

# 1 Introduction: Good operations in challenging markets



Figure 1.1 Introduction.

Thank you Lars.

Ladies and gentlemen,

Thank you for joining us at this 2ndQ StatoilHydro earnings presentation

**Our results this quarter have been delivered in the middle of the deepest economic recession since the 1930s**

**Although we now see some small signs of optimism** appearing on the horizon, we must remember that uncertainty **remains high**.

**There are still fundamental imbalances in the global economy**, driven by unsustainable borrowing and spending; First in the private sector, and lately also in the public sector. These imbalances will eventually have to be corrected.

**Fundamentals for our industry have not changed materially this q**, ..and especially industrial demand from the western world has been weak.

**We see some indications of an improved balance in the oil market**, following positive signals from the economy and a strong OPEC discipline.

This improved balance, positive equity markets, and the latest weakening in the USD, are the main factors behind the recent rally in the oil price back to around 70 USD/bbl

**The oil price could, however, return to lower levels at short notice** ..unless expectations to a tighter balance are confirmed through stronger fundamentals in the global demand

**There is still a lot of oil in inventories both on land and at sea**, and we therefore see good reasons to remain cautious in the short term.

**As a consequence of weak demand for refined products**, ..and slow capacity and cost adjustments, the refining margins have weakened considerably.

The short and medium term outlook for refining seem rather gloomy, and this has also impacted our accounts, which I will come back to.

**The gas market has experienced lower demand**

from industry and power producers, which has been added to the typical seasonal off-take pattern

**Having said all this for the short and medium term;**

we have not changed our long term view on energy realities.

**Global energy demand will continue to grow,**

..and the supply side - including oil and gas- will struggle to keep up.

**During the 2Q 2009 we can look back at a quarter with strong deliveries,**

both when it comes to production, capacity growth, exploration and trading results

**We have seen several important new fields come into production recently**

**And our exploration activity is still high, with a high success rate**

We have completed 48 exploration and extension wells so far this year, with 30 discoveries announced, and a number of wells still under evaluation.

Let us now look at the **financial results** for the quarter .....

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# 2 Continued high earnings

Figure 2.1

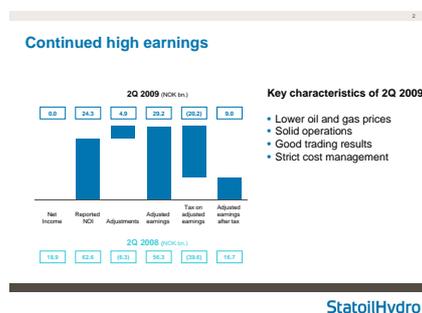


Figure 2.1 2 Continued high earnings.

**This illustration gives you an overview of our key results this quarter, compared with 2nd quarter last year**

- As you will see; our reported Net Income is close to zero, due to an effective tax rate of almost 100%
- ..while our reported Net Operating Income is at 24.3 bn NOK.

However, and not surprisingly, **these numbers do not reflect our underlying results, nor our underlying tax rate, in a very good way.**

To provide you with more useful analytical information in relation to performance we have therefore introduced Adjusted Earning and Adj. Earnings after Tax as an additional way of presenting our numbers, both for the Group and per business segment.

**The main difference between Net Income and Adj. Earnings after Tax,** is that we have adjusted for some infrequent operational items which is not considered to reflect our underlying operations.

**In addition, Net Financial Items,** are not included in the Adjusted Earnings, ..as these items are not considered material when looking at the underlying factors

**To illustrate this last point;**

**This quarter we had a negative Net Financial Items of 4.8 bn NOK.**

- 4.0 bn of this was due to a negative derivative effect on our interest rate swaps from the increase in long term interest rates,
- ..while 1 bn was due to a lower valuation of our 10% ownership in the Pernis refinery, which is booked as a financial asset.

**I should mention that a full reconciliation**

of reported and adjusted numbers is given in our MD&A.

**If we then look at our Adjusted numbers,**

- Earnings this quarter was 29.2 bn NOK.
- That is a decrease of 48% since the same period last year.

**The Adjusted Earnings after Tax fell from 16.7 bn to 9 bn NOK this quarter,** which is a 54% reduction.

**The reduction was mainly driven by;**

- a 40% reduction in liquid prices in NOK
- and an 18% reduction in gas prices,
- This was partly offset by higher income from our oil and gas trading activities.

**We have seen a good operational performance throughout our business,**  
and our **cost development** is also kept under strict control,  
which I will come back to shortly.

..but let us first look briefly at the **tax development**  
and after that an **overview of the adjustments** we have made  
to arrive at the Adjusted Earnings.....

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# 3 Items impacting income statement

Figure 3.1

Items impacting income statement				
	2Q 2009		2Q 2008	
	pre tax	after tax	pre tax	after tax
Impairment	3.3	3.0	(2.1)	(2.1)
Derivatives	0.5	1.2	(3.3)	0.3
Over/underlift	1.1	0.3	(1.8)	(1.0)
Other & eliminations	0.0	0.1	0.9	0.8
Impact on income statement	4.9	4.6	(6.3)	(2.0)

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Figure 3.1 3 Items impacting income statement.

We have adjusted for a negative 4.9 bn NOK this quarter, corresponding to 4.6 bn after tax.

And the most important factors are the impairments;

- As seen in previous quarters we are into the **impairment elevator** when it comes to some assets in GoM portfolio.

This quarter two assets have been impaired, while one previous asset impairment has been reversed, adding up to a net negative of 1.4 bn NOK.

- The other major impairment is related to our Kalundborg refinery in DK**  
Our more pessimistic outlook for refinery margins is mainly driven by the low demand for refined products, ..and an expected slow recovery from the current global economic situation.

We believe it will take time to implement sufficient capacity/cost adjustments in the industry, and have therefore reduced the book value of this refinery with 2.2 bn NOK

The value of the Mongstad refinery is also reduced, but has so far not triggered any impairment

**In addition to the impairments,** we have also adjusted for some **derivative effects**, mainly stemming from deferred gains on inventories within our oil trading, and also the earnings consequences of an underlift of 49' b/d this quarter.

Let me now take you through the calculation of the tax rate this quarter....

# 4 Tax rate reconciliation 2Q 2009

Figure 4.1

**Tax rate reconciliation 2Q 2009**

Composition of tax expense and effective tax rate	Adjusted earnings	Tax on adjusted earnings	Tax rate
E&P Norway	20.7	(15.3)	73.0%
International E&P	2.8	(0.7)	25.0%
Natural Gas	4.2	(3.3)	79.0%
Manufacturing & Marketing	1.4	(0.9)	64.0%
Other	0.2	(0.2)	100.0%
<b>Total adjusted earnings</b>	<b>29.2</b>	<b>(20.2)</b>	<b>69.2%</b>
Adjustments	(4.9)	0.3	6.0%
<b>Net Operating Income</b>	<b>24.3</b>	<b>(19.9)</b>	<b>82.0%</b>
Tax on NOK 3.6 bn. taxable currency gains		(1.3)	
Financial items	(4.8)	1.7	35.0%
<b>Net Income</b>	<b>19.5</b>	<b>19.5</b>	<b>99.9%</b>

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Figure 4.1 4 Tax rate reconciliation 2Q 2009.

