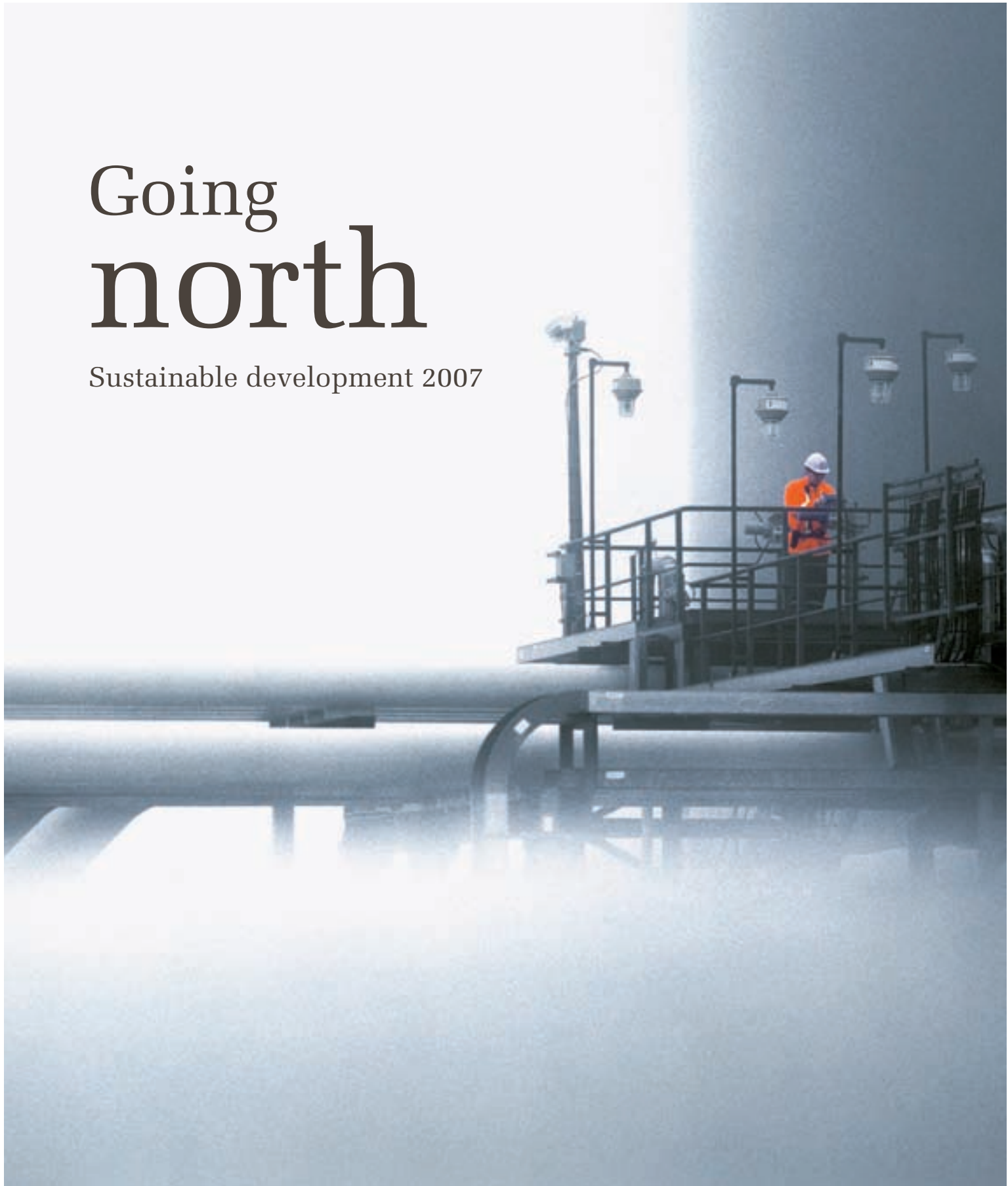


Going north

Sustainable development 2007



StatoilHydro

Key data

| | 2007 | 2006 |
|---|-------------|-------------|
| Financials^{1, 5} | | |
| Total revenues | 522,797 | 521,482 |
| Income before financial items, other items, income taxes and minority interest | 137,204 | 166,164 |
| Net income | 44,641 | 51,847 |
| Cash flows used in investing activities | 75,112 | 57,175 |
| Return on average capital employed after tax (%) | 19.9 | 22.9 |
| Operations | | |
| Combined oil and gas production (thousand boe/d) | 1,724 | 1,708 |
| Proved oil and gas reserves (million boe) | 6,010 | 6,101 |
| Production cost (NOK/boe) | 44.3 | 28.1 |
| Reserve replacement ratio (three-year average) | 0.81 | 0.76 |
| Environment² | | |
| Oil spills (cubic metres) | 4,989 | 181 |
| Carbon dioxide emissions (million tonnes) | 14.6 | 12.9 |
| Nitrogen oxide emissions (thousand tonnes) | 49.4 | 47.7 |
| Discharges of harmful chemicals (tonnes) | 19 | 30 |
| Energy consumption (TWh) | 69.8 | 62.4 |
| Waste recovery factor (%) | 41 | 79 |
| Health and safety | | |
| Total recordable injury frequency ³ | 5.0 | 6.0 |
| Serious incident frequency ³ | 2.1 | 2.2 |
| Sickness absence ⁴ | 3.5 | 3.5 |
| Fatalities ³ | 3 | 0 |
| Organisation | | |
| Proportion of female managers (%) [*] | 26 | 26 |
| Union membership (per cent of workforce), Statoil ASA (%) [*] | 67 | |

¹ Key figures given in NOK million

² Data cover StatoilHydro-operated activities

³ Data cover StatoilHydro employees and contractors

⁴ Total number of days of sickness absence as a percentage of possible working days (StatoilHydro employees)

⁵ Owing to IFRS transition from 2007, comparable numbers for years prior to 2006 are not available

^{*} Estimates








These are key indicators of StatoilHydro's performance. Several are included in managers' performance pay contracts. For a more extensive overview of reporting indicators, see our annual report and accounts for 2007.




Measures and results

This page contains a schematic presentation of the improvement goals which we discuss in the different chapters on our website at www.statoilhydro.com

A colour code – green, yellow or red – indicates whether an action has been completed, is in progress or not implemented.

Read more about measures and results in our web version.

| Chapter | Planned measures 2007 | Results 2007 | | Planned measures 2008 |
|-----------------|--|---|--|--|
| Climate | Emissions of non-methane volatile organic compounds (nmVOC) to be reduced during offshore loading. One system will be installed in 2007. All shuttle tankers on the NCS will have systems for reducing nmVOC emissions. Regularity is constantly being improved. | All shuttle tankers on the NCS now have emission-reduction systems, but operating conditions meant they were not always available. System regularity was not as good as expected. Emissions were reduced by about 45,000 tonnes, or 30 per cent below the target. |  | Implement measures to improve the deployment of tankers with emission-reduction systems and improve the regularity of this equipment. |
| Environment | Take outstanding action to meet the goal of zero harmful discharges to the sea. Measure the effect of these measures. | Discharges of oil in water from our installations in 2007 averaged less than 10 mg/l. The completion status of major modification projects varied. |  | The last projects are expected to start up in October 2008. These include two injection facilities and a major study to assess injection of produced water on Troll C. Measurements to check the effect of action taken in 2000-2007 are planned for 2008. |
| Safety | Further efforts to prevent dropped objects. | Increased need for risk assessments. Continuous efforts were pursued to prevent dropped objects. The number of such incidents was stable in 2007. |   | An indicator linked to the technical safety condition will be established. |
| Society | Develop a learning module for planning and implementation of corporate social responsibility (CSR), including reassessment of the CSR guidance tool. | CSR learning mats developed and delivered to CSR network. |  | Implement further measures for managing and reducing integrity and human rights risks. |
| Human resources | Allocate jobs and duties to reflect the equal status of both former companies and help to build a common corporate culture. | The people process not only took account of our need for safe and secure operation but also gave individual employees an opportunity to choose. |  | The living-our-values score in our Global People Survey should be a minimum of 4.5. |
| Health | The goal of raising the real age of retirement will be maintained. The policy established for older employees will be introduced. | Severance packages for those aged 58 or above were used in the merger process as a means of achieving staff reductions. |  | Continue developing a people policy based on life phases. |

 Not implemented  In progress  Completed



Facts about StatoilHydro

StatoilHydro is an international integrated energy company based in Norway. We are the leading operator on the Norwegian continental shelf (NCS) and have operations in 40 countries.

- Established on 1 October 2007 following the merger between Statoil and Hydro's oil and gas activities
- About 29,500 employees in 40 countries
- The world's largest operator in waters more than 100 metres deep
- Operator for 39 producing oil and gas fields
- Market capitalisation of more than NOK 500 billion (NOK 528 billion at a share price of NOK 170)
- Production averages more than 1.7 million barrels of oil equivalent per day
- Proven reserves: more than six billion barrels of oil equivalent
- World leader in the use of deepwater technology
- World leader for carbon capture and storage
- One of the world's largest crude oil and gas suppliers
- Biggest seller of oil products in Scandinavia
- One of the world's 50 largest listed companies
- Listed on the Oslo Stock Exchange (ticker: STL) and New York Stock Exchange (ticker: STO)

History and merger

StatoilHydro became a reality on 1 October 2007, after plans for a merger between Statoil and Hydro's oil and gas business had been announced on 18 December the year before. The Statoil and Hydro annual general meetings approved the union on 8 June 2007, and we have acquired the size and strength needed to make a further commitment both on the NCS and internationally.

