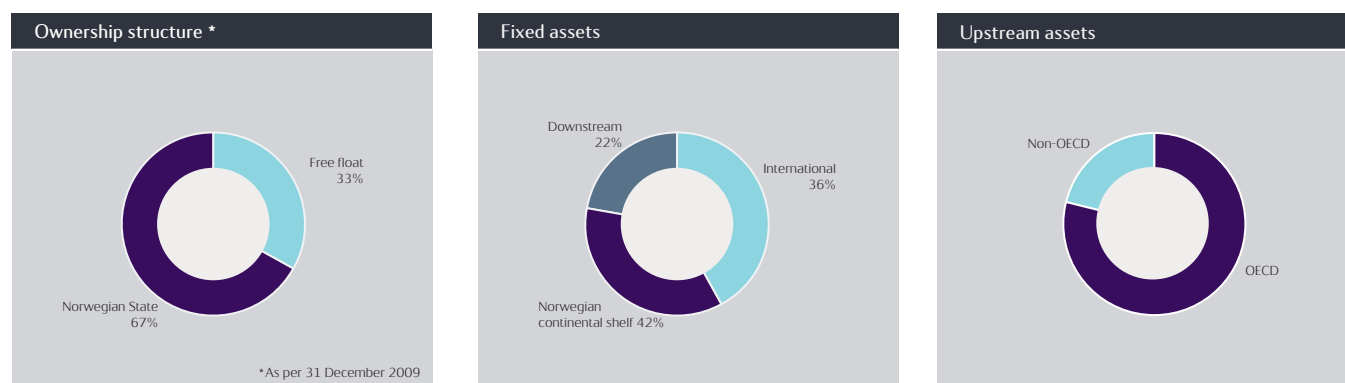
Considering the proposed dividend for 2009, the remaining net income in the parent company will be allocated to reserve for valuation variances and retained earnings with NOK 14.9 billion and NOK (5.1) billion, respectively. The company's distributable equity after allocations amounts to NOK 98.1 billion.

In accordance with Section 3-3 of the Norwegian Accounting Act, the board of directors confirms that the financial statements have been prepared on the basis of the **going concern** assumption.

Our business

Statoil is an integrated energy company based in Norway. The company is present in 40 other countries worldwide. We are the leading operator on the NCS and are also experiencing strong growth in our international production.

Statoil ASA is a public limited company organised under the laws of Norway. The largest offices are in Stavanger, Bergen and Oslo, and the group had approximately 29,000 employees as of 31 December 2009.



The combined exploration and production business had an average equity liquids and natural gas production of 1,962 mmbbl per day, and as of 31 December 2009, Statoil had proved reserves of 2,174 mmbbl of oil and 514 bcm of natural gas, corresponding to aggregate proved reserves of 5,408 mmboe.

Statoil ranks among the world's largest net sellers of crude oil and condensate and is the second largest supplier of natural gas to the European market. We have also substantial processing and refining activities and have approximately 2000 service stations in Scandinavia, Poland, the Baltic States and Russia.

Statoil is contributing to developing new energy resources, and have ongoing activities in the fields of wind power and marine biofuels. The company is at the forefront in implementing technologies for carbon capture and storage (CCS).

In further developing our international business, Statoil intends to utilise its core expertise in areas such as deep waters, heavy oil, harsh environments and gas value chains in order to exploit new opportunities and execute high quality projects.

Statoil business areas are presented below:

Exploration & Production Norway is responsible for Statoil's exploration, field development and production operations on the Norwegian Continental Shelf (NCS). Total production amounted to 1.45 mmbob per day in 2009, representing 74% of Statoil's equity production. The business area had approximately 8,000 employees as of 31 December 2009.

International Exploration & Production is responsible for exploration, development and production of oil and gas outside the NCS. Total production amounted to 51.2 mmbob per day in 2009, representing 26% of Statoil's equity production. The business area had approximately 1,700 employees as of 31 December 2009.

Natural Gas is responsible for Statoil's transportation, processing and marketing of pipelined gas and LNG worldwide, including the development of additional processing, transportation and storage capacity. The business area had approximately 1,300 employees as of 31 December 2009.