If we look at Adjusted Earnings at the corporate level, the tax cost is largely as guided at around 70%.

The break-down into individual segment taxes is also largely as expected, ..however, slightly on the low side when it comes to international E&P, and somewhat on the high side for M&M.

There will typically be these type of differences from quarter to quarter, related to variances in earnings composition and changes in tax positions.

#### So the question is;

How do we get from a quite normal tax rate on Adjusted earning, to a 99,9% reported tax rate?

#### And there are basically two explanations for this,

as the tax rate on Net Financial Items is around 35%, which is quite normal

- **Firstly, we have the low 6% tax rate on the Adjustments,** (which is a net cost in this case) that we make to arrive at the Adjusted Earnings.

The reason for this low rate is that we have net impairments in the US with no effective tax protection for accounting purposes, And almost the same effect is related to an impairment of the Kalundborg refinery in Denmark.

This combined low effect from impairments drives the tax rate on the adjustments down, and the corporate tax rate up.

- **Secondly, we have a reported tax cost of 1.3 bn NOK** related to the 3.6 bn of currency of gains, as we informed about in a stock exchange announcement on 23 July.

The 3,6 bn currency gain is included in the basis for the tax calculation, but not included in our IFRS accounts.

This impact is due to the change in functional currency that we made from 1.1.09.

A more thorough explanation of this issue can be found in our report from 1Q 2009.

Hopefully, this overview gave you some useful insight into the rather complicated tax issue.

And again you will find full explanation in our MD&A

**Before I go through the Adjusted Earnings per segment, let us look at the production of oil and gas this quarter....**

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# 5 Equity production affected by maintenance

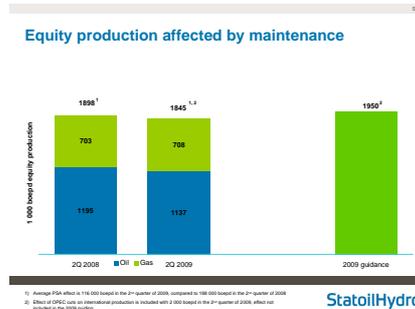


Figure 5.1 Equity production.

**Total equity production of oil and gas** was 1 845` boepd this Q - down 3%. Entitlement production was up 1% to 1 729 000 boepd, driven by an impressive 41% growth outside the NCS.

This implies PSA effects of 116 000 boepd in the 2nd Q and 128 000 boepd ytd, which is slightly lower than we have guided earlier, partly due to one-off adjustments.

**Our best estimate is now that you should expect a PSA effect** of around 130 000 boep/d at an avg oil price of 50 USD/boe for the full year, compared to 140 000 boep/d as guided earlier.

**The total production this quarter was obviously heavily impacted** by **maintenance activities** of around 55` boepd, compared with 44` boepd in the same quarter last year.

In addition to normal decline we have also had some temporary capacity issues on Kvitebjørn and Kristin

**Seasonal gas offtake is also typically lower in the second quarter,** and in addition, some gas volumes have been deferred beyond 2009

**New fields like Agbami in Nigeria and Saxi-Batuque in Angola** have added significant international production since 2nd quarter last year.

**The volume contribution from other new fields, like Tahiti and Gimboa,** were, however, quite insignificant in this quarter.

These fields will - together with new start-ups in July on Tyrhans and Tune South on the NCS , and Thunder Hawk in GoM - increase our production capacity further when moving into 2nd H of this year

**Our production guidance of 1 950` boep/d is therefore maintained for the full year.**

..and now to the Adjusted Earnings overview..

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# 6 Adjusted earnings after tax by business area

Figure 6.1

Adjusted earnings after tax by business area				
Business area	2Q 2009		2Q 2008	
	Adjusted earnings		Adjusted earnings	
	pre tax	after tax	pre tax	after tax
E&P Norway	20.7	5.6	46.7	11.7
International E&P	2.8	2.1	5.9	3.1
Natural Gas	4.2	0.8	1.9	0.3
Manufacturing & Marketing	1.4	0.5	1.2	0.7
Other	0.2	(0.1)	0.6	0.5
<b>Total adjusted earnings</b>	<b>29.2</b>	<b>9.0</b>	<b>56.3</b>	<b>16.7</b>

(NOK bn)

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Figure 6.1 Adjusted earnings after tax by business area.

## Our operational performance has been good in the 2Q.

Maintenance activities have so far been done according to plan.

New capacity have been delivered as planned, or slightly ahead of schedule, and we have not had any major incidents impacting our operations negatively.

Our overall trading business has been strong also during this quarter.

## E&P Norway reached Adjusted earnings of almost 21 bn NOK this quarter, which is 56% lower than last year.

The main driver behind this reduction is the 41% lower liquids price in NOK, and a 24% lower transfer price of natural gas.

This quarter we have also seen a lower liquids price realization, compared to average Brent, than what is typical for NCS volumes.

## We had large turnarounds this quarter, mainly in the latter part of the period.

Hence we had high production at low oil prices and lower production when the price started to rise in June.

At the same time, and mostly because of the turnarounds, the content of NGL in the NCS production was 18% of total liquids this Q, compared to a typical 10 - 15%.

The market for NGLs was also weak in the quarter and hence the prices were relatively low.

Oil and gas production on the NCS is down 6%, which I have already discussed.

Overall cost developments in E&P Norway has been good and as expected, partly reflecting the high level of maintenance activities.

## International E&P had an Adjusted Earnings of 2.8 bn NOK this quarter, which is down 53% compared to last year

The main reason is the lower liquids price of 40% in NOK,

Equity production increased by 9% to almost 500 000 boepd, while total entitlement volumes were up an impressive 41% to 386 000 boep/d.

Depreciation charges increased by 2 bn NOK due to the increased production, and also a stronger USD versus NOK of almost 30% from 2nd quarter last year.

**Operating costs** in USD is largely unchanged, even though equity production increased by 9%. Operating costs in NOK increased by 30% driven by currency impacts.

**SG&A** was reduced by 1/3 due to ongoing cost reduction programs.

**Natural Gas increased their Adjusted earnings from 1.9 bn NOK last year to 4.2 bn NOK this quarter**

**Processing and Transport** was 1.8 bn NOK, at the same level as last year while **Marketing and Trading** increased their earnings by 2.3bn to 2.4bn NOK, mainly from stronger trading activities.

**Manufacturing and Marketing delivered an adj. earnings of 1.4 bn NOK, compared to 1.2 bn NOK last year.**

Continued strong oil and products trading results, and slightly improved earnings from Energy and Retail, was partly offset by a loss in Manufacturing.

**Manufacturing continued to show a negative trend** with weakening refinery margins.

This is reflected in a loss of 0.5 bn NOK this quarter.

As already mentioned, the continued negative outlook on the balance between refinery capacity and demand has also led to **impairment of two of our refinery positions;**

**Kalundborg** with 2.2 bn NOK and **Pernis** 1.1 bn NOK.

Pernis is accounted for as a financial investment and therefore not included in the segment reporting

We are evaluating the market conditions quarter-by-quarter and do not rule out further impairments in the future.