Our two predecessor companies had been the most central players in the Norwegian oil industry, with proud traditions for expertise and innovation which extended back to the early 1970s.

Both companies made a strong contribution to developing Norway as a modern industrial nation. This country ranks today as one of the world's most productive petroleum provinces and a laboratory for technological development.

Hydro's history dates back to 1905, with the creation of Norsk Hydro-elektrisk Kvælstofaktieselskab. The company made the move into the oil industry in the late 1960s through its involvement in the Ekofisk field. At the merger date, the company was operator for 13 oil and gas fields on the NCS.

Statoil was founded as Den norske stats oljeselskap a.s in 1972, two years before Statfjord was discovered. This North Sea field was brought on stream in 1979. In 1981, Statoil became the first Norwegian company to receive the operatorship for a field – the Gullfaks discovery in the North Sea. At the merger date, it was operator for 39 oil and gas fields on the NCS.

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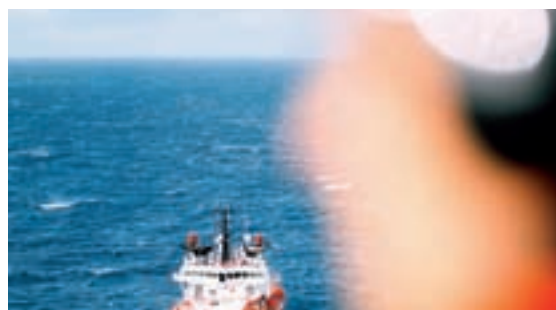
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About the report

This report reflects our results and ambitions for 2007 in the fields of environmental protection and climate, corporate social responsibility, health, safety and people policy.

We focus here on sustainability measures of material significance for us, and seek to provide our stakeholders with a balanced presentation of 2007.

Both Statoil and Hydro had a reputation for good results in sustainable development, and both were ranked among the world leaders in their categories for several years by the Dow Jones Sustainability Index (DJSI). We in StatoilHydro continue to give priority to sustainable solutions

Statoil and Hydro published their first sustainability reports in 2002, covering results for 2001. Hydro's was incorporated in its annual report under the title "viability performance". The companies separately launched the last reports in March 2007. As a new group, we will continue to produce a separate sustainability report annually. From this year, it will comprise two versions. The paper edition presents a selection of the challenges posed and opportunities offered in the sustainability area, while the main report can be found on our website at www.statoilhydro.com.

The whole printed report is available on the internet, broken down into chapters and as a single document downloaded in PDF format. For more detailed information on our operations in 2007, see our two other reports – the annual report and the annual report in 20-F format.

A growing number of companies are producing sustainability reports, which helps to create more consistent reporting in this area across industry segments. We report in accordance with the G3 guidelines from the Global Reporting Initiative (GRI). A list of the GRI parameters we report, and where they can be found, is provided in the web edition. Our health, safety and environmental (HSE) reporting is also based on the oil and gas industry guidance on voluntary sustainability reporting from the International Petroleum Industry Environmental Conservation Association (Ipieca).

Should you have any questions or comments, contact:

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Anders Ystad
ayst@statoilhydro.com

Enjoy.



An oil and gas company which wants to succeed in the competition for future resources must take sustainability seriously.

www.statoilhydro.com/aboutreport



“

The paper edition of the sustainability report presents a selection of the challenges posed and opportunities offered in the sustainability area, while the main report can be found on our website.

”

Chief executive's foreword

Our most important job is to create value for our owners. My principal responsibility as chief executive is to develop a strong, competitive and efficient group. To succeed in that endeavour, health, safety and environmental considerations must underpin everything we do. We thereby make our group more robust, reliable and competitive. It is also important to remain an attractive place to work, which offers our employees good development opportunities.

We wrote industrial history in Norway during 2007, implementing the merger between Statoil and Hydro's oil and gas business in less than year. Throughout the merger period, we also devoted full attention to safe and good operations and maintained positive results. A big commitment by the whole organisation as well as good and close collaboration with union officials made this possible.

Our group is the result of the biggest-ever merger in the Nordic region. As operator for a total production exceeding three million barrels per day, we are the world's largest operator in deep water. The merger was driven primarily by the need to strengthen our international competitiveness. At the same time, we are realising major benefits and gains on the Norwegian continental shelf (NCS) which will benefit our owners, our partners and society.





“

The way we deliver will be just as important as the results delivered. We want to be recognised as a group which combines good performance with high integrity.

”

Helge Lund, president and CEO



“In coming years, our competitiveness will be influenced by our industrial response to the climate challenge.”

In parallel with the integration process, we established new platforms for long-term international growth over the past year. We have further strengthened our position in North America through a major acquisition in Canadian oil sands and by acquiring exploration licences in the Gulf of Mexico and off Alaska. In addition, we secured a position with Russia's Shtokman field. These will be important areas for us in the years to come.

As an industry, we live on top of the global stress zone where the need for secure and adequate energy supplies rubs up against the climate challenge. The climate issue represents both a challenge and an opportunity. Its challenge is to reduce greenhouse gas emissions. Its opportunity is the commercialisation of more environment-friendly solutions and products. We are constantly challenged over the footprint we leave as an energy company. In coming years, our competitiveness will be influenced by our industrial response to the climate challenge. Our response involves both making our core business cleaner and more energy efficient, and strengthening our involvement with new energy. This is why we are committed to enhancing energy efficiency and develop environmental technology. This is why we are developing new technology for carbon capture and storage at Mongstad. And this is why we are stepping up our involvement in renewable energy, with the focus on wind power and biofuels.

Our move last year into Canadian oil sands was first and foremost about realising major resources which can help to meet the world's growing energy demand. At the same time, we are working on technology and industrial measures which address the associated environmental and climate challenges. Technological development is at an early stage in this area. That is precisely why we have established our new technology centre for heavy oil in Calgary. Our starting point is solid experience from areas such as managing carbon emissions, enhancing energy efficiency and improving oil recovery. No easy fixes are available, but I am con-

vinced that we have a lot to contribute. Our ambition is also to develop more efficient and environment-friendly solutions for heavy oil.

Opportunities in our industry are defined more by geology than by geography. The world's oil and gas resources are often found in areas which pose major development challenges. Poverty, corruption and human rights violations present us with demanding conditions. This calls for extra vigilance to ensure that we conduct our business with a high degree of openness and within an uncompromising performance framework defined by our values, HSE principles and ethical platform. Our best contribution to social development is to conduct an efficient and profitable business within this framework. We also work systematically on measures to operationalise our corporate social responsibility.

Our work on sustainability is about continuous improvement. Last year showed that we need to improve in a several areas. Since we believe that all accidents can be prevented, it is deeply regrettable that our group was involved in three fatal accidents during 2007. These were tragic incidents which caused irreplaceable loss for the bereaved.

The oil spill from the Statfjord A platform in the North Sea was unacceptable. The investigation exposed weaknesses and deficiencies which we cannot accept, given our high ambitions in the environmental area. We have initiated a number of improvement measures to ensure that such events are not repeated.

An oil and gas company which aims to compete successfully over tomorrow's resources must take sustainability seriously. Our ambition is to be part of the solution to important sustainability challenges. We then need an active and open dialogue with the society around us. Our interaction with owners, government authorities and civil society will help to make us even better. Only in that way can we strengthen and renew our contribution to meeting future challenges and expectations.

Weather conditions make the job of recovering resources from the Barents Sea particularly difficult.

www.statoilhydro.com/foreword



Ethics and values

Ethics

Our ability to create value depends on maintaining high ethical standards, and we are determined to be known for these.

We regard ethics as an integral part of our business activities, and act within the law and well within our own ethical principles.

We require high ethical standards of everyone who acts on our behalf and will maintain an open dialogue on ethical issues, both in-house and externally. We also expect our business partners to have ethical standards compatible with our own.

Our code of ethical conduct describes the requirements which apply to our business practices.

Together with our values statement, it constitutes the basis and framework for the values-based performance culture we want to develop.

Our values

Our values embody the spirit and energy of StatoilHydro at its best. Our values base is essential to our success over time in a competitive environment. Our values are at the core of our management system. They drive our performance and guide us in how we do business and how we work together and towards external stakeholders. We are not willing to compromise on our values, either in words or actions. We will build an even stronger StatoilHydro, and together we will take it to the next level.