Manufacturing & Marketing is responsible for the processing and sale of our production of crude oil and natural gas liquids (NGL), and the sale of refined products. The business area also markets and sells the Norwegian State's volumes of crude and NGL. The business area had approximately 11,300 employees as of 31 December 2009.

Technology & New Energy is responsible for the development of technology and renewable energy. The business area had approximately 2,800 employees as of 31 December 2009.

Projects is responsible for planning and executing all development and modification projects exceeding NOK 50 million. The business area had approximately 1,100 employees as of 31 December 2009.



Cash flows

Cash flows from underlying operations, less tax payments, contributed NOK 81.5 billion. Cash flows used in investing activities amounted to NOK 75.4 billion.

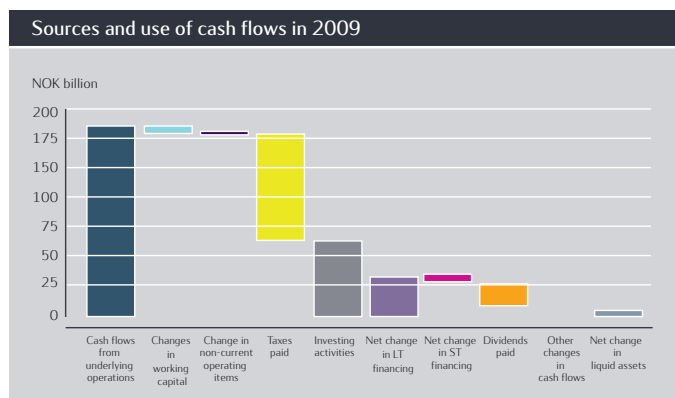
Cash flows from operating activities

Statoil's primary source of cash flow consists of funds generated from operations. Cash flow provided by operating activities was NOK 73.0 billion in 2009, compared to NOK 102.5 billion in 2008. Adjusting for changes in cash flows due to changes in working capital and other non-current items related to operating activities, cash flows from underlying operations less tax payments contributed NOK 81.5 billion.

The NOK 29.5 billion decrease in cash flows from operating activities was primarily due to a NOK 57.9 billion decrease in cash flows from underlying operations, an increase in cash flows used due to changes in working capital of NOK 7.0 billion and a decrease in cash flows from non-current items related to operating activities of NOK 3.7 billion. These effects were partly offset by a decrease in taxes paid of NOK 39.1 billion.

Cash flows used in investing activities

Cash flows used in investing activities amounted to NOK 75.4 billion in 2009, a NOK 10.5 billion decrease from 2008. The decrease stems mostly from acquisitions paid for in 2008, partly offset by NOK 3.9 billion less in proceeds from sales.



Cash flows used in financing activities

Net cash flows provided by financing activities for 2009 amounted to NOK 11.3 billion, compared to cash flow used in financing activities of NOK 17.0 billion for 2008. The NOK 28.3 billion change was mainly related to NOK 41.7 billion in net changes in long-term borrowing and NOK 4.0 billion in less dividend paid in 2009, partly offset by repayment of short-term borrowings by NOK 7.1 billion in 2009, compared with an increase in short-term borrowings by NOK 10.5 billion in 2008.

Liquidity and capital resources

Statoil has maintained a strong financial position through times of financial turmoil with a net debt ratio of 27% at year end 2009.

Liquidity

Our annual cash flow from operations is highly dependent on oil and gas prices and our levels of production. It is only influenced to a small degree by seasonality and maintenance turnarounds. Fluctuations in oil and gas prices, which are outside our control, will cause fluctuations in our cash flows. We will use available liquidity to finance Norwegian petroleum tax payments, any dividend payment and investments.