**Then I would like to give a few comments to our ongoing efforts to increase efficiency and reduce costs .....**

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# 7 Reducing cost base - increasing efficiency

Figure 7.1

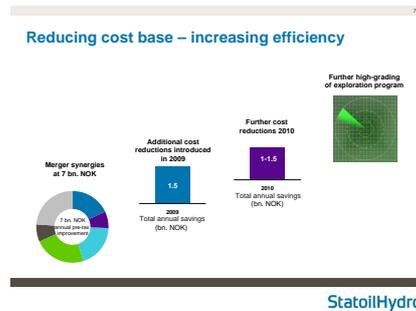


Figure 7.1 7 Reducing cost base - increasing efficiency.

As already mentioned,

**we are continuing to attack the cost base throughout the organization,**

- including internal efficiency, simplicity and adjusting our capacity

**In this context, I should also mention that the merger and realisation**

of merger synergies gave us an opportunity to start the downsizing, and reducing our cost base slightly ahead of the current downturn.

As mentioned at our site visit at Melkøya in June, we have now

**increased our estimates for merger synergies from 6 to 7 bn. NOK.**

**The main elements of this increase are:**

- The 2009 integration process, mainly offshore
- Increased benefits within procurement
- Increased synergies within logistics on the NCS
- ..and a stronger combined trading flexibility within NG and M&M

**In addition to the merger synergies, we have also identified an additional 1.5 bn. NOK in annual savings during 2009,** as set out at our CMU in January.

- These savings are mainly within the SG&A area.
- We have now implemented basically all measures to realise these savings, and you can already see visible evidence of this within the Int'l E&P segment

**We are now in the process of firming up the next phase of our cost savings, that will be targeted during 2010.**

- These adds up to further 1-1.5 bn. NOK annually , and is broadly within the same cost categories as for 2009

**Finally; we will continue to high-grade the exploration portfolio,** both on the NCS and internationally.

# 8 Cash flow from operations 2009

Figure 8.1

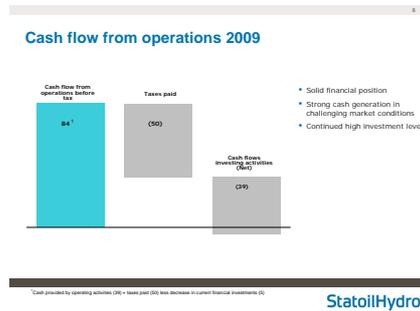


Figure 8.1 8 Cash flow from operations 2009.

**A few comments also to our strong cash-flow generation in 1H 2009.**

**Even at significantly lower oil and gas prices,** with an average liquids price of around 48 USD per barrel year-to-date **..we have generated an impressive 84 bn NOK from our operations.**

**Taxes paid amounted to 50 bn NOK,** which to some extent is also reflecting the higher earnings in 2008

**We spent 39 bn NOK in Capex,** and are on track to meet our capex guidance of 13.5 bn USD for 2009.

Altogether, this development supports our earlier statements on cash-flow neutrality this year at around 55 USD per barrel before dividend.

**Our net-debt-to capital ratio is at around 28%,** having now paid full dividend for 2008.

**We expect the net debt ratio to stay in this range** with the current oil price levels for the rest of 2009.

Then to conclude my presentation with a **guiding summary...**

# 9 Guiding



Figure 9.1 Guiding.

And the **short version** is that there are **no changes** to our 2009 guiding

**Our expected equity production of 1 950` boe/d is maintained**

..supported by a continued strong operational performance during this Q, and increased capacity, as already mentioned .

**We maintain our Capex guiding of USD 13.5 bn**

**Exploration activity** and results have been very good so far, ..and we expect to complete around 70 wells for the full year at a cost of around 2.7 bn USD.

**And finally , there is no change to our guided Unit Production Cost,** expecting to stay in the upper range of 33-36 NOK/barrel for this year

**Next quarter, we expect a planned maintenance activity with a quarterly impact of around 55-60 000 boepd.**

**The maintenance impact for the full year is still estimated to appr. 30` b/d**

I should also remind you that seasonal gas offtake is typically low also in the third quarter.

**This concludes my presentation,**

..and I now leave the word back to Lars for the Q&A session

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# 10 Supplementary information

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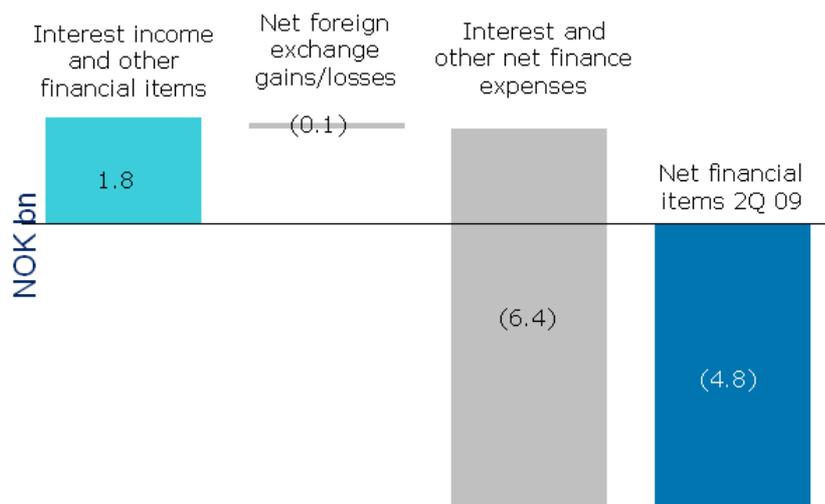
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## Net Financial Items 2Q 2009



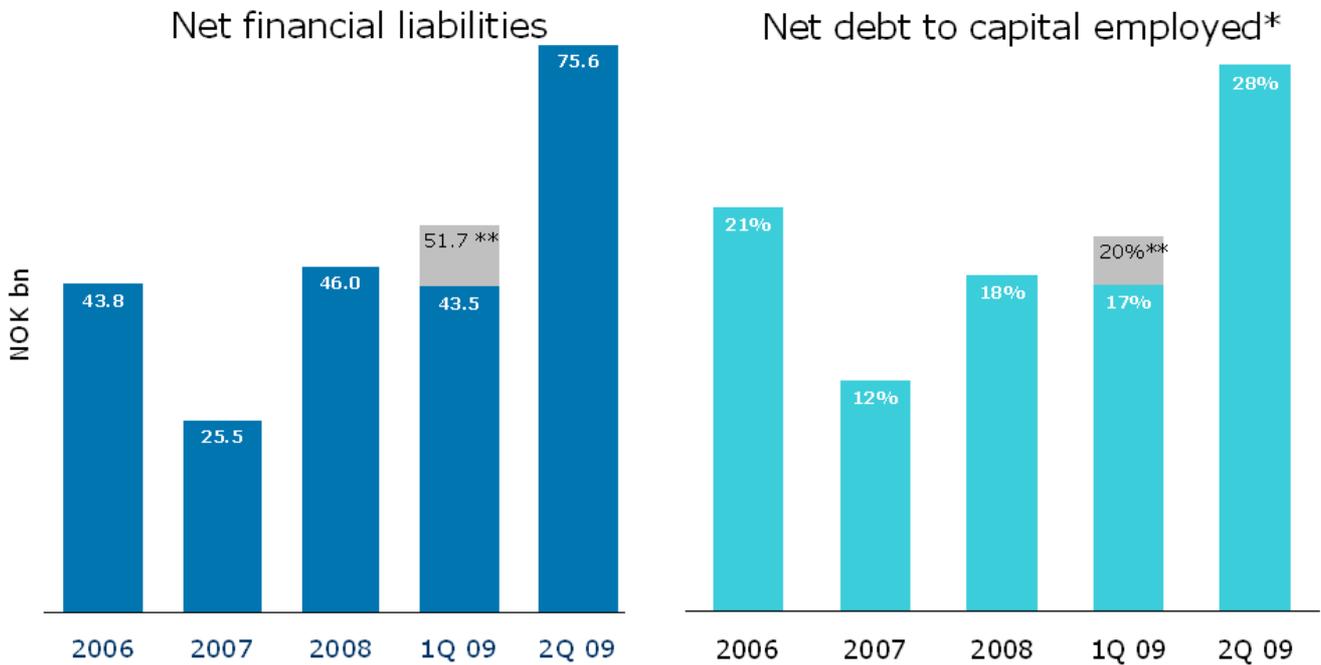
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## Development in net debt to capital employed