The drive and energy in our organisation will find their expression in our values.

www.statoilhydro.com/ethics



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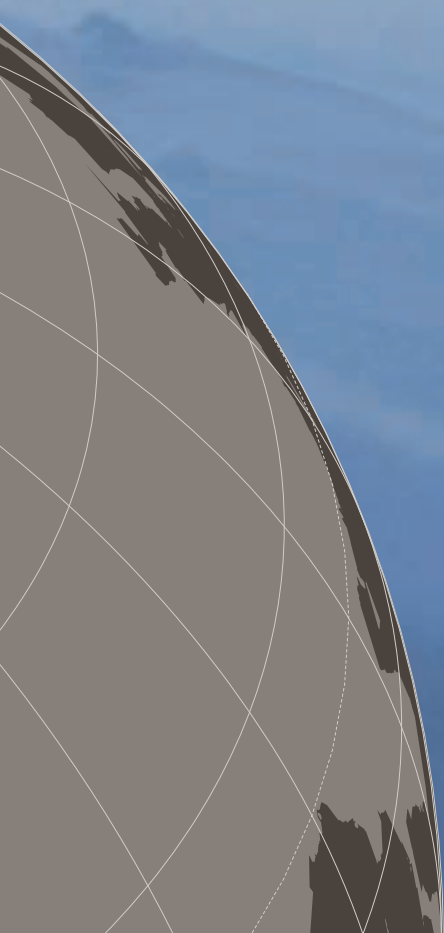
We require high ethical standards of everyone who acts on our behalf and will maintain an open dialogue on ethical issues, both in-house and externally.

”

Northward bound

The easily-accessible resources are getting ever scarcer. Our industry has accordingly directed its gaze to the far north in the hunt for tomorrow's oil and gas. That creates great opportunities, but also poses big demands for sustainable solutions. The world's toughest regions are also vulnerable.





In one of the world's harshest environments, Snøhvit gas is not the only thing to feel the cold at the liquefaction plant on Melkøya island off Hammerfest.

Theme



The Snøhvit plant is a pioneering technology project.



The subsea installation on Tordis will extend the field's producing life and improve recovery.

According to the International Energy Agency (IEA), fossil fuels will continue to dominate global energy consumption for many years to come. About a quarter of the world's remaining undiscovered petroleum resources are thought to lie in the Arctic, and could help to meet the world's growing demand for energy.

Challenges

The fauna and flora in far northern and Arctic regions are adapted to the tough climate. Elements of these ecosystems are considered especially vulnerable to oil pollution. That applies particularly to species living at the edge of the ice, and possible oil spills in icy waters could cause substantial damage. But the picture is not straightforward. Other organic communities and stocks in the far north are adapted to big natural fluctuations, which can make them robust against external influences.

The latest research results presented under the international Arctic monitoring and assessment programme (Amap) also indicate that Arctic species are not significantly more vulnerable than those living under temperate conditions. However, great uncertainty prevails about the potential significance of future climate change for the Arctic ecology.

Learning more about ecosystems in

the Arctic, so that all necessary care can be taken, is an important job. We will continue to contribute to research which can provide such knowledge.

Achievements on the NCS

We are well prepared to operate in the far north. The NCS has served as a laboratory for developing environment-friendly solutions to very challenging problems. From the start of production on Ekofisk in 1971 until the opening of Ormen Lange and Snøhvit in 2007, the Norwegian petroleum community has developed into a leading world supplier of ever more environment-friendly technology.

- We have reduced energy consumption per tonne of oil and gas produced to less than half the industry average, and also generate power with efficient gas turbines and extensive use of heat recovery. This means that carbon emissions per unit produced on the NCS are about a third of the industry average on a global basis.
- Our projects to capture carbon dioxide from the wellstream and store it in sub-surface formations are regarded by the European Union and others as an important step towards large-scale carbon capture and storage (CCS) from flue gases in coal- and gas-fired power stations. Such solutions could mean

substantial reductions in European carbon emissions.

- We comply with the Norwegian government's requirement for zero production flaring on the NCS. We participate in the global gas flaring reduction programme (GGFR) led by the World Bank, which commits members to reduce flaring internationally.
- Various studies on transmitting land-generated electricity to installations on the NCS and to land-based plants have drawn mixed conclusions. While it has proved costly to convert older installations to such power supplies, the cost picture has been advantageous in a number of cases if such provision is included in the calculations from the start. By supplying land-generated power to Troll A in the North Sea and the Kollsnes processing plant, and deciding to do the same with the Gjøa development, we are helping to reduce emissions of carbon dioxide and nitrogen oxides from petroleum operations.
- The Tordis separation plant in the North Sea removes sand and water from oil on the seabed instead of on a platform. Since the separated components do not have to be lifted to the surface, this represents an important measure for improving energy efficiency. The technology can overcome



Ormen Lange – a textbook example of pioneering efforts based on sound teamwork.



The focus on the far north requires a more integrated approach.

challenges in areas with a sensitive environment or deep water.

- The Troll B and C platforms in the North Sea were the first to employ a treatment technology which has significantly reduced the oil content in produced water. This takes us a further step towards meeting our target of zero harmful discharges to the sea from petroleum operations on the NCS.

All the examples quoted above illustrate that we are a prime mover and play an active role in developing new and ever more sustainable solutions – even when these carry a cost.

Strongly placed in the far north

Although Norway's oil industry is accustomed to operating in cold climates, a broader orientation towards the far north requires it to think along more integrated lines. That applies naturally to the choice of sustainable solutions, but also in a more technological and research-based context. From a technological perspective, the principal focus in offshore field development will be largely on producing hydrocarbons from deep water and in cold climates.

Challenges for oil spill response in the far north relate primarily to ice-covered waters, cold and darkness in the winter

months and limited access to clean-up resources. Our goal is that the response to oil spills will be robust, efficient and well-adapted to local conditions. As mentioned in our sustainability report for 2006, we participate actively in a number of research and development projects to strengthen oil spill response off northern Norway and in ice-infested international waters.

Following the creation of our present group, we have strengthened our position in areas which offer even greater challenges to our business in the choice of sustainable solutions.

- We began gas liquefaction at the Melkøya plant outside Hammerfest in northern Norway during the autumn of 2007.
- We signed a frame agreement in the autumn of 2007 for a 24% share of Shtokman Development AG, which will develop the first phase of the Shtokman field in the Russian sector of the Barents Sea. This ranks as the world's largest undeveloped offshore gas discovery.
- We were awarded new exploration licences in the Chukchi Sea off Alaska during February 2008, and are operator for all the blocks.
- We are operator for and partner in prospects off Newfoundland and Nova Scotia, as well as holding interests in

the producing Terra Nova and Hibernia fields in these waters. Our Canadian offshore holdings currently embrace eight exploration licences, two production licences and 26 discoveries off Newfoundland.

- We acquired North American Oil Sands Corporation in Canada – now part of StatoilHydro Canada – during 2007.

A sea of opportunities

Production in the North Sea is passing its peak. Many years of experience with developing tailored solutions and with production have taught us what is required in the form of sustainable investment to work in one of the world's toughest regions. The big opportunities on the NCS are now considered to lie in the far north. As the industry moves into these waters, it is crucial that we take with us and further develop important experience from the North and Norwegian Seas.

Two projects in particular stand out as important references for our experience as we turn our gaze northwards – Ormen Lange and Snøhvit.

Ormen Lange

This Norwegian Sea field has carried the oil and gas industry a good step forward. No installations are visible from the sur-



Development in the far north also brings us into closer contact with people and communities in neighbouring countries, such as the port of Murmansk.

face, with subsea facilities located in 800-1,100 metres of water. Gas from Ormen Lange is being transported to the UK through the 1,200-kilometre Langed pipeline, where it will be able to meet up to 20% of British gas consumption for the next 40 years. Hydro was the development operator, while Shell took over as production operator in the autumn of 2007.

Snøhvit

Like Ormen Lange, Statoil's Snøhvit project in the Barents Sea is a groundbreaking technology development which has provided very valuable experience in Arctic regions.

On 20 October 2007, the first vessel with a cargo of liquefied natural gas from the Snøhvit field left port at Melkøya. For the first time, we are supplying gas from the NCS in a cooled state by ship. LNG gives us increased flexibility in terms of marketing gas globally. The plant at Melkøya is the first LNG production facility in Europe and it will be a key component in our focus on LNG, which is the fastest growing gas market in the world. The LNG plant has suffered from operational challenges and there are still uncertainties related to the timing of regular and stable operations.

With the groundbreaking Snøhvit development, we have nevertheless taken a sub-



The Shtokman field presents us with challenges on many different levels.

stantial step forward and now operate:

- in one of the world's toughest regions
- with a new product
- intended for a new market.

Supplier development programme

The impact assessment carried out ahead of the Snøhvit project estimated that the local share of contracts during the development phase would be roughly NOK 600 million. In practice, the figure has proved considerably higher and stands at almost NOK 3 billion for northern Norway alone. Of this, roughly half went to Hammerfest

Among the many measures implemented to ensure the highest possible value creation during the Snøhvit development, particular mention can be made of the Petro Arctic supplier network. This is an interest organisation for companies wishing to position themselves as suppliers to the development and operation of the Snøhvit gas liquefaction plant, the Goliat project and other future developments in northern Norway and the Barents Sea.

From Snøhvit and Ormen Lange to north-western Russia

The success of the Petro Arctic supplier network has become a cornerstone in our sustainability programme for local and national interests in north-western Russia.

But this supplier programme is only one element in a wider commitment to sustainable development. As part of their long-term perspective on petroleum operations in north-western Russia, both Statoil and Hydro initiated closer collaboration with the regional authorities in north-western Russia. The aim was to develop a plan for accepting corporate social responsibility (CSR) tailored to local and regional needs in this area. Three other collaboration areas were also selected in addition to surveying and developing the supplies industry in the region.

