

Press release

1 August 2008

Record results and high production

StatoilHydro's second quarter 2008, operating and financial review

StatoilHydro's second quarter 2008 result was influenced by high production and high prices. Net income in the second quarter of 2008 amounted to NOK 18.9 billion, up 36% compared to NOK 13.9 billion in the second quarter of 2007. Net income in the first half of 2008 amounted to NOK 35.0 billion, compared to NOK 23.9 billion in the first half of 2007.

The increase in net income from the second quarter of 2007 to the second quarter of 2008 was mainly due to a 44% increase in realised liquids (crude oil, condensate and NGL) prices measured in NOK, a 49% increase in natural gas prices and an 8% increase in lifted volumes. The increase was partly offset by negative net financial income and higher taxes.

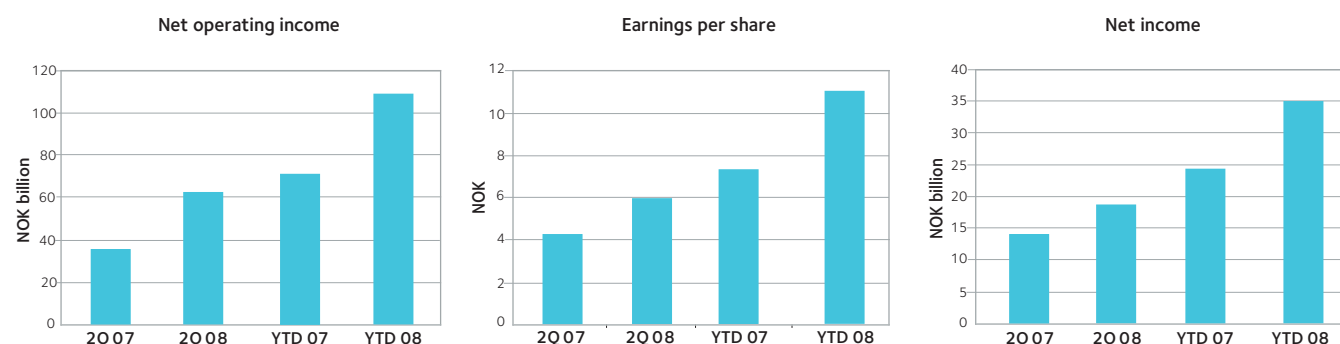
The increase in net income from the first half of 2007 to the first half of 2008 was mainly due to a 44% increase in realised liquids prices measured in NOK, and a 31% increase in natural gas prices. The increase was partly offset by increased operating expenses, exploration expenses and higher taxes.

"The second quarter result is primarily influenced by high oil and gas prices. Our record earnings are also coming as a result of operational focus contributing to high production", says Helge Lund, StatoilHydro's chief executive.

"Our equity production increased 6% from the second quarter of 2007, mainly due to new capacity both on and outside the Norwegian Continental Shelf (NCS) and higher gas offtake. A number of our fields will undergo planned turnarounds in the next quarter. In total we are on track to deliver on our 2008 production ambition", Lund says.

"We are also satisfied with our exploration results this year. In the first half of 2008 we have completed a total of 49 exploration wells, out of which 18 have been declared as discoveries. For the full year we plan to drill at least 70 wells", Lund adds.

Performance update



StatoilHydro delivered total liquids and gas entitlement production in the second quarter of 2008 of 1,710 mboe per day. Lifted volumes increased by 8% to 1,736 mboe. Combined with record high prices for liquids and natural gas, the net operating income for the second quarter of 2008 increased to NOK 62.6 billion, up 74% from NOK 36.1 billion in the second quarter of 2007.

StatoilHydro delivered total liquids and gas entitlement production in the first half of 2008 of 1,799 mboe per day. Solid production and record high prices yielded a net operating income for the first half of 2008 of NOK 114.1 billion, compared to NOK 70.5 billion in the first half of 2007.