\*Debt to capital employed ratio = Net financial liabilities/capital employed

\*\* Adjusted for increase in cash for tax payment

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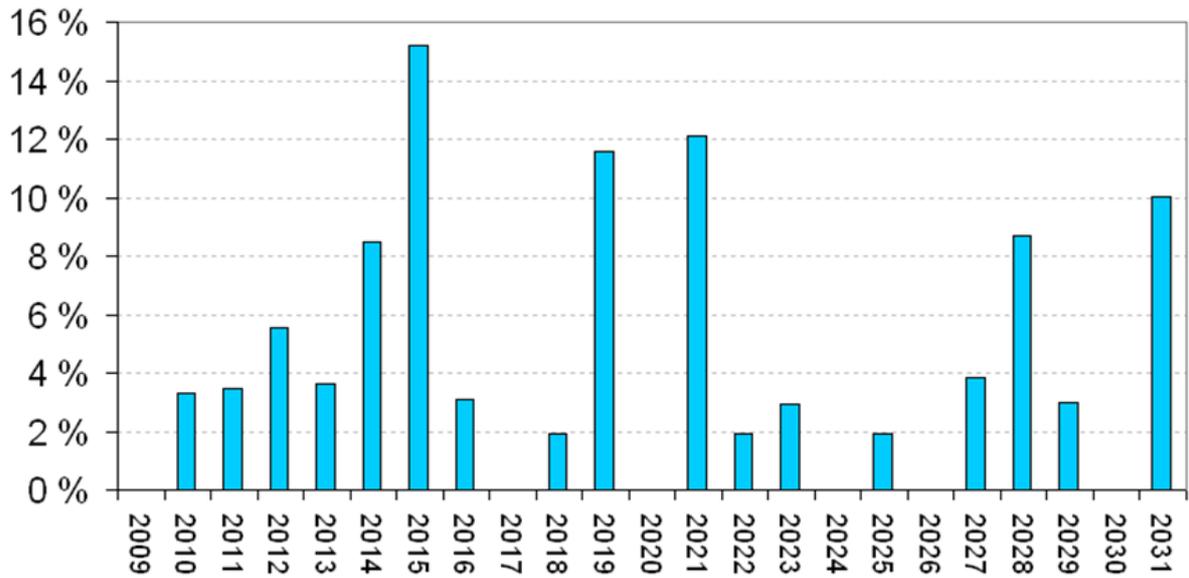
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### Long term debt portfolio Redemption profile 30.06.2009



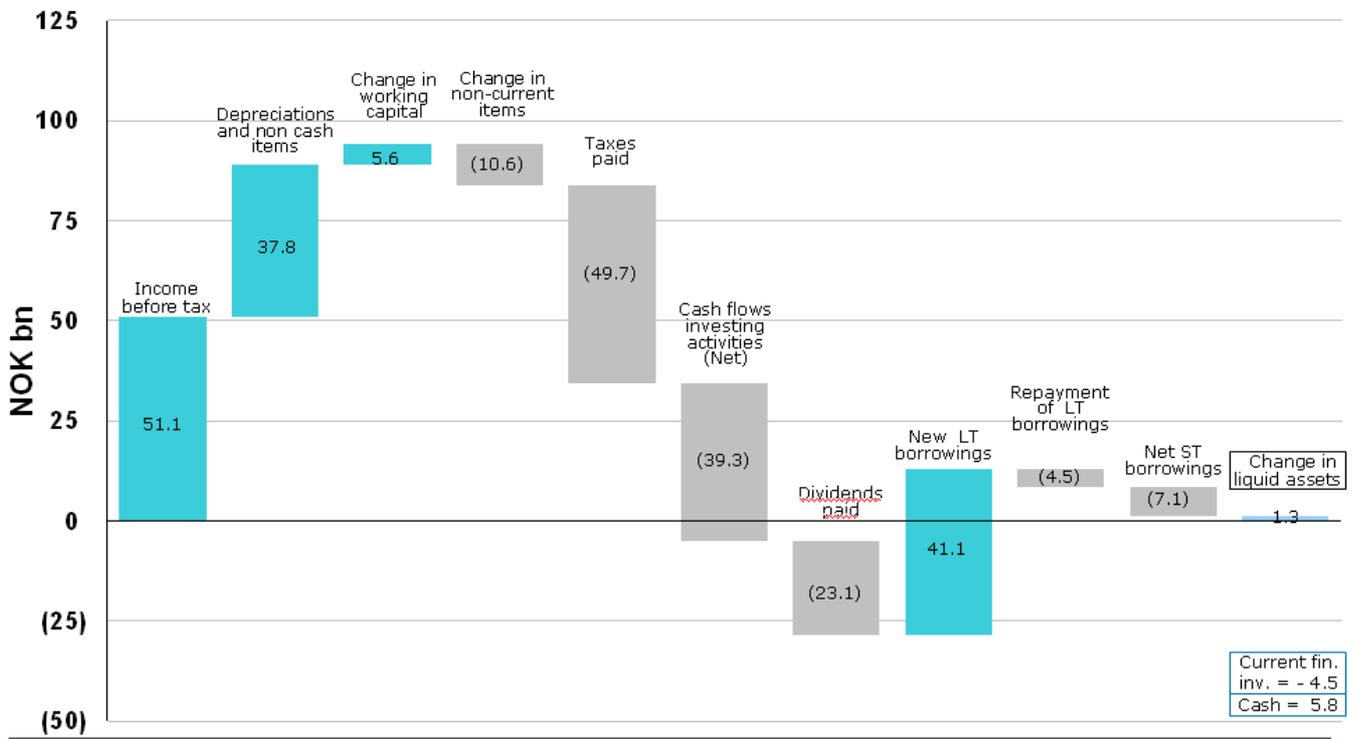
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# Cash flow 2009