- Strengthening the education sector to meet requirements for a new industrialisation represented by the petroleum industry.
- Increasing understanding of and commitment to environmental challenges related to the new business.
- Contributing to capacity-building in the social sector.

Read more about these in the internet version of our sustainability report.

Commitment in the west

Many of the challenges and opportunities we have encountered on the Norwegian and Russian sides of the Barents Sea are also present in our Canadian operations,



The oil sand project in Canada's deep forests presents significant environmental challenges.

even though these areas do not fall within the strict geographical definition of the Arctic.

We have interests in two oil producers, Hibernia and Terra Nova, on the Grand Banks about 350 kilometres off Newfoundland. We are also a partner in the Hebron oil field, which is now in line for development.

The challenges we meet here – not only operational, but also relating to climate measures and employee health and safety – are very similar to those encountered in Arctic regions. The weather is cold and stormy, and structures must be able to withstand collisions with icebergs or to move at short notice. To reduce the likelihood of collisions, operators in these waters have established a common monitoring and response system. We participate in this collaboration, and our experience from it will be useful when operating in other iceberg-infested waters.

Oil sands

Our acquisition of a large oil sand deposit further west in Canada has been the subject of much debate and criticism, both in Norway and internationally. Producing and refining oil sands are more energy-intensive than for conventional oil, and production involves major interference

with the landscape in some cases. The latter applies particularly to shallow deposits extracted by open-cast methods, but our oil sand holdings lie so deep that they will be produced with drilling. This has much less of an impact on the landscape than traditional open case pits. Our water strategy, ambitions for reducing carbon emissions, creation of a research centre and programme for monitoring fauna show that we take responsibility for sustainable development in Canada. You can learn more about this through text, animation and film in our web version.

On a global basis, oil sands could account for as much as two-thirds of remaining petroleum resources. Canada's huge resources of this type of crude have long been known, but the industry has not shown much interest because recovery costs are high and oil prices have been too low. This is changing as prices rise.

Choosing sustainable solutions throughout the value chain will be important. That primarily means a focus on minimum use of water resources required by the permanent population and keeping energy consumption in the production process as low as possible, which will also help to reduce carbon emissions. We have started a comprehensive project in which we will study all possible

options for reducing or offsetting carbon dioxide emissions. This study will form the basis for our carbon dioxide strategy. Specific measures will be continuously assessed in relation to the development of the project.

More information about how we operate in Canada is provided in our web version.

The way forward

The world faces major challenges over the next few years. A growing demand for energy driven by strong economic growth, particularly in Asia, means that new areas must be opened for production if demand is to be met. Unfortunately, many of these regions are associated with greater challenges than the industry has been used to. These include physical access, the environment and climate, and countries with challenges related to forms of government, democracy and human rights.

These conditions call for a response which involves a greater emphasis on sustainable solutions. Our future competitiveness will be influenced by this response.

Developments in 2007



Oil sands in Canada

We acquired North American Oil Sands Corporation (NAOSC) in the Canadian province of Alberta during late April in a transaction worth almost USD 2 billion. This purchase strengthens our resource base and market position in North America. At the same time, producing oil sand also presents an environmental challenge.



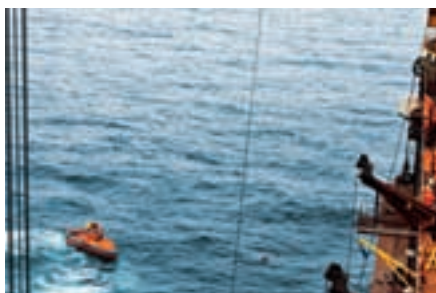
Tordis separator in place

A new subsea installation was placed on Tordis, close to the Gullfaks field in the North Sea, on 12 August. The 1,250-tonne structure was lifted into place by the *Saipem 7000* crane barge. This seabed separator will make it possible to recover an additional 35 million barrels of oil for piping to Gullfaks C, where it is processed, stored and exported. That increases the recovery factor on Tordis from 49% to 55%. The field first came on stream in 1994.



Ship's anchor moves gas pipeline

A routine inspection in the autumn of 2007 revealed that the gas pipeline from the Kvitebjørn field to Kollsnes near Bergen had been pulled out of position by a ship's anchor. External damage was also caused to the weight coating. More detailed checks led to a shutdown of the pipeline, which delayed the start of production from Kvitebjørn until January 2008. Repairs to the pipeline are weather-dependent and will be carried out in the summer of 2008.



Three fatal accidents

A 48-year-old man drowned on 12 August after falling overboard during work on the *Saipem 7000* crane ship close to the Gullfaks field in the North Sea. On 27 May, a 49-year-old man was killed in a work accident on the *Goodwood* gas carrier in the Port of Mongstad. A road tanker driver died in Sweden on 1 September as a result of an accident on the E4 highway between Örnköldsvik and Husum.



Libya contracts under the microscope

Statoil was informed on 26 September about possible unlawful consultancy contracts and transactions related to Hydro's activities in Libya, which were transferred to us through the merger. After a preliminary assessment by Statoil's corporate internal audit function, the chief executive resolved in consultation with the board to initiate an external investigation of the relevant conditions. This remains to be concluded.

US law firm Sidley Austin LLP is conducting the review together with Norwegian lawyers Simonsen Advokatfirma DA, and with support from our corporate audit function. Other consultancy agreements related to Hydro's international petroleum operations are also being reviewed. Hydro and we are collaborating to secure the documentation and information required to establish the facts of the matter.



Stock market debut

The first trading day for our share on the Oslo Stock Exchange was celebrated on 1 October, the date when we officially became operational. Eldar Sætre, our chief financial officer, had the honour of ringing the bell to start trading.

Ranked as Scandinavia's largest company by market value, we have almost 100,000 shareholders.



Hydrogen car deal with Japan

A letter of intent was signed during November with Mazda Motor Corporation in Tokyo as part of the HyNor project to develop a hydrogen-based transport network in Norway. According to this deal, Mazda will deliver 30-40 RX8 sports cars with hydrogen-fuelled engines over a two-year period.



Gas from Statfjord to UK

The Tampen Link gas pipeline which links Statfjord in the North Sea with St Fergus in Scotland via the British Flags system was opened in mid-October. After producing oil for 25 years, Statfjord is converting to gas production. This will make it possible to continue operating the field profitably until 2019.

Developments in 2007



Complicated start for Snøhvit

The running-in phase for the gas liquefaction plant we operate at Melkøya outside Hammerfest in northern Norway was affected by instability and extensive use of the high-pressure flare. Such flaring and emissions of soot proved an extra inconvenience for the residents of Hammerfest, without the public health authorities finding any evidence of serious health problems. The start-up also caused higher carbon emissions than expected. In addition, leaks in heat exchangers meant that the plant had to be shut down periodically and uncertainty persists about the level of total production in 2008.



Agreement with Gazprom

We signed an agreement on 25 October with Russia's Gazprom to become a partner in phase one of the Shtokman project in the Barents Sea. The deal gives us a 24% interest in Shtokman Development AG, where Gazprom has 51% and France's Total holds 25%. This joint venture will be responsible for planning, financing and developing infrastructure to bring the huge gas field on stream.



First gas from Njord

European customers were able to take delivery of the first gas from Njord in early December. An investment of NOK 1.2 billion permits this Norwegian Sea field to produce until 2020. It is currently yielding some 20,000 barrels of oil and six million cubic metres of gas per day. Njord is tied to the Åsgard Transport gas pipeline by a new 40-kilometre spur.



Halten carbon project halted

Shell and we resolved in December to cease work on the Halten carbon dioxide project in the Norwegian Sea. This involved a joint assessment of building a gas-fired power station at the Tjeldbergodden industrial complex with carbon capture and storage (CCS), and the use of carbon injection to improve oil recovery from Draugen and later Heidrun. The decision was prompted by the poor economics of the power station, a complex commercial model and inadequate clarification of frame conditions for CCS.



Ormen Lange transferred

The operatorship for the Ormen Lange field in the Norwegian Sea was formally transferred to Shell on 30 November. This marked the completion of a huge development project operated by Hydro. The decision to split operator responsibility between these two companies was taken by the Ministry of Petroleum and Energy in December 1999.



Oil discoveries in the Gulf of Mexico

Operator Anadarko Petroleum Corporation announced in December that oil had been discovered on the deepwater West Tonga prospect in the Gulf of Mexico. ExxonMobil made a new oil discovery the following month on the Walker Ridge, 420 kilometres south-west of New Orleans. We are a substantial licensee in both fields, and now participate in 15 interesting discoveries in the US Gulf.



Share price down

On 7 December, we presented forecasts for our total oil and gas production, investment and exploration costs in 2008. These figures showed increased activity in a number of areas, but were also negatively affected by developments during 2007. None of the elements in the forecast were expected to have any negative effect on our resource base. The stock market announcement led to an immediate fall of almost 10% in our share price.



Oil spill on Statfjord A

A total of 27,500 barrels (4,400 cubic metres) of crude leaked into the sea while the *Navion Britannia* shuttle tanker was loading from the Statfjord A platform. Extensive clean-up measures were instituted. A monitoring programme found no significant environmental consequences. However, an investigation reported serious weaknesses and recommended a number of technical, organisational and management measures.