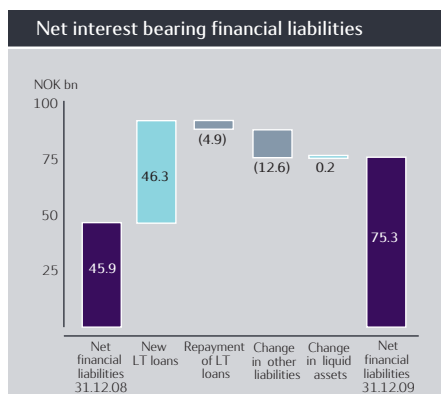
As of 31 December 2009, we had liquid assets of NOK 31.7 billion, including NOK 24.7 billion in cash and cash equivalents and NOK 7.0 billion of current financial investments. Compared to year end 2008, current financial investments decreased by NOK 2.7 billion during 2009, and cash and cash equivalents increased by NOK 6.1 billion. The increase of liquid assets during 2009 was mainly due to new long term debt. As of 31 December 2009, the group also had USD 2.0 billion available in a committed revolving credit facility from international banks, including a USD 500 million swing-line facility. The facility is available for drawdowns until December 2011.

Statoil's general policy is to maintain a liquidity reserve in the form of cash and cash equivalents in its balance sheet, and committed, unused credit facilities and credit lines in order to ensure that it has sufficient financial resources to meet its short-term requirements. Long-term funding is raised when the group identifies a need for such financing based on its business activities and cash flows, as well as when market conditions are considered favourable.

We aim to keep ratios relating to net debt at levels consistent with our objective of maintaining our long-term credit rating at least within the single A category. In this context Statoil carries out different risk assessments, some of them in line with financial matrices used by S&P and Moody's, such as free cash flow from operations over net debt and net debt to capital employed.

Our long-term and short-term ratings from Moody's are Aa2 and P-1, respectively. Our long-term rating from Standard & Poor's is AA-, reflecting the majority ownership by the Norwegian state. Standard & Poor's short-term rating of Statoil is A-1+. The current rating outlook is stable from both agencies.

Statoil will in 2010 continue to secure necessary financial flexibility and, depending upon oil- and gas price development, may issue bonds if market conditions are viewed as attractive.



Net interest-bearing financial liabilities amounted to NOK 75.3 billion at 31 December 2009, compared to NOK 46.0 billion at 31 December 2008. The change of NOK 29.3 billion was mainly related to an increase in non-current financial liabilities of NOK 41.1 billion, decreased current financial liabilities of NOK 12.5 billion, and an increase in cash, cash equivalents and current financial investments of NOK 3.4 billion.

The net debt to capital employed ratio, defined as net interest-bearing debt in relation to capital employed, was 27.3% at 31 December 2009, compared with 17.5% at 31 December 2008. The 9.8% increase was mainly related to an increase of net financial liabilities of NOK 29.3 billion, in combination with an increase in capital employed of NOK 13.4 billion.

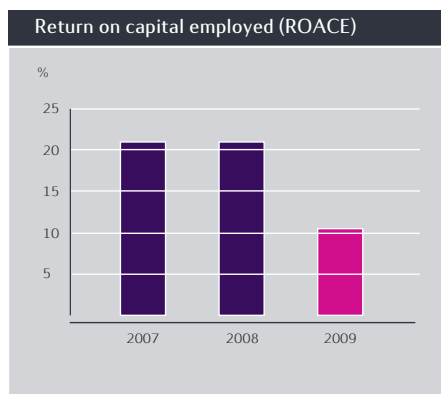
The group's borrowing needs are mainly covered through the issuing of short-term and long-term securities, including utilisation of a US Commercial Paper Programme and a Euro Medium Term Note (EMTN) Programme (the limits of the programme being USD 4 billion and USD 6 billion, respectively), and through draw-downs under committed credit facilities and credit lines. After the effect of

currency swaps, 100% of our borrowings are in US dollars.

Our **financial policies** take into consideration funding sources, the maturity profile of long-term debt, interest rate risk management, currency risk and management of liquid assets. Our borrowings are denominated in various currencies and swapped into USD, since the largest proportion of our net cash flow is denominated in USD. In addition, we use interest rate derivatives, primarily consisting of interest rate swaps, to manage the interest rate risk of our long-term debt portfolio.

Return on Average Capital Employed

Statoil achieved a competitive rate of return on the capital employed in 2009.