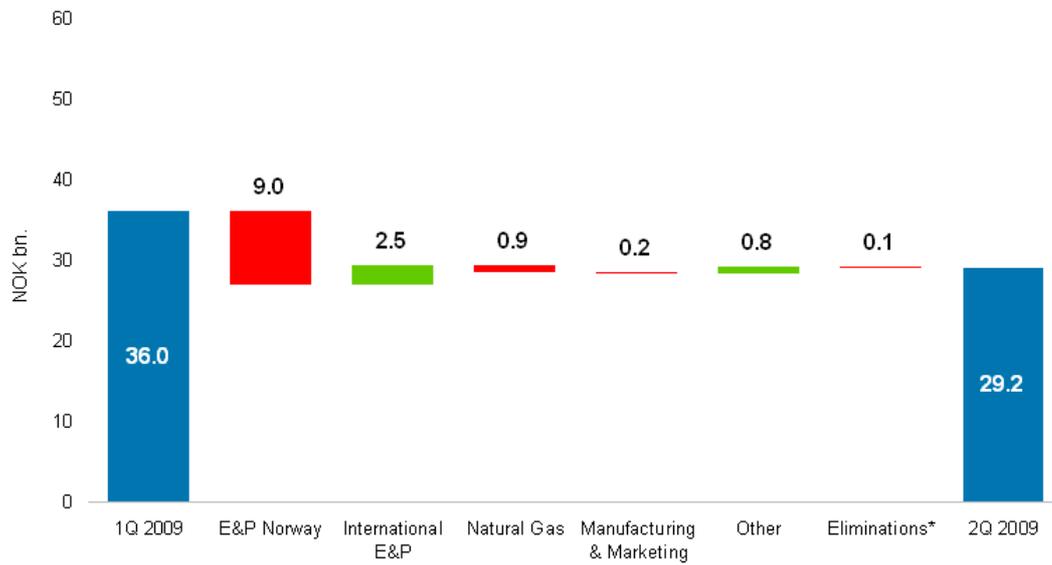
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## Adjusted Earnings – 1Q 2009 vs. 2Q 2009



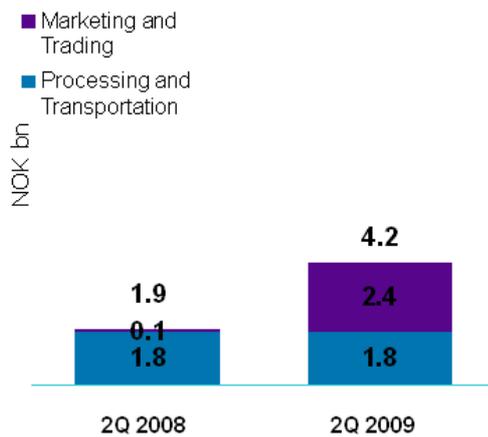
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Figure 10.7

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## Adjusted Earnings break-down- Natural Gas



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Figure 10.7

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Figure 10.8

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## Adjusted earnings break-down– Manufacturing & Marketing



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Figure 10.8

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Figure 10.9

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## StatoilHydro production per field 2Q 2009

StatoilHydro-operated 1000 boed	StatoilHydro share	Produced volumes			Partner-operated 1000 boed	StatoilHydro share	Produced volumes		
		Oil	Gas	Total			Oil	Gas	Total
Alve	85.00 %	6.6	10.0	16.6	Ekofisk	7.60 %	21.2	3.6	24.8
Brage	32.70 %	10.3	0.8	11.1	Enoch	11.78 %	0.8	0.0	0.8
Fram	45.00 %	27.8	2.8	30.6	Ormen Lange	28.92 %	8.1	100.4	108.5
Gimle	65.13 %	3.7	0.0	3.7	Rindhorn Øst	14.82 %	4.6	0.1	4.8
Gltne	58.90 %	4.0	0.0	4.0	Sjøvn	60.00 %	9.2	6.0	15.2
Grane	36.66 %	59.5	0.0	59.5	Skirne	10.00 %	0.4	2.1	2.5
Gullfaks	70.00 %	106.2	32.5	138.7	Total partner-operated		44.3	112.3	156.6
Heidrun	12.41 %	10.9	2.2	13.0	Total production		780.0	683.5	1463.5
Heimdal	*1	0.2	1.0	1.2					
Huldra	19.88 %	0.6	3.8	4.4					
Kristin	55.30 %	38.2	24.9	63.1					
Kvitbjørn	58.55 %	18.3	34.6	52.9					
Mikkjel	43.97 %	10.2	13.4	23.5					
Njord	20.00 %	5.9	8.0	13.9					
Norne	*2	21.9	1.9	23.7					
Oseberg	*3	80.3	39.7	120.0					
Sleipner	*4	31.3	111.5	142.8					
Snorre	*5	41.5	0.4	41.9					
Snøhvit	33.53 %	6.8	27.6	34.3					
Statfjord	*6	44.9	18.5	63.4					
Tordis	41.50 %	7.8	0.1	7.8					
Troll Gass	30.58 %	7.9	148.1	156.0					
Troll Olje	30.58 %	44.6	0.0	44.6					
Vale	28.85 %	1.1	0.9	2.1					
Vesletrikk	18.00 %	2.1	0.0	2.1					
Vigdis	41.50 %	24.3	1.2	25.5					
Vilje	28.85 %	7.5	0.0	7.5					
Visund	53.20 %	17.3	9.5	26.7					
Volve	59.60 %	31.1	3.7	34.8					
Åsgard	34.57 %	60.8	71.9	132.7					
Ytterøyta	45.75 %	2.2	2.4	4.6					
Total StatoilHydro-operated		735.7	571.2	1306.9					

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Figure 10.9

### 10.9.9

Figure 10.10

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## International E&P equity production per field 2Q 2009

E&P International	StatoilHydro share	Produced equity volumes - StatoilHydro share		
		Liquids	Gas	Total
Alba	17.00%	5.8		5.8
Caledonia	21.32%	0.0		0.0
Jupiter	30.00%		1.3	1.3
Schiehallion	5.88%	1.3	0.0	1.4
Lufeng	75.00%	3.2		3.2
Azeri Chirag (ACG EOP)	8.56%	75.5		75.5
Shah Deniz	25.50%	8.6	25.6	34.1
Petrocederjo*	9.67%	15.4		15.4
Girassol/Jasmin	23.33%	27.9		27.9
Kizomba A	13.33%	22.5		22.5
Kizomba B	13.33%	27.9		27.9
Xikomba	13.33%	2.9		2.9
Dalia	23.33%	52.8		52.8
Rosa	23.33%	20.5		20.5
In Salah	31.85%		41.2	41.2
In Amenas	50.00%	23.3		23.3
Marimba	13.33%	3.9		3.9
Kharyaga	40.00%	7.6		7.6
Hibernia	5.00%	4.7		4.7
Terra Nova	15.00%	11.4		11.4
Murzuk	8.00%	2.3		2.3
Marbruk	25.00%	3.6		3.6
Lorien	30.00%	0.7	0.1	0.8
Front Runner	25.00%	2.6	0.3	2.8
Spiderman Gas	18.33%	0.0	5.7	5.7
Q Gas	50.00%	0.0	10.2	10.3
San Jacinto Gas	26.67%	0.0	5.4	5.4
Zia	35.00%	0.1	0.0	0.1
Seventeen hands	25.00%	0.0	0.1	0.1
Mondo	13.33%	13.4		13.4
Saxi-Batuque	13.33%	13.0		13.0
Agbarni	18.85%	37.1		37.1
Marcellus shale gas	32.50%		0.8	0.8
South Pars	37.00%	8.1		8.1
Gimboa	20.00%	4.2		4.2
Tahiti	25.00%	7.9	0.5	8.4
Total equity production from fields outside NCS		408.1	91.2	499.3

\* Petrocederjo is a non-consolidated company

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Figure 10.10

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Figure 10.11

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## Exploration StatoilHydro group

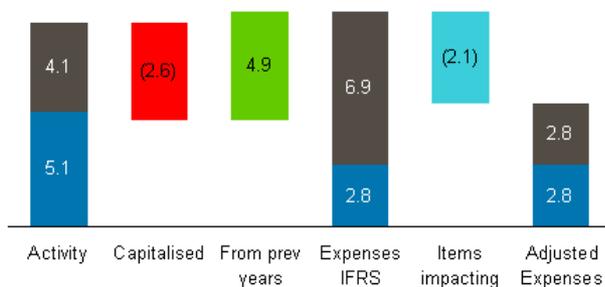
NOK bn.