Shared values for global growth

Work on our corporate culture is essential for creating a consensus about how we and our employees should behave and act in different contexts, says Hilde Merete Aasheim, who is in charge of our integration process.

“We must have the same values base regardless of where our activities are pursued,” she says. “A common values platform provides a very important foundation for global culture-building and growth in our new group.”



www.statoilhydro.com/commonvalues



“ Getting our values base understood throughout the organisation is a key management concern. That’s the only way we can manage to create a unified form of behaviour. ”

Hilde Merete Aasheim, executive vice president for staffs and corporate services

“We must have the same values base regardless of where our activities are pursued.”

Clear

She sees a clear connection between our integration and sustainability. “Integration work involves incorporating two former organisations in a single company with common standards developed by taking the best from both companies.”

Our values specify a desired behaviour, and underlying them are a concern for employees, the environment, health and safety.

“In many ways, it’s getting our common standards to work which represents sustainability,” Ms Aasheim explains. “After all, being sustainable is about carrying on. We must constantly keep our licence to operate intact.

“How we’re going to operate in a good way is defined in our values base and formulated in the StatoilHydro Book. We then have to get everyone to operate in that way. This is something we must spend time on.”

Time

Ms Aasheim notes that the job of integrating the two former companies will take time.

“It’ll be two-three years before we can talk about this company being integrated and can see the full effect of the merger. So it’ll be a while before we’ve secured the full synergies from the merger.”

But she is pleased with what has been achieved in a short period. “The organisation has displayed a huge willingness to participate actively in the integration work. That’s yielded results.”

At the same time, she does not minimise the demands made on an organisation in a restructuring on the scale required by such a merger. Many people find it hard to accept new systems, organisational structures and ways of doing things. This is a challenge we must overcome in order to achieve a good result for everyone.

Similarities

Asked about the cultural dimension of the union, Ms Aasheim notes that the two companies had more similarities than differences. “It’s now important to pursue new work processes actively and ensure that they’re understood.”

She emphasises that our behaviour is to be predictable. This means that all our employees will relate to our standards and the way jobs are to be performed.

“At a time when great interest is being shown in the way the major oil and energy companies operate, it’s important that we’re robust and predictable,” she says. “The crucial consideration isn’t what we say we’re going to do, but what we actually do. That’s when we build up credibility and a good reputation.”

Stages

Ms Aasheim notes that the integration process has now been extended to personnel on offshore installations and at land-based plants, and explains that this work falls into three stages.

“First comes the design phase, where we describe the new standards we’re going to work to and the operations philosophy of the restructured organisation. That’s followed by planning the implementation, and finally by the actual implementation. This is a far-reaching job, which will extend into 2009.”

She regards piloting the next stage safely into harbour as one of her most important duties in the time to come, to ensure that we achieve a good integration process offshore and at the land plants and bases.

“After that, the challenge will be to take this process further forward so that we can say in a couple of years time that this merger was successful and that we’ve been able to take out the synergies and opportunities created when two big and proud companies joined forces.”

“Our employees have demonstrated great willingness to play an active part in the integration process, and this has produced results,” says executive vice president Hilde Merete Aasheim (right) in conversation with Lars Chr Bacher and others during a visit to the Kvitebjørn platform.



Ambitious goals

What are the challenges?

Our business environment is increasingly challenging. High oil and gas prices have boosted competition over energy resources. In addition, strong competition over important input factors and limited capacity in key supplier markets has meant high cost inflation in our industry. As a consequence of high oil and gas prices, host countries have also tightened their fiscal regimes for oil companies. Climate change imposes serious challenges for our industry, but represents new business opportunities.

What do we do about the challenges?

Our primary objective is to generate profit for our shareholders. We seek to meet this goal by realising the whole potential of the NCS while developing solid positions internationally.

We need to remain a competitive and sustainable group, develop new business opportunities in oil and gas, and search for other sources of energy. We need to continue improving the energy and environ-

mental efficiency of our production. And we need to remain an attractive employer.

We are a technology-based energy group which focuses on upstream activities. With a continued emphasis on health, safety and the environment as a competitive advantage and a cornerstone of our operations, we plan to concentrate our efforts on four areas:

- maximising long-term value creation from the NCS
- building profitable international growth
- developing profitable midstream and downstream positions
- creating a platform for new energy.

In the short term, we will give weight to achieving predictable and efficient operation by realising the potential value resulting from the merger of Statoil ASA with the oil and gas assets of Norsk Hydro ASA. In a longer perspective, our commitment will be to develop prospects and projects which make us even better and lead to profitable growth. We will act in a responsible and sustainable manner through continuous efforts to improve the energy and environmental efficiency in our production processes.

What have we achieved?

Important achievements in 2007 include:

- the StatoilHydro merger was completed on schedule
- Snøhvit, Ormen Lange, Statfjord late life, Skinfaks/Rimfaks IOR, Huldra tail end, Rosa, Tordis IOR and Njord gas came on stream
- three international projects were sanctioned for development: Peregrino in Brazil, Pazflor in Angola and the Leismer demonstration project in Canada
- our global trading position was strengthened through a 25% increase in trading third-party volumes compared with 2006.



We need to remain a competitive and sustainable group.

www.statoilhydro.com/performance



“

We aim to retain our position as the largest operator on the NCS, while seeking to strengthen our international presence.

”

Climate

What are the challenges?

Fossil fuels will remain the dominant means of meeting the growth in global energy demand for decades to come. To limit harmful global warming caused by rising volumes of carbon dioxide and other greenhouse gases, however, the EU and governments worldwide are committed to cutting such emissions from fossil fuels.

This puts pressure on the oil and gas industry to improve performance and to look for additional low-carbon business opportunities. With new hydrocarbon reserves also hard to find, operations are being driven to frontier and remote areas far from the markets, or into heavy oil which is demanding in terms of energy and the environment.

What do we do about the challenges?

We are among the industry leaders for high levels of efficiency and low emissions per unit of oil produced. Our experience from more than 10 years of carbon capture and storage (CCS) on the Sleipner fields has been important in creating worldwide recognition that this solution has a crucial role to play in combating global warming. It has also encouraged the policy and regulatory developments needed for its large-scale deployment.

Our new climate policy – endorsed by the corporate executive committee in January 2008 – takes account of:

- the need to combat global climate change proactively
- the need to increase our efforts with renewable and clean technology
- the need to strengthen our licence to operate and grow
- our ambition of maintaining Statoil-Hydro's position as industry leader for sustainable development.

What have we achieved?

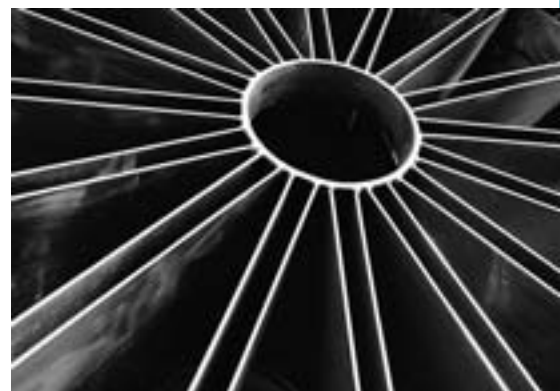
We have helped to put CCS at the top of the political agenda in Europe and elsewhere, influencing the EU's view of this technology not only as a general solution but also as a tool to improve its emission trading scheme (ETS).

The Mongstad test centre (TCM) for carbon capture technology is moving forward, with new industrial partners taking over part of the Norwegian government's holding in the joint industry partnership.

Energy efficiency has been improved through management techniques which are ready to be implemented on all our installations on the NCS during 2008.

We are involved in developing and demonstrating offshore wind power by drawing on our experience from NCS production.

We have acquired a production plant for biodiesel, and concluded an agreement with Petorbras to investigate a possible collaboration over bioethanol.



Ten years of carbon capture and storage on Sleipner East have made this field a well-known example of measures which make a difference in the fight against global warming.

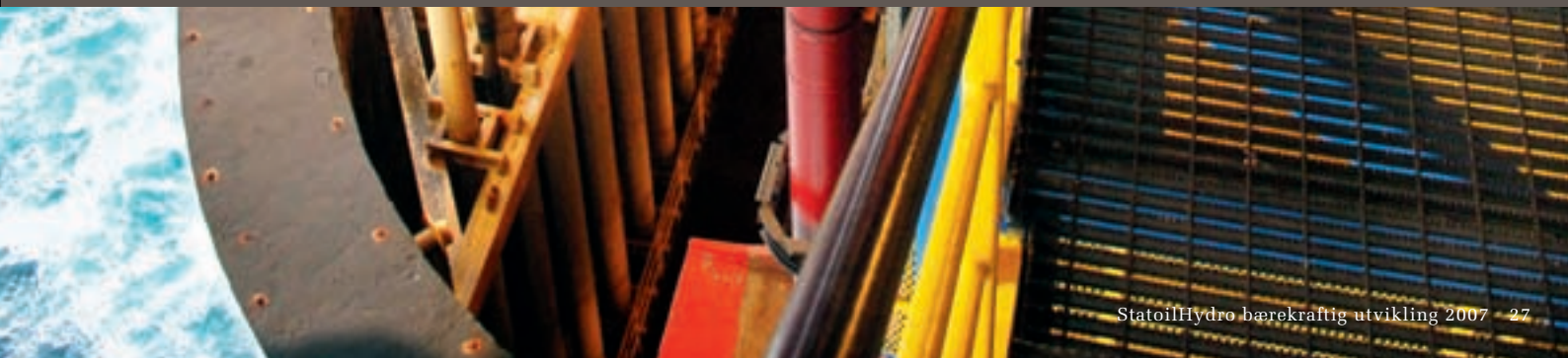
www.statoilhydro.com/climate



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We are among the industry leaders for high levels of efficiency and low emissions per unit of oil produced.