We use ROACE to measure the return on capital employed, regardless of whether the financing is through equity or debt. ROACE was 10.4% in 2009, compared with 21.0% in 2008. The decrease from last year was due to a 43% drop in net income adjusted for financial items after tax and a 15% increase in capital employed. ROACE is defined as a non-GAAP financial measure.

Research and Development

Statoil is a technology intensive company. Research and development is an integral part of our strategy.

In addition to technological development in field development projects, a significant part of Statoil's research is carried out at centres for research and technology development in Trondheim, Bergen, Porsgrunn in Norway and Calgary in Canada. The research and development is carried out in close co-operation with universities, research institutions, other operators and the supplier industry. Research and development expenditures were NOK 2.1 billion in 2009.

The technology strategy is driven by our key business challenges, aiming to build even stronger industry positions. Technology is a key enabler to achieving this and will make significant contributions to field development in frontier deep waters and Arctic areas, heavy oil production, subsalt exploration, and environmental and climate issues. The ambition is to achieve distinctiveness and industry leadership in selected technologies and to stay competitive in a broad range of core and emerging technologies along the energy provision value chain.

Furthermore, improved oil and gas recovery and improved drilling and well solutions are important to successfully fight declining production from mature fields. Statoil has achieved some of the petroleum industry's highest recovery factors on the NCS by combining scientific and engineering capabilities and boldly introducing new technology. We intend to further advance the most important technologies to meet our improved oil recovery ambitions.

Risks

The financial results are very dependent upon the prices of crude oil and natural gas, the USDNOK exchange rate and realised refining margins.

The financial results of operations largely depend on a number of factors, most significantly those that affect the price we receive in NOK for our sold products. Specifically, such factors include the level of crude oil and natural gas prices; trends in the exchange rate between the USD and NOK; equity production and entitlement sales volumes of liquids and natural gas; available petroleum reserves, and Statoil's, as well as its partners' expertise and co-operation in recovering oil and natural gas from those reserves; and changes in the portfolio of assets due to acquisitions and disposals.

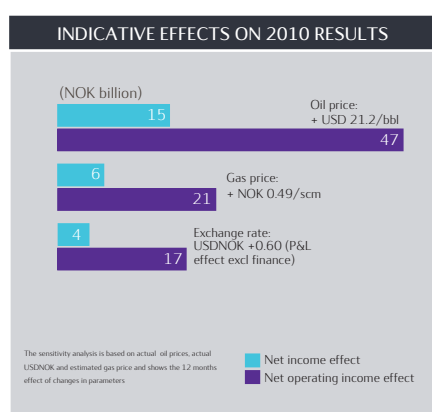
The results will also be affected by trends in the international oil industry, including possible actions by governments and other regulatory authorities in the jurisdictions in which the group operates. Also possible or continued actions by members of the Organization of Petroleum Exporting Countries (Opec) that affect price levels and volumes, refining margins, increasing cost of oilfield services, supplies and equipment, increasing competition for exploration opportunities and operatorships, and deregulation of the natural gas markets may cause substantial changes to the existing market structures and to the overall level and volatility of prices.

The following table shows the yearly averages for quoted Brent Blend crude oil prices, natural gas contract prices, Statoil's benchmark refining margins (FCC margin) and the USDNOK exchange rates for 2009, 2008 and 2007.

Yearly average	2009	2008	2007	2006
Crude oil (USD/bbl Brent blend)	58.0	91.0	70.5	63.2
Natural gas (NOK per scm) ⁽¹⁾	1.9	2.4	1.7	1.9
FCC margins (USD/bbl) ⁽²⁾	4.3	8.3	7.5	7.1
USDNOK average daily exchange rate	6.3	5.6	5.9	6.4

⁽¹⁾ From the Norwegian Continental Shelf.

⁽²⁾ Refining margin.



The illustration shows how certain changes in the crude oil price, natural gas contract prices and the USDNOK exchange rate, if sustained for a full year, could impact the financial results in 2010.