2Q 2009	2Q 2008	Exploration expenses IFRS
1.4	1.4	Exploration expenses - Norway
3.0	0.5	Exploration expenses - International

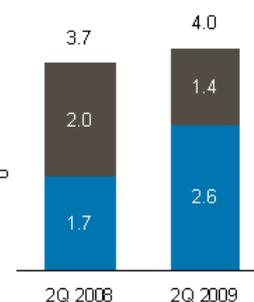
NOK bn.

2Q 2009	2Q 2008	Exploration expenditure
4.0	3.7	Exploration expenditure (activity)
2.2	0.4	Expensed, previously capitalised exploration expenditure
-1.8	-1.1	Capitalised share of current period's exploration expenditure
<b>4.4</b>	<b>3.1</b>	<b>Exploration expenses IFRS</b>
-2.0	1.2	Items impacting
<b>2.4</b>	<b>4.3</b>	<b>Adjusted exploration expenses</b>

Exploration 2009 YTD



Exploration activity



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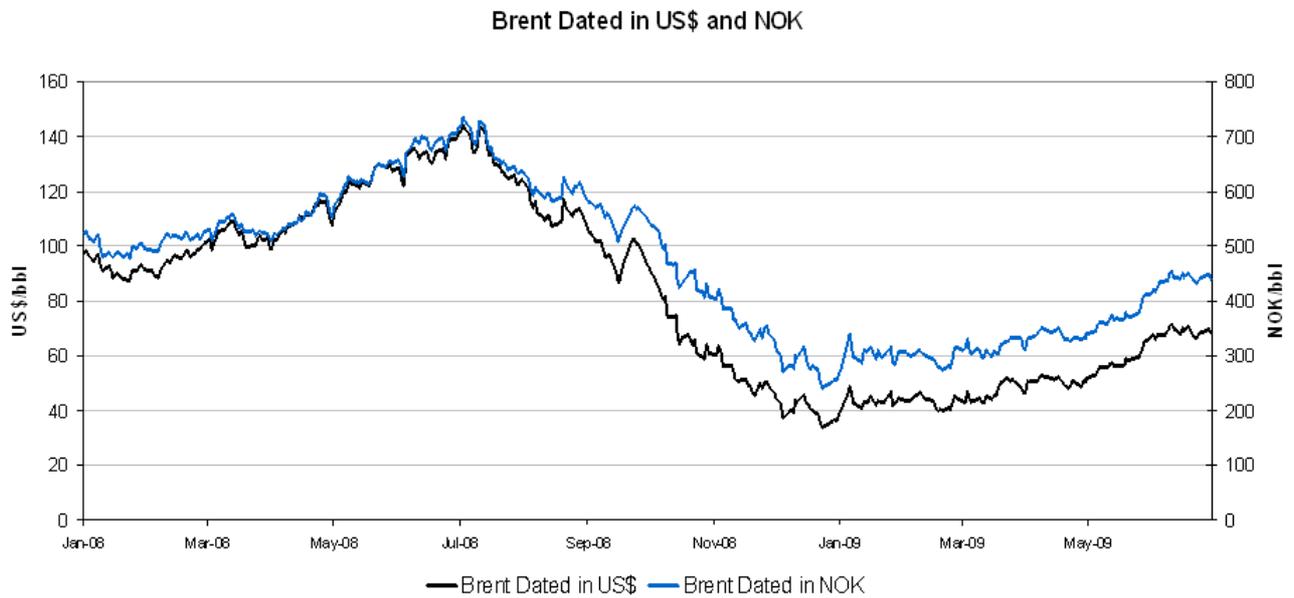
Figure 10.11

10.11 12  
Figure 10.12

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## Manufacturing & Marketing

### Dated Brent development NOK VS USD



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Figure 10.12

**10.12 13**  
Figure 10.13

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## Reconciliation of adjusted earnings to net operating income

Items impacting net operating income (in NOK billion)	Second quarter			First half		
	2009	2008	Change	2009	2008	Change
<b>Net operating income</b>	<b>24,3</b>	<b>62,6</b>	<b>(61 %)</b>	<b>59,8</b>	<b>114,1</b>	<b>(48 %)</b>
<b>Total revenues and other income</b>	<b>2,9</b>	<b>(3,6)</b>	<b>181 %</b>	<b>2,4</b>	<b>(5,2)</b>	<b>146 %</b>
Change in fair value of derivatives	(1,2)	(4,5)	73 %	(0,9)	(4,9)	82 %
Inefficient hedge of inventories	1,7	1,2	42 %	1,5	0,8	88 %
Impairment of investments	0,0	0,0	-	0,0	0,4	(100 %)
Reversal of impairment of investments	(0,3)	0,0	-	(0,3)	0,0	-
Over/underlift	1,4	(2,1)	167 %	0,3	(0,3)	195 %
Gain/Loss on sales of assets	0,0	0,5	(100 %)	0,0	(1,2)	100 %
Eliminations	1,3	1,3	0 %	1,8	0,0	-
<b>Purchase net of inventory variation</b>	<b>(1,2)</b>	<b>(1,4)</b>	<b>14 %</b>	<b>(1,7)</b>	<b>(1,7)</b>	<b>0 %</b>
Operational storage effects	(1,2)	(1,4)	14 %	(1,7)	(1,7)	0 %
<b>Operating expenses</b>	<b>(0,5)</b>	<b>0,4</b>	<b>(225 %)</b>	<b>(1,5)</b>	<b>0,3</b>	<b>(598 %)</b>
Over/underlift	(0,3)	0,3	(200 %)	0,2	0,2	(9 %)
Other adjustments	0,0	0,1	(100 %)	(0,3)	0,1	(396 %)
Accrual for take of pay contract	0,0	0,0	-	(1,3)	0,0	-
Eliminations	0,0	0,0	-	0,4	0,0	-
Gain/Loss on sales of assets	(0,2)	0,0	-	(0,5)	0,0	-
<b>Selling, general and administrative expenses</b>	<b>0,1</b>	<b>0,2</b>	<b>(50 %)</b>	<b>0,2</b>	<b>0,2</b>	<b>0 %</b>
Restructuring costs	0,0	0,2	(100 %)	0,0	0,2	(100 %)
Other adjustments	0,1	0,0	-	0,2	0,0	-
<b>Depreciation, amortisation and impairment</b>	<b>1,6</b>	<b>(0,7)</b>	<b>329 %</b>	<b>1,9</b>	<b>(0,7)</b>	<b>371 %</b>
Impairment	2,2	0,0	-	2,6	0,0	-
Other adjustments	0,0	0,2	(100 %)	0,0	0,2	(100 %)
Reversal of impairment	(0,6)	(0,9)	33 %	(0,7)	(0,9)	22 %
<b>Exploration expenses</b>	<b>2,0</b>	<b>(1,2)</b>	<b>267 %</b>	<b>4,1</b>	<b>0,9</b>	<b>356 %</b>
Impairment	2,0	0,0	-	4,1	2,1	95 %
Reversal of impairment	0,0	(1,2)	100 %	0,0	(1,2)	100 %
<b>Sum of adjustments</b>	<b>4,9</b>	<b>(6,3)</b>	<b>178 %</b>	<b>5,4</b>	<b>(6,2)</b>	<b>187 %</b>
<b>Adjusted earnings</b>	<b>29,2</b>	<b>56,3</b>	<b>(48 %)</b>	<b>65,3</b>	<b>107,9</b>	<b>(39 %)</b>