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The environment

What are the challenges?

All our activities – from petroleum exploration, through the construction and operation of facilities to the final use of our products – have the potential to affect the environment and society. These impacts may derive from emissions, discharges, land use and harnessing of limited natural resources, and could threaten biodiversity, cultural heritage, human health and welfare. Effects on the environment are determined by the condition and capacity of the area concerned, the type of activity, the technology used and operational standards.

What do we do about the challenges?

We have established a set of environmental principles based on our HSE policy. These include:

- we will assess all relevant environmental and social issues and minimise negative impacts on the environment
- we will seek to maintain biodiversity and key ecosystem functions and values, and make a positive contribution to biodiversity conservation wherever possible
- we will strive for sustainable water resource management by continually seeking responsible and efficient use of these assets when they are limited, and preserve water quality through the design and operation of our facilities.

What have we achieved?

Selected results achieved in 2007 from a selection of disciplines relating to the environmental aspect of our business are presented below.

WATER RESOURCE MANAGEMENT

Requirements for sustainable water resource management have been included in our governing documents. Guidelines for meeting these demands and for supporting business decisions are being implemented, including the use of the global water tool from World Business Council for Sustainable Development.

BIODIVERSITY

Biodiversity is a focus of attention in many of our international exploration and development projects. Challenges related to this aspect were assessed in a number of exploration and development activities during 2007, including the oil sands project in Canada.

ZERO HARMFUL DISCHARGES/EMISSIONS

Our environmental impact factor (EIF) tool is used to evaluate various measures for reaching our goal of zero harmful discharges to the sea or emissions to the air, and to identify the most effective environmental solutions. Extensive environmental monitoring is used to evaluate relevant impacts of discharges or emissions, both through legally required surveys and through other initiatives such as

the global scientific and environmental ROV partnership using existing industrial technology (Serpent). The latter uses spare remotely operated vehicle (ROV) capacity for environmental studies related to exploration drilling.

The average oil content in water discharged to the sea from installations we operate on the NCS was below 10 milligrams per litre in 2007. A number of modification projects are being pursued to achieve further reductions in this level.

OIL SPILL RESPONSE

We established overarching principles in 2007 for oil spill clean-up response in relation to our operations. We have also continued to pursue an extensive portfolio of R&D projects for tailoring such response to Arctic regions.



A number of measures have been initiated in order to achieve the goal of zero emissions to the air and discharges to the sea.

www.statoilhydro.com/environment



“

All our activities – from petroleum exploration, through the construction and operation of facilities to the final use of our products – have the potential to affect the environment and society.

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Social responsibility

What are the challenges?

We will also grow in countries where governance and development issues may present additional challenges for us as an energy company. In some countries, resource wealth combined with weak public institutions has led to poor political, democratic and welfare outcomes. At the same time, newfound wealth often creates demands for rapid improvements in living standards as host-country populations expect to share in the benefits. Skilful management of diverse social and political contexts will be required to succeed in such environments.

With oil prices at record levels and increasing competition over reserves, expectations that international oil companies will help host countries to meet many of these challenges are rising. Access to resources is becoming conditional on directly addressing the growing development needs and aspirations of such nations. Local content is increasingly demanded, and is becoming a source of competitive advantage in gaining access to new opportunities.

What do we do about the challenges?

We have a fundamental responsibility to work with host countries in helping to manage these challenges in a way which reduces risks and maximises value creation both for the host countries and for our shareholders. This is not only an ethical imperative but also necessary to ensure long-term profitability and successful execution in complex environments. We are therefore committed to contributing to sustainable development

on the basis of our core activities in the countries in which we work through various means.

- Making decisions based on how they affect our interests and those of the societies around us. We identify needs, expectations, development opportunities and mitigating actions based on thoroughgoing processes of stakeholder dialogue and risk and impact assessments.
- Ensuring transparency, combating corruption, and respecting human rights and labour standards. We pursue openness and fight corruption by publishing our revenues and investments as well as the taxes we pay. We respect human rights and labour standards by ensuring that these are well protected both in our corporate policies and procedures and in our operations.
- Generating positive spin-offs from our core activities to help meet the aspirations of the societies in which we operate. Our policy is to create local content wherever we have an active presence. We are proactive in recruiting locally, promoting and developing local sourcing, and supporting the build-up of skills in the local community and among our suppliers and contractors in order to create lasting capacity.

What have we achieved?

We progressed in all these areas during 2007. The merger has put performing with integrity and social responsibility high up on our internationalisation agenda, and the process of integrating our two former companies reinforced our capacity to deliver on these objectives.

In collaboration with our partners, we

developed a framework for measuring the impact of our operations and improving dialogue with host countries and other stakeholders. We also improved our due diligence procedures to screen investments and suppliers for possible violations of integrity and human rights. And a human rights risk assessment tool has been piloted in five countries in which we operate.

Compulsory ethics and anti-corruption training was also introduced, and we invested in local training and recruitment as well as supplier development in key countries, including Algeria, Brazil, Russia and Venezuela. Finally, we continued to work with partners and to collaborate in multi-stakeholder initiatives on advancing joint standards and approaches in the industry and the business community.

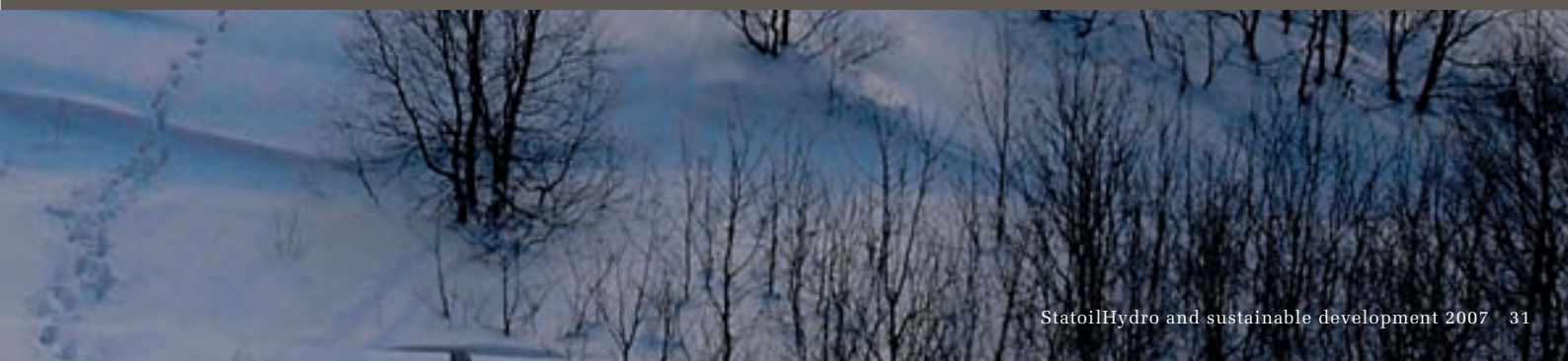


We are helping to equip the local Russian supplies industry for the tasks awaiting it on the Shtokman field.

www.statoilhydro.com/society



“ We have a fundamental responsibility to work with host countries in helping to manage these challenges in a way which reduces risks and maximises value creation both for the host countries and for our shareholders. ”



People and group

What are the challenges?

Able managers are and will remain scarce in the global market, and such talented personnel are making more and more challenging demands on their employers. We must be able to attract and retain the best people with the right values.

We are the employer of choice in Norway for people with technical and commercial qualifications, and must maintain this reputation now that we are expanding internationally

Clear ambitions and goals as well as shared values are fundamental to any company – and even more critical for a successful integration process. We have launched work in the management teams to ensure alignment with and commitment to our business ambitions, strategic goals, and priorities, as well as ownership of our performance culture. This process will be expanded and ultimately include all employees.

Substantial efforts are underway to evaluate and develop common work processes based on best practice from both former companies. In many areas, the implementation of new work processes requires particular management attention in order to ensure efficiency and a focus on health, safety and the environment.

What do we do about the challenges?

Our people policy sets out our corporate

commitments to employees. We attract and select the right people. We create a caring and inspiring working environment which promotes diversity. We provide opportunities for growth, and encourage our people to take responsibility for their own professional development. We incorporate our values in everything we do, and reward delivery and behaviour equally.

What have we achieved?

We have succeeded in maintaining our position as the most attractive employer for students and young professionals in Norway. During the last quarter of 2007, we received 7,000 CVs from more than 100 countries, and our corporate trainee programme attracted more than 2,000 applicants from 91 different nations.

Our recruitment was reduced to a minimum in 2007 pending the outcome of the integration staffing process. In cooperation with the unions, it was decided that all positions below top management level would be posted on the integration website, allowing employees to indicate their interest in a preferred position.