The estimated sensitivity of our financial results to each of the factors has been estimated based on the assumption that all other factors would remain unchanged. The estimated effects on the financial results would differ from those that would actually appear in our consolidated financial statements because our consolidated financial statements would also reflect the effect on depreciation, trading margins, exploration expenses, inflation, potential tax system changes and the effect of any hedging programmes in place.

Our oil and gas price hedging policy is designed to assist our long-term strategic development and our attainment of targets by protecting financial flexibility and cash inflows.

Fluctuating foreign exchange rates can have a significant impact on our operating results. Our revenues and cash flows are mainly denominated in, or driven by US dollars, while our operating expenses and income taxes payable largely accrue in NOK. The group seek to manage this currency

mismatch by issuing or swapping long-term debt in USD. This debt policy is an integrated part of our total risk management programme. The group also engage in foreign currency hedging in order to cover our non-USD needs, which are primarily in NOK. We manage the risk arising from our interest rate exposure through the use of interest rate derivatives, primarily interest rate swaps, based on a benchmark for the interest reset profile of our long-term debt portfolio. In general, an increase in the value of USD in relation to NOK can be expected to increase our reported earnings.

Group outlook

Statoil's guidance for **equity production** is between 1,925 and 1,975 mboe per day in 2010 and between 2.1 and 2.2 mmboe per day in 2012. The expected volumes are exclusive of any Opec cuts. Commercial considerations related to gas sales activities, operational regularity, the timing of new capacity coming on stream and gas off-take represent the most significant risks related to the production guidance.

Capital expenditures for 2010, excluding acquisitions and capital leases, are estimated to be around USD 13 billion.

Unit production cost for equity volumes is estimated to be NOK 35-36 per boe, which is on par with 2009.

The company will continue to mature the large portfolio of **exploration** assets and expects an exploration activity level in 2010 of around USD 2.3 billion.

We anticipate that **prices for crude oil, products and natural gas** will continue to be volatile in the short to medium term. Refining margins have been low for more than a year, and we anticipate that they will remain rather low in the short to medium term.

In the long term, we maintain our positive view of gas as an energy source. Domestic production of gas in the EU continues to decline, while demand for gas is expected to increase in the long term, particularly due to the lower carbon footprint of natural gas compared with oil and coal. In the US we believe that our position in the Marcellus shale gas acreage, in combination with Gulf of Mexico production and our LNG regasification capacity position at the Cove Point terminal in Maryland will provide a foundation for growth in our US market position in the years to come.

Statoil's income could vary significantly with changes in commodity prices, while volumes are fairly stable through the year. There is a small seasonal effect on volumes between winter and summer seasons due to normally higher off-takes of natural gas during cold periods. There is normally an additional small seasonal effect on volumes from a higher level of maintenance of offshore production facilities since generally better weather conditions allow for more maintenance work during the second and third quarter each year.

These forward-looking statements reflect current views about 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.

Health, safety and the environment

Statoil's ambition is to operate with zero harm to people and the environment and in accordance with principles for sustainable development. Safe and efficient operations is our first priority.

We suffered six fatal accidents in 2009. Three of our employees in Brazil were on board Air France flight 447 which disappeared over the Atlantic on 1 June. On 7 May 2009 we experienced an accident in connection with the dismantling of scaffolding on Oseberg B, when one of our contractor employees was fatally injured. On 7 September a fatal accident occurred on the LPG carrier "Lady Shana" during a port call at Petit Couronne in France, when one crew member fell from the shore gangway and into the river Seine. On 17 October a fatality occurred when one of our contractor employees was fatally injured during work at the Leismer project in Canada.

The board of directors emphasises the importance of understanding factors that create risks in order to avoid major accidents. We work systematically to mitigate risks that are critical to operating safely and reliably, and continuous improvement for better safety results has high attention in all our business areas.

In order to meet our goal of improving safety results in all our businesses, we hold a large number of training sessions in compliance and risk management.

Major organisational changes have been planned and implemented in a safe manner. For Statoil's North Sea operations, strong cooperation between offshore units, onshore support functions and management is essential. A new organisational model has now been implemented, and there is a particular focus on risk management in this respect. Compensatory measures are continuously implemented in order to reduce the probability of any kind of accident occurring.