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Figure 10.13

### 10.13 Reconciliation ROACE

Figure 10.14

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## Reconciliation ROACE

Calculation of numerator and denominator used in ROACE calculation [12] (in NOK billion, except percentages)	30 June 2009	Twelve months ended	
		30 June 2008	31 December 2008
Net income for the last 12 months	12.3	55.7	43.3
After-tax net financial items for the last 12 months	18.4	(7.3)	6.4
Net income adjusted for financial items after tax (A1)	30.7	48.4	49.7
Adjustment for restructuring costs and other costs arising from the merger	(0.4)	4.2	-0.4
Net income adjusted for restructuring costs and other costs arising from the merger (A2)	30.4	52.6	49.3
Calculated average capital employed:			
Average capital employed before adjustments (B1)	229.3	208.3	236.4
Average capital employed (B2)	226.6	204.9	233.3
Calculated ROACE:			
Calculated ROACE based on average capital employed before adjustments (A1/B1)	13.4 %	23.2 %	21.0 %
Calculated ROACE based on average capital employed (A1/B2)	13.6 %	23.6 %	21.3 %
Calculated ROACE based on average capital employed and one-off effects (A2/B2)	13.4 %	25.7 %	21.1 %

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Figure 10.14 Reconciliation ROACE.

### 10.14 Reconciliation of overall operating expenses to production cost

Figure 10.15

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## Reconciliation of overall operating expenses to production cost

Reconciliation of overall operating expenses to production cost [12]	For the three months ended							
	2009			2008			2007	
	30 June	31 Mar	31 Dec	30 Sept	30 June	31 March	31 Dec	30 Sept
(In NOK billion)								
Operating expenses, StatoilHydro Group	14,0	13,9	16,2	15,1	14,7	13,4	22,7	12,4
<i>Deductions of costs not relevant to production cost calculation</i>								
1) Business Areas non-upstream	6,3	6,7	8,5	8,4	6,8	6,5	8,5	5,2
Total operating expenses upstream	7,7	7,2	7,6	6,7	7,9	6,9	14,2	7,2
2) Operation over/underlift	(0,1)	0,3	(0,4)	(0,6)	0,6	(0,1)	(0,1)	0,2
3) Transportation pipeline/vessel upstream	1,4	1,4	1,3	1,2	1,1	1,2	2,1	1,3
4) Miscellaneous items	0,1	0,0	0,5	0,1	0,1	0,0	0,1	0,0
Total operating expenses upstream excl. over/underlift & transportation	6,4	5,5	6,3	6,1	6,0	5,8	12,1	5,6
Total production costs last 12 months	24,3	23,9	24,2	30,0	29,5			
5) Grane gas purchase	0,2	(0,0)	0,6	0,2	0,5	0,5	0,4	0,4
6) Restructuring costs from the merger	0,0	0,0	(1,6)	0,0	0,0	0,0	5,3	0,0
7) Gain/loss on sales of assets	(0,2)	(0,3)	0,8	0,0	0,0	0,0	0,0	0,0
Total operating expenses upstream for adjusted cost per barrel calculation	6,4	5,8	6,6	5,9	5,5	5,2	6,3	5,2

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Figure 10.15 Reconciliation of overall operating expenses to production cost.

### 10.15 Normalised production cost per boe

## Normalised production cost per boe

Production cost per boe [12]	Twelve months ended 30 June		Full Year
	2009	2008	2008
Total production costs last 12 months (in NOK billion)	24,3	29,5	24,2
Produced volumes last 12 months (million boe)	638	639	635
Average USDNOK exchange rate last 12 months	6,38	5,40	5,64
<b>Production cost (USD/boe)</b>	<b>6,03</b>	<b>8,56</b>	<b>6,83</b>
<b>Calculated production cost (NOK/boe)</b>	<b>38,0</b>	<b>46,2</b>	<b>38,1</b>
Normalisation of production cost per boe: [12]			
Production costs last 12 months International E&P (in USD billion)	0,8	0,8	0,8
<b>Normalised exchange rate (USDNOK)</b>	<b>6,00</b>	<b>6,00</b>	<b>6,00</b>
Production costs last 12 months International E&P normalised at USDNOK 6.00	4 574	4 505	4 552
Production costs last 12 months E&P Norway (in NOK billion)	19,4	25,4	19,9
<b>Total production costs last 12 months in NOK billion (normalised)</b>	<b>24,0</b>	<b>29,9</b>	<b>24,5</b>
<b>Production cost (NOK/boe) normalised at USDNOK 6.00 [8]</b>	<b>37,6</b>	<b>46,9</b>	<b>38,6</b>

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Figure 10.16 Normalised production cost per boe.

### 10.16 Reconciliation of net debt to capital employed

Figure 10.17

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## Reconciliation of net debt to capital employed

Calculation of capital employed and net debt to capital employed ratio (In NOK billion, except percentages)	Twelve months ended 30 June 2008	180.1	2008	Full Year 2008
Total shareholders' equity	189.0	180.1	214.1	
Minority interest	2.4	2.0	2.0	
<b>Total equity and minority interest (A)</b>	<b>191.4</b>	<b>182.0</b>	<b>216.1</b>	
Short-term debt	12.0	12.4	20.7	
Long-term debt	90.2	37.6	54.6	
<b>Gross interest-bearing debt</b>	<b>102.2</b>	<b>50.1</b>	<b>75.3</b>	
Cash and cash equivalents	24.5	20.1	18.6	
Current financial investments	5.2	22.9	9.7	
<b>Cash and cash equivalents and current financial investments</b>	<b>29.7</b>	<b>43.0</b>	<b>28.4</b>	
<b>Net debt before adjustments (B1)</b>	<b>72.5</b>	<b>7.1</b>	<b>46.9</b>	
Other interest-bearing elements	5.6	0.1	1,857	
Marketing instruction adjustment	(1.6)	(1.3)	(1,741)	
Adjustment for project loan	(0.9)	(1.7)	(1,070)	
<b>Net interest-bearing debt (B2)</b>	<b>75.6</b>	<b>4.2</b>	<b>46.0</b>	
Normalisation for cash-build up before tax payment (50% of tax payment)	0.0	0.0	-	
<b>Net interest-bearing debt (B3)</b>	<b>75.6</b>	<b>4.2</b>	<b>46.0</b>	
<b>Calculation of capital employed:</b>				
Capital employed before adjustments to net interest-bearing debt (A+B1)	269.4	189.3	264.8	
Capital employed before normalisation for cash build-up for tax payment (A+B2)	267.0	186.2	262.0	
<b>Capital employed (A+B3)</b>	<b>267.0</b>	<b>186.2</b>	<b>262.0</b>	
<b>Calculated net debt to capital employed:</b>				
Net debt to capital employed before adjustments (B1/(A+B1))	26.9 %	3.8 %	17.7 %	
Net debt to capital employed before normalisation for tax payment (B2/(A+B2))	28.3 %	2.3 %	17.5 %	
<b>Net debt to capital employed (B3/(A+B3))</b>	<b>28.3 %</b>	<b>2.3 %</b>	<b>17.5 %</b>	

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Figure 10.17 Reconciliation of net debt to capital employed.