The merger process increased the proportion of women in our group - 35.2% in 2007 compared with 34.8% in Statoil the year before. Females held 26% management positions, and female managers below the age of 45 accounted for 34% of the total. These shares were unchanged from Statoil in 2006.

Training and regular courses are offered to all managers and employees

who participate in People@StatoilHydro – our tool for promoting results and strengthening development.

We produced a new document entitled Our values. By 31 December, we had run a development programme for more than 100 management teams in order to boost cultural integration and to drill managers in policies and requirements.

In cooperation with the unions, we have developed a common pay and benefits structure for our group.



Wendy Gaucher-Bigcharles (left) and Wallace Tawpimisim, public liaison officer and local facilitator respectively in StatoilHydro Canada, are strongly committed to improving conditions for local people in the area.

www.statoilhydro.com/people



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We must be able to attract and retain the best people with the right values.

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Occupational health and the working environment

What are the challenges?

High standards of care are set for managers in relation to their subordinates, and an understanding of human reactions to change is needed. Weight was given ahead of the merger to preparing managers for such aspects, and this will be closely followed up in the future.

Many of our people are exposed to a complex array of risks, such as noise, chemicals, ergonomics, much travelling and night work.

Special types of health risk are posed in our international business, which can vary from Arctic conditions to the hazards encountered in tropical areas.

In our business, we need good systems for risk management. These are secured by setting standards for the working environment when we design a workplace. We need to pay close attention to physical, chemical and organisational conditions in the working environment, and have a system for monitoring groups exposed to risk.

What do we do about the challenges?

One of our goals is zero ill health for our employees. This means that nobody will suffer occupational illnesses or strain injuries as a consequence of working for us.

We will work continuously at every

level in the organisation to identify and improve negative working environment conditions. The responsibility for this rests with the management.

What have we achieved?

Sickness absence was 3.5% in 2007, and has been stable at this low level for the past three years. The average figure for Norway in the third quarter of 2007 was 6%.

Our workplaces and employees are monitored through surveys and risk assessments, and measures adopted. We have created special tools for evaluating chemical, noise, ergonomic and psychosocial risk.

Managers respond and take action when they suspect that conditions are inimical to health, and can draw on support from health and working environment specialists.

Special attention is paid to the health risks associated with chemicals, and action plans have been developed for each business area.

Workplace health promotion (WHP) applies a broader perspective, which is not confined to protection against undesirable conditions but focuses actively on the positive and health promoting factors in the working environment. A number of lifestyle campaigns related to physical activity, training to promote health, diet and ceasing to smoke have been pursued in several of our business areas.



Our employees must not suffer any health problems from working for us.

www.statoilhydro.com/health



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A good working environment is important for every employee and crucial for our ability to reach our targets.

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Safety

What are the challenges?

The main safety challenges are to avoid major accidents in our operations and to ensure that everyone works safely every day. Since most of the easily accessible oil has been recovered, remaining hydrocarbon resources worldwide have become less accessible. This means that much of tomorrow's reserves will have to be developed in even harsher areas which require us to pay greater attention to safety.

Major accidents pose a great threat to our business. Basic understanding of risks and factors influencing it is vital for safe operation.

What do we do about the challenges?

Our goal is zero harm to people, and we will continue to increase the attention we pay to safety for personnel and material assets in the future. We firmly believe that all accidents can be prevented.

Continuous efforts to achieve better

safety results receive great attention on all our offshore installations and at our land-based plants. Risk management is incorporated in all our activities.

To reach our goal of zero harm, we collect and interpret information from all our operating activities. This helps us to improve our understanding of risk and of ways to reduce it.

What have we achieved?

Our safety behaviour programme now embraces 35,000 people. A basic element in this campaign is five human safety barriers: correct priorities, compliance with requirements, open dialogue, continuous risk assessment and caring about each other.

The number of serious HSE incidents in our operations remained stable in 2007, with a slight reduction in serious gas leaks on our installations and at our plants. We will maintain and further develop our existing efforts to reduce the risk of major accidents.

Statoil established a system for moni-

toring the technical safety of its plants in 2001, and a similar system was adopted by Hydro a couple of years later.

Focusing on issues in all relevant business processes allows us to work systematically day-by-day to reduce the risk of major accidents.

Unfortunately, we and our contractors nevertheless experienced three fatalities in 2007. One person died in an accident with a road tanker, a second on a liquefied petroleum gas carrier during berthing, and the third after falling overboard from a heavy-lift vessel while it was installing a subsea template.



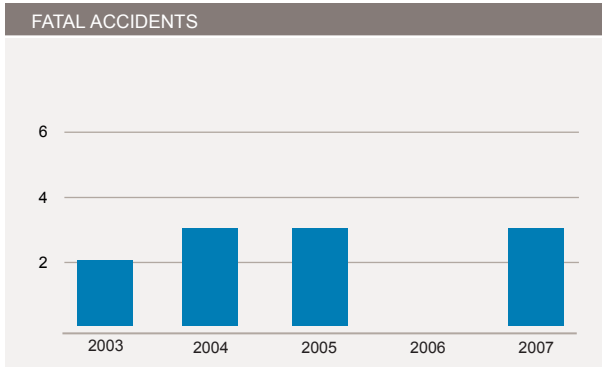
The heavy helicopter traffic to and from our offshore installations is a challenge in terms of both safety and logistics.

www.statoilhydro.com/safety

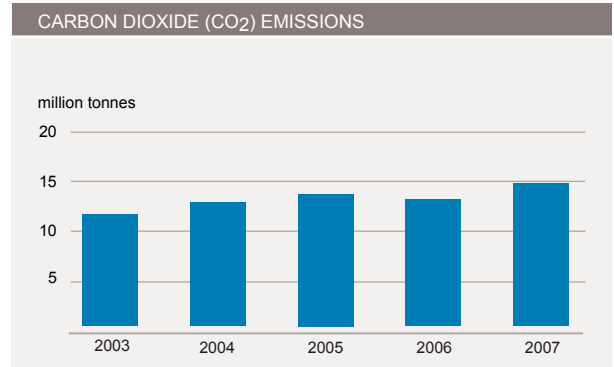


“ We firmly believe that all accidents can be prevented. ”

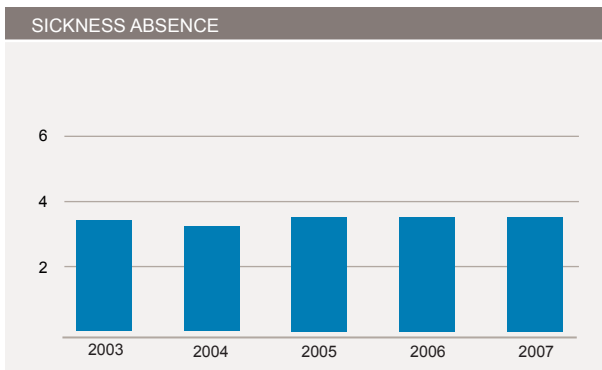
Key statistics



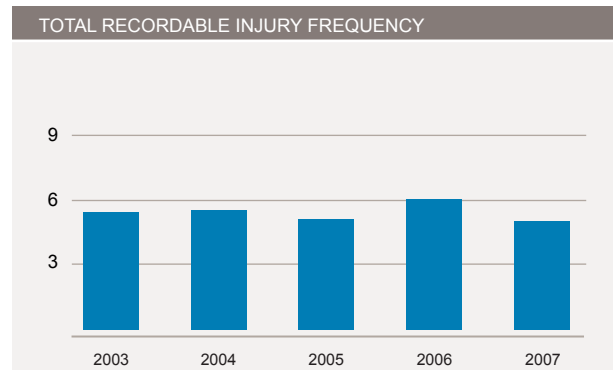
Three people associated with our business died in 2007.



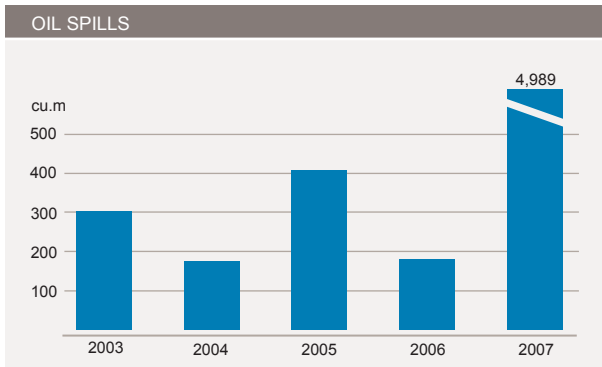
Total carbon emissions in million tonnes from activities we operate.



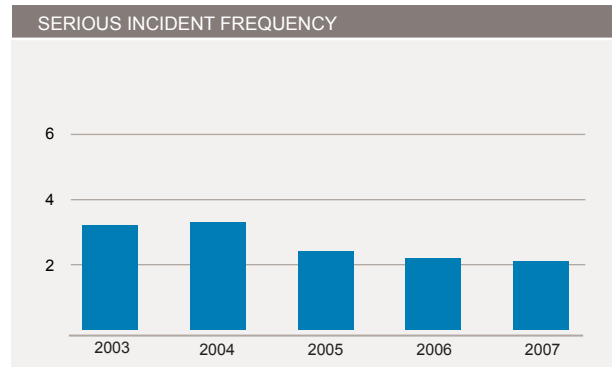
The total number of days of sickness absence as a percentage of possible working days (our employees).