Our compliance programme focuses on the integration of our values in all activities, and on compliance with internal and external requirements. Where requirements cannot be met, the risk will be identified and controlled as part of the systematic handling of non-conformities.

Statoil's safety results with respect to serious incidents have been at a stable level in recent years. The overall Serious Incident Frequency (SIF) improved from 2.2 in 2008 to 1.9 in 2009.

We strive to ensure a working environment that promotes job satisfaction and good health. This work involves monitoring of physical, chemical and organisational factors in the working environment, and a system for following up on groups or individuals that are exposed to risks in their working environment. Special attention is devoted to chemical health hazard.

The sick leave rate in Statoil was 4% in 2009, and is followed closely by managers at all levels.

Statoil was fined NOK 25 million by the public prosecution authorities in Norway on 18 December 2009 in connection with an oil leakage incident that took place on 12 December 2007 on the Norwegian continental shelf.

People and the organisation

Statoil will create value for the owners based on a clear performance framework defined by our corporate values and principles for HSE, ethics and leadership.

Statoil's ambition is to be a globally competitive company. It is a key priority to create a stimulating working environment and provide employees with good opportunities for professional and personal development.

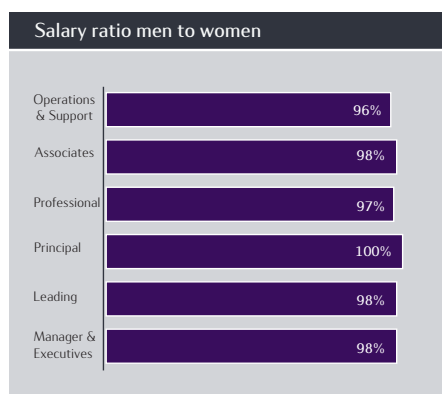
The group seeks to achieve this through developing a strong, value-based performance culture, clear principles for leadership and an effective management and control system. In Statoil, the way in which the results are achieved is as important as the results themselves. Corporate governance, our values, leadership model, operating model and corporate policies are described in the Statoil Book, which has been made available for all employees.

The group has recently reviewed its global people policies to ensure consistent common standards across the group. Through our global people development and deployment process, we seek to ensure a good match between professional interests and goals, while at the same time offering challenging and meaningful job opportunities. Statoil remains committed to providing financial and non-financial rewards that attract and motivate the right people, and it continues to focus on equal opportunities for all talents.

We promote diversity among our employees. The importance of diversity is stated explicitly in Statoil's values and ethical codes of conduct. We try to create the same opportunities for everyone and do not tolerate discrimination or harassment of any kind in our workplace.

By December 2009, 37% of our employees were women, and 40% of the members on the board of directors were women. Of the 84 senior vice presidents, 24% are female, and 35% of our successor pool for these roles are female. The proportion of female managers was 25%, and among managers under the age of 45 the proportion was 34%.

Through our development programmes, we aim to increase the number of female managers, and we endeavour to give equal representation to men and women in leadership development programmes. In 2009, we worked systematically on the development, deployment and succession planning of business-critical leadership positions. Of leaders promoted to the top 170 roles in 2009, 47% were female.



Statoil works systematically with recruitment and development programmes in order to increase the number of women in male-dominated positions and discipline areas. The reward system in Statoil is non-discriminatory and supports equal opportunities, which means that, given the same position, experience and performance, men and women will be at the same salary level. However, due to differences between women and men in types of positions and number of years' experience, there are some differences in compensation when comparing the general pay levels of men and women.

The Statoil group employs approximately 29,000 permanent employees in 41 countries, and more than 18,000 of them are employed in Norway, whereas approximately 11,000 were employed outside Norway. Of these, 9,400 were employed in the retail business.

Geographical Region	Number of employees			2009	women 2008	2007
	2009	2008	2007			
Norway	18,100	17,891	17,959	31%	30%	29%
Rest of Europe	9,593	10,475	10,151	50%	47%	46%
Africa	165	144	117	28%	32%	34%
Asia	150	169	144	55%	54%	52%
North America	584	448	315	34%	39%	33%
South America	147	102	72	48%	53%	53%
TOTAL	28,739	29,229	28,758	37%	35%	37%
Non - OECD	2,703	3,009	2,904	64%	65%	66%

Environment and climate

The group works actively to limit the negative environmental impacts related to its operations.