During the first half of 2008, we gained access to 15 new licenses through licensing rounds in the Gulf of Mexico, Alaska and Brazil. This comes in addition to the acquisition of the remaining 50% of the Peregrino development offshore Brazil. The acquisition is still pending governmental approval.

StatoilHydro delivered an extensive exploration programme in the first half of 2008. Of a total of 49 completed exploration wells by 30 June, 27 were drilled outside of the NCS. We have declared 18 discoveries, of which three were made internationally. An additional five wells have been completed since 30 June.

In the first half of 2008, we delivered three PDOs (Plan for Development and Operation) on the NCS; Yttergryta (18 January), Morvin (15 February) and Troll Field project (27 June). On the NCS we started up production on five fields; Gulltopp (7 April), Oseberg Gamma Main Statfjord (12 April), Vigdis East (15 April), Theta Cook (26 June) and Oseberg Delta (27 June). Internationally, production commenced on Deep Water Gunashli in Azerbaijan (22 April).

Return on average capital employed after tax (ROACE) [1] for the 12 months ended 30 June 2008 was 23.2%, compared to 21.4% for the 12 months ended 30 June 2007. The increase was due to higher net income, partly offset by higher average capital employed. ROACE is defined as a non-GAAP financial measure. [2]

In the second quarter of 2008, earnings per share were NOK 5.89, compared to NOK 4.28 in the second quarter of 2007. In the first half of 2008, earnings per share were NOK 10.91, compared to NOK 7.33 in the first half of 2007.

Profit and loss discussion

Net operating income in the second quarter of 2008 was NOK 62.6 billion, compared to NOK 36.1 billion in the second quarter of 2007. The increase was mainly due to a 44% increase in realised liquids prices measured in NOK, a 49% increase in gas prices measured in NOK and an 8% increase in lifted volumes, partly offset by higher operating expenses.

Net operating income in the first half of 2008 was NOK 114.1 billion, compared to NOK 70.5 billion in the first half of 2007. The increase was mainly due to a 44% increase in liquids prices measured in NOK and a 31% increase in gas prices, but was partly offset by higher operating and exploration expenses.

Consolidated statements of income-IFRS (in NOK million)	Second quarter			First half			Full year 2007
	2008	2007	Change	2008	2007	Change	
Revenues and other income							
Revenues	170,608	127,392	34 %	328,304	246,373	33 %	521,665
Net income (loss) from equity accounted investments	446	159	181 %	279	449	(38 %)	609
Other income	581	26	2135 %	2,228	114	1854 %	523
Total revenues and other income	171,635	127,577	35 %	330,811	246,936	34 %	522,797
Operating expenses							
Cost of goods sold	81,834	66,355	23 %	159,451	124,798	28 %	260,396
Operating expenses	14,671	12,062	22 %	28,052	25,168	11 %	60,318
Selling, general and administrative expenses	2,339	2,265	3 %	5,304	4,518	17 %	14,174
Depreciation, amortisation and impairment	8,233	8,984	(8 %)	17,780	18,118	(2 %)	39,372
Exploration expenses	1,945	1,840	6 %	6,171	3,803	62 %	11,333
Total operating expenses	109,022	91,506	19 %	216,758	176,405	23 %	385,593
Net operating income	62,613	36,071	74 %	114,053	70,531	62 %	137,204
Net financial items	(472)	2,587	(118 %)	3,426	3,774	(9 %)	9,607
Income tax	(43,225)	(24,720)	75 %	(82,523)	(50,435)	64 %	(102,170)
Net income	18,916	13,938	36 %	34,956	23,870	46 %	44,641