The number of fatalities, lost-time injuries, cases of alternative work necessitated by an injury and other recordable injuries, excluding first-aid injuries per million working hours.



Accidental oil spills to the natural environment from our operations (in cubic metres). All accidental oil spills reaching the natural environment from our activities are included in the figure. However, spills which did not reach the natural environment have also been included for downstream market operations before 2004.



The number of serious incidents per million working hours.

www.statoilhydro.com/statistics

Overview of activities per country

All amounts in NOK million except employee data

| | Investment (1) | Revenues (2) | Income taxes paid (3) | Indirect taxes paid (4) | Pay and social benefits (5) | Employees at 31 December 2007 (6) | Purchase of goods and services (7) |
|------------------|----------------|--------------|-----------------------|-------------------------|-----------------------------|-----------------------------------|------------------------------------|
| Algeria | 990 | 3,525 | 752 | 5 | 25 | 2 | 433 |
| Angola | 5,016 | 15,626 | 4,412 | | 11 | 19 | - |
| Azerbaijan | 2,216 | 9,347 | 1,167 | | 11 | 52 | 34 |
| Belgium | 1 | - | | | 40 | 59 | 271 |
| Brazil | 174 | - | | 29 | 32 | 23 | 69 |
| Canada | 12,504 | 7,407 | | 2 | 83 | 124 | 81 |
| China | 264 | 358 | | | 8 | 1 | 1 |
| Denmark* | 1,339 | 23,517 | 265 | 4,829 | 915 | 1,153 | 2,168 |
| Estonia | 43 | 1,100 | | 456 | 60 | 737 | 79 |
| France | - | 50 | | | 2 | 3 | 259 |
| Germany | 5 | 1,335 | 105 | | 65 | 27 | 1,495 |
| Iran | 231 | - | | 63 | 11 | 2 | 3 |
| Ireland | 731 | - | (14) | | 6 | 4 | 118 |
| Latvia | 191 | 2,273 | 15 | 946 | 101 | 871 | 89 |
| Libya | 166 | 926 | 61 | 168 | 5 | 26 | 250 |
| Lithuania | 104 | 1,819 | 4 | 606 | 63 | 730 | 83 |
| Nigeria | 2,074 | - | | 1 | 16 | 49 | |
| Norway | 37,981 | 429,783 | 94,149 | 9,182 | 24,792 | 18,102 | 93,514 |
| Poland | 234 | 7,474 | 37 | 121 | 251 | 4,495 | 533 |
| Russia | 65 | 722 | 153 | 56 | - | 131 | 28 |
| Singapore | - | 14,291 | | | 16 | 20 | 12 |
| Sweden | 402 | 24,739 | (17) | 12,972 | 750 | 1,826 | 1,527 |
| The Netherlands | - | 15 | 38 | | 9 | | 1,029 |
| UK | 1,665 | 2,781 | 140 | 32 | 290 | 190 | 3,857 |
| USA | 10,747 | 54,315 | 37 | 35 | 357 | 193 | 869 |
| Venezuela | 402 | 3,294 | 1,047 | 26 | 34 | 48 | 706 |
| Rest of Europe | - | - | | | | | 548 |
| Rest of world ** | 88 | 5 | 71 | | 2 | 5 | 257 |
| IS Partner (8) | | | | | | 611 | |
| Eliminations*** | - | (81,905) | | | | | |
| TOTAL | 77,633 | 522,797 | 102,422 | 29,529 | 27,955 | 29,503 | 108,313 |

* Includes the Faroes and Greenland

** Total purchases from countries not shown in the table

*** Elimination of intra-group sales

(1) Investments include non-cash effects of entering into capital lease agreements and exclude sales of assets.

(2) Sales revenues (excluding share of net income of affiliates) by company location.

(3) Income taxes paid for fiscal 2007, but also taxes for earlier fiscal years paid in 2007. We do not pay income tax in a number of countries because we have no production or other income-generating activities there. Lead times in the oil and gas industry (the period from discovery until production begins) can be long. This means that we invest substantial sums for a number of years before generating any taxable income.

(4) Indirect taxes relate to government revenue derived from our operations, and include carbon tax, area fees, royalty, petrol duty and the like (excluding value-added tax).

(5) Includes pension and payroll taxes.

(6) Based on company location (the country in which the company with employees is registered). Actual number of employees present in the country is therefore likely to be different; lower than stated for Norway since more employees are expatriated from Norway, and a higher number of employees in most other locations. In some countries, for instance China, we are prohibited from employing local personnel on permanent contracts. This table only includes permanent employees, and not temporary employees or apprentices.

(7) Based on invoice address. Part of the cost is charged to partners in activities we operate, including those we conduct as a technical service provider. Excludes the purchase of petroleum products.

(8) IS Partner is an information systems service provider that was sold to an external party in February 2008. The employees are primarily situated in Norway.

Report from Ernst & Young AS

Assurance report

To the stakeholders of StatoilHydro ASA

Scope of engagement

We have been engaged by the corporate executive committee of StatoilHydro to prepare an independent assurance report of *StatoilHydro and sustainable development 2007* (the Report). The Report comprises the full web version which also includes the contents of the shortened paper version.

StatoilHydro's management is responsible for selecting the information, collecting the data for presentation and preparing the Report.

Reporting criteria

As a basis for this assurance engagement, we have used relevant criteria in the sustainability reporting guidelines of the Global Reporting Initiative (GRI G3). Matters of interest to StatoilHydro's stakeholders have also been taken into account. We consider these reporting criteria to be relevant and appropriate to review the Report.

Work performed

Our work is performed in accordance with SA 3000 (ISAE 3000), "Assurance engagements other than audits or reviews of historical financial information". The standard requires that we plan and execute procedures in order to obtain limited assurance that the Report as a whole is free of material misstatements. In such an engagement, less assurance is obtained than would be the case had an audit-level engagement been performed. In our assurance work related to the health, safety and environment (HSE) accounting, presented in the Annual Report for 2007 (on pages 173-178), the procedures are planned and executed in order to obtain reasonable assurance by sufficient supporting evidence. As the external auditors of StatoilHydro ASA, we have also audited the company's 2007 Annual financial statements.

Our review has involved the following activities:

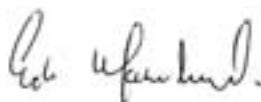
- interviews with a selection of StatoilHydro's management and visits to five entities, as a representative sample of StatoilHydro's variety of activities, to gain an understanding of their approach to managing social, ethical and HSE issues that are covered in the Report
- obtaining and considering evidence to support the assertions and claims made in the Report
- evaluation of HSE data as stated in our HSE Assurance Report, dated April 8, 2008
- evaluation of the overall presentation of the Report, including the consistency of the information, based on the above-mentioned criteria.

Our review has not included assessing the implementation of policies, other than the HSE reporting policies. The interviews included within the Report and verification of person names in picture captions, have not been part of our review. We have, however, checked that the interviewees have given their approval to the interview text.

Conclusions

Based on our review nothing has come to our attention that causes us to believe that the information in the Report does not comply with the above mentioned reporting criteria. This also counts for StatoilHydro's declaration that the Report meets the requirements of the B+ application level of the GRI G3 sustainability reporting guidelines.

Stavanger, April 8, 2008
ERNST & YOUNG AS



Erik Mamelund
State authorised public accountant

StatoilHydro's sustainability report 2007 accords with Global Reporting Initiative (GRI) guidelines, revised in October 2006 (G3). Between them, the paper and web versions qualify to reporting level B+ (third-party checked and self declaration).

A full GRI table with reference is available in the web version of the report.

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Report Application Levels

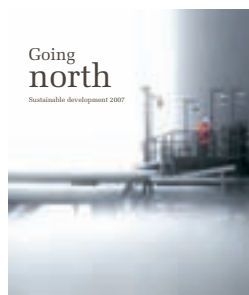
| | | 2002 In Accordance | C | C+ | B | B+ | A | A+ |
|-----------|---------------------|-----------------------|---|---------------------------|---|---|---|---------------------------|
| Mandatory | Self Declared | | | Report Externally Assured | ✓ | Assured | | Report Externally Assured |
| | Third party Checked | | | Report Externally Assured | |  | | Report Externally Assured |
| Optional | GRI Checked | | | Report Externally Assured | | Report | | Report Externally Assured |

StatoilHydro's reports 2007



StatoilHydro

The annual report and accounts contains the directors' report, the financial analysis, the annual accounts (USGAAP) and the HSE accounting. In addition come articles which give a good picture of our operations and governance systems as well as our plans and strategies.



StatoilHydro

This sustainability report provides information about our commitments, results and ambitions as a member of society. Key topics are values, ethics, human resources policies, financial performance and effects, the environment and social responsibility.



StatoilHydro

The 20-F report provides a detailed and extensive review of our operations. Its title refers to the document from the US Securities and Exchange Commission which specifies what the report must contain.



StatoilHydro

Financial statements 2007 Norwegian accounting principles contain the accounts for StatoilHydro ASA, in accordance with Norwegian generally accepted accounting principles (NGAAP).



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