The group is committed through its climate policy to contribute to sustainable developments. We recognise that there is a link between the use of fossil fuels and man-made climate change, and the climate policy takes into account the need for proactively combating global climate change, as well as the need to increase company efforts on renewables and clean technology. Statoil's environmental management system seeks to identify the most important environmental aspects of all facilities, set targets for improvement, and is an integrated part of the overall management system.

Our climate policy sets out the principles for addressing the challenge of global warming and our ambition of maintaining the position as an industry leader in relation to sustainable development. The climate policy has been implemented in all our business planning and strategy development.

Statoil is continuously focusing on energy efficiency at our installations. Requirements for energy efficiency are incorporated in relevant governing documents.

We continuously monitor our emissions. Several modification projects for further reductions are being implemented, and Statoil has established corporate wide principles for oil spill response in relation to our operations. The group also continued an extensive research and development program aimed at adapting its oil spill response to arctic areas.

The most important group-wide indicators to measure environmental performance are oil spills, emissions of carbon dioxide and nitrogen oxides, energy consumption and the recovery rate for non-hazardous waste.

The current emissions of CO₂ per tonne of oil and gas produced from Statoil-operated fields at the Norwegian Continental Shelf in 2009 correspond to 43% of the oil and gas industry 2009 average. The volume of accidental oil spills decreased from 342 cubic metres in 2008 to 170 cubic metres in 2009. Carbon dioxide emissions have decreased from 14.4 million tonnes in 2008, to 13.1 million tonnes in 2009. Nitrogen oxides emissions have decreased from 46.7 thousand tonnes in 2008 to 42.3 thousand tonnes in 2009. Energy consumption has decreased from 69.6 TWh in 2008 to 63.6 TWh in 2009. The recovery rate for non-hazardous waste has increased from 29% in 2008 to 68.7% in 2009.

Society

Statoil has continued to strengthen compliance with its policies and standards for social responsibility, ethics and anti-corruption across its operations throughout 2009.

Growing and sustaining our business depends on our ability to establish enduring and mutually beneficial relationships with the societies in which we operate. Wherever we operate, we make decisions based on how they affect our interests and those of the societies around us. Stakeholders include governments, communities, partners, contractors and suppliers, employees, customers and investors.

It is Statoil's responsibility to create value for its stakeholders. This is not only an ethical imperative. Living up to these responsibilities is required to support long-term profitability and consistency in complex environments. In line with our corporate policy on social responsibility, we are committed to:

- making decisions based on how they affect the group's interests and the interests of the affected societies
- ensuring transparency, anti-corruption, and respect for human rights and labour standards
- generating positive spin-offs from core activities to help meet the aspirations of the societies in which the group operates

Throughout 2009, we have continued to strengthen compliance with our policies and standards for social responsibility and ethics and anti-corruption across our operations. Stricter requirements and processes for integrity due diligence for assessing and managing risks in its business relationships have been implemented. To further comply with our Ethics Code of Conduct policy, the group rolled out an ethics training and awareness programme reaching staff from 37 countries of operation, especially targeting senior management, procurement staff and others regularly exposed to third parties.

We have commenced an extensive process for the implementation of the Voluntary Principles on Security and Human Rights (VPSHR) in priority countries. That process, which is still in progress, includes performing a human rights due diligence focusing on the company's security arrangements, addressing any identified risks and networking with international and/or local NGOs or other appropriate organisations to provide training on the VPSHR.

In 2009, the focus was on the continued mainstreaming of our Ethics Code of Conduct throughout the organisation and on strengthening our ability to manage and mitigate integrity risks in our operations. We screen new investments, partners, contractors and suppliers for integrity and human rights risks, and implement strict requirements for integrity due diligence (IDD) to improve our processes for managing integrity risks in our business relationships.