Net operating income for the segments (in NOK million)	Second quarter			First half			Full year 2007
	2008	2007	Change	2008	2007	Change	
E&P Norway	53,786	27,771	94 %	96,024	58,792	63 %	123,150
International E&P	9,573	3,690	159 %	13,824	6,802	103 %	12,161
Natural Gas	(567)	1,446	(139 %)	1,439	2,107	(32 %)	1,493
Manufacturing & Marketing	1,217	2,874	(58 %)	2,106	4,286	(51 %)	3,845
Other	(64)	(150)	57 %	718	(695)	203 %	(2,260)
Eliminations of internal unrealised profit on inventories	(1,332)	440	n/a	(58)	(761)	92 %	(1,185)
Net operating income	62,613	36,071	74 %	114,053	70,531	62 %	137,204

Financial data	Second quarter			First half			Full year 2007
	2008	2007	Change	2008	2007	Change	
Weighted average number of ordinary shares outstanding	3,186,220,758	3,202,321,120		3,186,391,062	3,202,207,259		3,195,866,843
Earnings per share	5.89	4.28	38 %	10.91	7.33	49 %	13.80
ROACE (last 12 months)	23.2 %	21.4 %		23.2 %	21.4 %		17.7 %
Cash flows provided by operating activities (billion)	25.5	10.1	152 %	52	49	7 %	93.9
Gross investments (billion)	15.8	26.8	(41 %)	30.7	43.7	(30 %)	75.0
Net debt to capital employed ratio	2.3 %	27.4 %		2.3 %	27.4 %		12.4 %

Operational data	Second quarter			First half			Full year 2007
	2008	2007	Change	2008	2007	Change	
Average liquids price (USD/bbl)	115.0	67.5	70 %	104.3	61.4	70 %	70.5
USD/NOK average daily exchange rate	5.08	6.01	(15 %)	5.20	6.13	(15 %)	5.86
Average liquids price (NOK/bbl) [3]	585	406	44 %	542	376	44 %	413
Gas prices (NOK/scm)	2.23	1.50	49 %	2.12	1.61	31 %	1.66
Refining margin, FCC (USD/boe) [4]	10.0	10.5	(5 %)	8.1	8.1	0 %	7.5
Total entitlement liquids production (mboe per day)[5]	1,039	1,060	(2 %)	1,069	1,080	(1 %)	1,070
Total entitlement gas production (mboe per day)	671	611	10 %	730	661	11 %	654
Total entitlement liquids and gas production (mboe per day) [6]	1,710	1,671	2 %	1,799	1,741	3 %	1,724
Total equity liquids and gas production (mboe per day)	1,898	1,786	6 %	1,973	1,837	7 %	1,839
Total liquids liftings (mboe per day)	1,065	994	7 %	1,056	1,086	(3 %)	1,081
Total gas liftings (mboe per day)	671	611	10 %	730	661	11 %	654
Total liquids and gas liftings (mboe per day) [7]	1,736	1,605	8 %	1,786	1,747	2 %	1,735
Production cost entitlement volumes (NOK/boe, last 12 months) [8]	46.1	31.4	47 %	46.1	31.4	47 %	44.1
Equity production cost excluding restructuring and gas injection cost (NOK/boe, last 12 months) [10]	32.1	27.3	18 %	32.1	27.3	18 %	31.2

Total liquids and gas liftings in the second quarter of 2008 were 1,736 mboe per day, compared to 1,605 mboe per day in the second quarter of 2007, an increase of 8%. There was an overlift in the second quarter of 2008 of 42 mboe per day [5] compared to an underlift in the second quarter of 2007 of 66 mboe per day.

Total liquids and gas liftings in the first half of 2008 were 1,786 mboe per day, compared to 1,747 mboe per day in the first half of 2007, a 2% increase. There was an overlift in the first half of 2008 of 3 mboe per day [5] compared to an overlift in the first half of 2007 of 6 mboe per day.

Total liquids and gas entitlement production in the second quarter of 2008 was 1,710 mboe per day, compared to 1,671 mboe per day in the second quarter of 2007. Average equity [10] production was up 6% to 1,898 mboe per day in the second quarter of 2008 compared to 1,786 mboe per day in the second quarter of 2007.