### 10.17 Forward looking statements

Figure 10.18

## Forward looking statements

This Operating and Financial Review contains certain forward-looking statements that involve risks and uncertainties. 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 fact, including, among others, statements such as those regarding: plans for future development and operation of projects; reserve information; expected exploration and development activities and plans; impact of facility maintenance activities; expected start-up dates for projects and expected production and capacity of projects; expectations of the synergies produced by our recent acquisitions, such as our interest in the Marcellus shale gas development and the Peregrino field; the expected impact of the current financial crisis on our financial position to obtain short term and long term financing; the projected levels of risk exposure with respect to financial counterparties; the expected impact of USDNOK exchange rate fluctuations on our financial position; oil, gas and alternative fuel price levels; oil, gas and alternative fuel supply and demand; the completion of acquisitions; and the obtaining of regulatory and contractual approvals are forward-looking statements.

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; the 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; changes in laws and governmental regulations; the timing of bringing new fields on stream; material differences from reserves estimates; an inability to find and develop reserves; adverse changes in tax regimes; the development and use of new technology; geological or technical difficulties; operational problems; the actions of competitors; the actions of field partners; natural disasters and adverse weather conditions; and other changes to business conditions; and other factors discussed elsewhere in this report. Additional information, including information on factors which may affect StatoilHydro's business, is contained in StatoilHydro's 2008 Annual Report on Form 20-F filed with the US Securities and Exchange Commission, which can be found on StatoilHydro's web site at [www.StatoilHydro.com](http://www.StatoilHydro.com).

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 review, either to make them conform to actual results or changes in our expectations.



Figure 10.18 Forward looking statements.

### 10.18 End notes

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## End notes

1. After-tax return on average capital employed for the last 12 months is calculated as net income after-tax net financial items adjusted for accretion expenses, divided by the average of opening and closing balances of net interest-bearing debt, shareholders' equity and minority interest. See table under report section Return on average capital employed after tax for a reconciliation of the numerator. See table under report section Net debt to capital employed ratio for a reconciliation of capital employed. StatoilHydro's first quarter 2009 interim consolidated financial statements have been prepared in accordance with IFRS. Comparative financial statements for previous periods presented have also been prepared in accordance with IFRS.
2. For a definition of non-GAAP financial measures and use of ROACE, see report section Use and reconciliation of non-GAAP measures.
3. The Group's average liquids price is a volume-weighted average of the segment prices of crude oil, condensate and natural gas liquids (NGL), including a margin for oil sales, trading and supply.
4. FCC margin is an in-house calculated refinery margin benchmark intended to represent a 'typical' upgraded refinery with an FCC (fluid catalytic cracking) unit located in the Rotterdam area based on Brent crude.
5. A total of 15.3 mboe per day in the first quarter of 2009 and 16.7 mboe in the first quarter of 2008 represent our share of production in an associated company which is accounted for under the equity method. These volumes have been included in the production figure, but excluded when computing the over/underlift position. The computed over/underlift position is therefore based on the difference between produced volumes excluding our share of production in an associated company and lifted volumes.
6. Liquids volumes include oil, condensate and NGL, exclusive of royalty oil.
7. Lifting of liquids corresponds to sales of liquids for E&P Norway and International E&P. Deviations from share of total lifted volumes from the field compared to the share in the field production are due to periodic over- or underliftings.
8. The production cost is calculated by dividing operational costs related to the production of oil and natural gas by the total production of liquids and natural gas, excluding our share of operational costs and production in an associated company as described in end note 5. For a specification of normalising assumptions, see end note 9. For normalisation of production cost, see table under report section Normalised production cost.
9. By normalisation it is assumed that production costs in E&P Norway are incurred in NOK. Only costs incurred in International E&P are normalised at a USDNOK exchange rate of 6.00. For purposes of illustrating StatoilHydro's production cost development exclusive of exchange rate fluctuations, a USDNOK exchange rate of 6.00 is used.
10. Equity volumes represent produced volumes under a Production Sharing Agreement (PSA) contract that correspond to StatoilHydro's ownership percentage in a particular field. Entitlement volumes, on the other hand, represent the StatoilHydro share of the volumes distributed to the partners in the field, which are subject to deductions for, among other things, royalty and the host government's share of profit oil. Under the terms of a PSA, the amount of profit oil deducted from equity volumes will normally increase with the cumulative return on investment to the partners and/or production from the licence. As a consequence, the gap between entitlement and equity volumes will likely increase in times of high liquids prices. The distinction between equity and entitlement is relevant to most PSA regimes, whereas it is not applicable in most concessionary regimes such as those in Norway, the UK, Canada and Brazil.
11. Net financial liabilities are non-current financial liabilities and current financial liabilities reduced by cash, cash equivalents and current financial investments. Net interest-bearing debt is normalised by excluding 50% of the cash build-up related to tax payments due in the beginning of February, April, June, August, October and December each year.
12. These are non-GAAP figures. See report section Use and reconciliation of non-GAAP measures for details.
13. Transactions with the Norwegian State. The Norwegian State, represented by the Ministry of Petroleum And Energy (MPE), is the majority shareholder of StatoilHydro and also holds major investments in other entities. This ownership structure means that StatoilHydro participates in transactions with many parties that are under a common ownership structure and therefore meet the definition of a related party. StatoilHydro purchases liquids and natural gas from the Norwegian State, represented by SDFI (The States Direct Financial Interest). In addition, StatoilHydro is selling The State's natural gas production in its own name, but for the Norwegian State's account and risk as well as related expenditures refunded by the State.  
All transactions are considered to be on a normal arms-length basis and are presented in the financial statements.



Figure 10.19 End notes.

### 10.19 Investor relations in StatoilHydro

Figure 10.20

## Investor relations in StatoilHydro

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### Investor relations in the USA

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For more information: [www.statoilhydro.com](http://www.statoilhydro.com)



Figure 10.20 Investor relations in StatoilHydro.

### 10.20 Final slide

Figure 10.21

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StatoilHydro is an integrated technology-based international energy company primarily focused on upstream oil and gas operations. Headquartered in Norway, we have more than 30 years of experience from the Norwegian continental shelf, pioneering complex offshore projects under the toughest conditions. Our culture is founded on strong values and a high ethical standard. We aim to deliver long-term growth and continue to develop technologies and manage projects that will meet the world's energy and climate challenges in a sustainable way. StatoilHydro is listed on NYSE and Oslo Stock Exchange.

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Figure 10.21 StatoilHydro.

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