The "Horton case" was finally closed by the US authorities on 19 November 2009 after Statoil had successfully fulfilled its obligations under the Settlements with the Department of Justice and the Securities and Exchange Commission (SEC) entered into in October 2006 as a result of the so-called "Horton Affair". The closing of the court case was a formal recognition that Statoil had fulfilled all the conditions of the settlements entered into with the US authorities.

We continue to promote local sourcing and we look for opportunities to support sustainable and competitive enterprises in many of our countries of operations. In 2009, we spent an estimated NOK 2.5 billion on goods and services from companies based in non-OECD countries, down from NOK 3.1 billion in the previous year. Our business also generates significant revenues for governments. In 2009, we made total payments and contributions to governments estimated at NOK 145.8 billion. Direct and indirect taxes paid in Norway amounted to NOK 102.1 billion, and direct and indirect taxes paid outside Norway totalled NOK 23.7 billion in 2009.

Statoil procurements from local suppliers in non-OECD countries was approximately NOK 2.5 billion in 2009, compared to NOK 3.1 billion in 2008. The group invested in capacity-building and skills development for its local employees and communities alike, as well as in local enterprise skills upgrading and development in Brazil, Canada and Nigeria to provide them with the right skills and expertise, standards and certifications required to compete successfully and work in the oil and gas industry.

Board developments

Jakob Stausholm is a new member of the board of Statoil ASA since July 2009, and is also member of the board's audit committee. Stausholm replaced Kurt Anker Nielsen. Einar Arne Iversen, elected by the employees, is also new member of the board of Statoil ASA since June 2009 and replaces Claus Clausen. Geir Nilsen and Ragnar Fritsvold were observers in the board up to June 2009.

The board held 11 meetings in 2009 and the meeting attendance was 94%.

The board's audit committee held six meeting in 2009 and the meeting attendance was 95%.

The compensation committee held eight meetings in 2009 and the meeting attendance was 81%.

Stavanger, 17 March 2010

THE BOARD OF DIRECTORS OF STATOIL ASA



SVEIN RENNEMO
CHAIR



MARIT ARNSTAD
DEPUTY CHAIR



LILL-HEIDI BAKKERUD



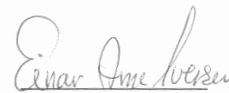
KJELL BJØRNDALEN



ROY FRANKLIN



ELISABETH GRIEG



EINAR ARNE IVERSEN



GRACE REKSTEN SKAUGEN



JAKOB STAUSHOLM



MORTEN SVAAN



HELGE LUND
PRESIDENT AND CEO

Statement on compliance

Board and management confirmation

Today, the board of directors, the Chief Executive Officer and the Chief Financial Officer reviewed and approved the board of directors report and the Statoil ASA consolidated and separate annual financial statements as of 31 December 2009.

To the best of our knowledge, we confirm that:

- the Statoil ASA consolidated annual financial statements for 2009 have been prepared in accordance with IFRSs and IFRICs as adopted by the European Union (EU), IFRSs as issued by the International Accounting Standards Board (IASB) and additional Norwegian disclosure requirements in the Norwegian Accounting Act, and that
- the separate financial statements for Statoil ASA have been prepared in accordance with the Norwegian Accounting Act and Norwegian Accounting Standards, and that
- the board of directors report for the group and the parent company is in accordance with the requirements in the Norwegian Accounting Act and Norwegian Accounting Standard no 16, and that
- the information presented in the financial statements gives a true and fair view of the company's and the group's assets, liabilities, financial position and results for the period viewed in their entirety, and that
- the board of directors' report gives a true and fair view of the development, performance, financial position, principle risks and uncertainties of the company and the group.

Stavanger, 17 March 2010

THE BOARD OF DIRECTORS OF STATOIL ASA



SVEIN RENNEMO
CHAIR



MARIT ARNSTAD
DEPUTY CHAIR



LILL-HEIDI BAKKERUD



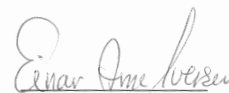
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MORTEN SVAAN



ELDAR SÆTRE
CHIEF FINANCIAL OFFICER



HELGE LUND
PRESIDENT AND CEO