Total liquids and gas entitlement production in the first half of 2008 was 1,799 mboe per day, compared to 1,741 mboe per day in the first half of 2007. Average equity [10] production was up 7% to 1,973 mboe per day in the first half of 2008 compared to 1,837 mboe per day in the first half of 2007. Increases in production between the quarters as well as year-to-date stem from new fields coming on stream and a higher gas offtake, partly offset by declining production on mature fields.

Exploration expenditure was NOK 3.7 billion in the second quarter of 2008, compared to NOK 3.0 billion in the second quarter of 2007. Exploration expenditure was NOK 7.6 billion in the first half of 2008, compared to NOK 5.7 billion in the first half of 2007. The increase in both periods was mainly due to higher drilling activity, drilling cost and increased expenditures on seismic. Exploration expenditure reflects the period's exploration activities.

Exploration expenses for the period consist of exploration expenditure adjusted for the period's change in capitalised exploration expenditure. Exploration expenses increased from NOK 1.8 billion in the second quarter of 2007 to NOK 1.9 billion in the second quarter of 2008, mainly due to increased exploration activity, increased expense of previously capitalised exploration expenditures and lower capitalisation of exploration expenditures, partly offset by a reversal of impairment.

Exploration expenses increased from NOK 3.8 billion in the first half of 2007 to NOK 6.2 billion in the first half of 2008, mainly due to increased exploration activity and increased expense, including impairment writedowns, of previously capitalised exploration expenditures, but partly offset by reversal of impairment and by higher capitalisation of exploration expenditures.

Exploration (in NOK million)	Second quarter			First half			Full year 2007
	2008	2007	Change	2008	2007	Change	
Exploration expenditure (activity)	3,725	3,009	24 %	7,616	5,697	34 %	14,241
Expensed, previously capitalised exploration expenditure	426	196	117 %	2,621	520	404 %	1,653
Capitalised share of current period's exploration activity	(1,070)	(1,365)	22 %	(2,930)	(2,414)	(21 %)	(4,562)
Reversal of impairment	(1,136)	0	na	(1,136)	0	na	1
Exploration expenses	1,945	1,840	6 %	6,171	3,803	62 %	11,333

In the second quarter of 2008, a total of 24 exploration and appraisal wells and three exploration extension wells were completed, 15 on the NCS and 12 internationally. Ten exploration and appraisal wells and one exploration extension well have been declared as discoveries. In the second quarter of 2007, a total of 16 exploration and appraisal wells and two exploration extension wells were completed, seven on the NCS and 11 internationally. Nine exploration and appraisal wells and two exploration extension wells have been declared as discoveries.

In the first half of 2008, a total of 45 exploration and appraisal wells and four exploration extension wells were completed, 22 on the NCS and 27 internationally. Sixteen exploration and appraisal wells and two exploration extension wells have been declared as discoveries. In the first half of 2007, a total of 35 exploration and appraisal wells and two exploration extension wells were completed, 14 on the NCS and 23 internationally. Eighteen exploration and appraisal wells and two exploration extension wells have been declared as discoveries.

A number of completed wells internationally have encountered hydrocarbons but need more thorough evaluation before external announcement.

Drilling of 13 exploration and appraisal wells and one exploration extension well was ongoing at the end of second quarter 2008. Five wells have been completed after 30 June 2008, of which one well has been declared as a discovery.

Production cost per boe was NOK 46.1 for the 12 months ended 30 June 2008, compared to NOK 31.4 for the 12 months ended 30 June 2007. [8] Based on equity volumes, [10] the production cost per boe was NOK 42.4 and NOK 30.0, respectively, for the two periods.

Normalised at a USDNOK exchange rate of 6.00, the production cost for the 12 months ended 30 June 2008 was NOK 46.9 per boe, compared to NOK 31.2 per boe for the 12 months ended 30 June 2007. [9] Normalised production cost is defined as a non-GAAP financial measure. [2]

The production cost per boe, both actual and normalised, has increased significantly, mainly due to restructuring costs relating to the merger, start-up of new fields, increased maintenance cost and general industry cost pressure.

Adjusted for restructuring costs and other costs arising from the merger recorded in the fourth quarter of 2007 and gas injection costs, the production cost per boe of equity production for the 12 months ended 30 June 2008 was NOK 32.1. The comparable figure for the 12 months ended 30 June 2007 is NOK 27.3.

Net financial items amounted to an expense of NOK 0.5 billion in the second quarter of 2008, compared to an income of NOK 2.6 billion in the second quarter of 2007. The decrease of NOK 3.1 billion was mainly caused by decreased net foreign exchange gains of NOK 2.3 billion, in combination with decreased capitalised interests of NOK 0.6 billion and fair value adjustments on financial derivatives of NOK 0.4 billion.

The NOK 2.3 billion decrease in net foreign exchange gains was mainly related to external loans and liquidity and currency risk management and was caused by relatively less weakening of the US dollar versus NOK in the second quarter of 2008 compared to the second quarter of 2007. The decrease was partly offset by currency effects on internal US dollar loans provided by a Euro functional currency subsidiary.

Net financial items amounted to an income of NOK 3.4 billion in the first half of 2008, compared to an income of NOK 3.8 billion in the first half of 2007. The decrease of NOK 0.4 billion was mainly caused by decreased net foreign exchange gains of NOK 0.6 billion.

The NOK 0.6 billion decrease in net foreign exchange gains was mainly related to increased currency losses on internal US dollar loans provided by a Euro functional currency subsidiary. This effect was partly offset by increased currency gains on liquidity and currency risk management.

Exchange rates	30 June 2008	30 June 2007	30 December 2007
USDNOK	5.08	5.90	5.41
EURNOK	8.01	7.97	7.96

Income taxes were NOK 43.2 billion in the second quarter of 2008, equivalent to a tax rate of 69.6%, compared to NOK 24.7 billion in the second quarter of 2007, equivalent to a tax rate of 63.9%. The increase in tax rate was mainly related to relatively higher income from the NCS, which is subject to higher taxation than the average tax rate, and reduced positive effects of financial items.

Income taxes were NOK 82.5 billion in the first half of 2008, equivalent to a tax rate of 70.2%, compared to NOK 50.4 billion in the first half of 2007, equivalent to a tax rate of 67.9%. The increase in tax rate was mainly related to higher tax rate on income from certain jurisdictions outside the NCS, and reduced positive effects of financial items.

Outlook update

At the Capital Market Day in January 2008 we estimated our **equity production** for 2008 to 1,900 mboe per day. Strong production and high gas offtake during the first half of 2008 makes the estimate more robust.

Maintenance during the third quarter is expected to influence our equity production by close to 100 mboe per day. Gas offtake in the third quarter is also expected to be somewhat lower compared to second quarter.

In 2008, we estimate **organic capital expenditures** for the Group at around NOK 65 billion, which is somewhat lower than previously estimated. This is mainly related to a lower USDNOK exchange rate in the first half of 2008, and assuming a similar level for the rest of 2008. The previous estimate assumed an exchange rate of USDNOK 6.00.

Unit production cost for equity volumes is estimated in the range of NOK 33 to 36 per barrel in the period from 2008 to 2012, excluding purchases of fuel and gas for injection.

It is our ambition to deliver a competitive **ROACE** compared with our peer group defined as ExxonMobil, Shell, BP, Total, ConocoPhillips, ChevronTexaco, Eni, Repsol YPF, BG, Encana, Devon Energy, Anadarko, Lukoil, Occidental and Petrobras.

We expect to continue our high level of **exploration activity** throughout 2008. We expect to complete at least 70 exploration and appraisal wells in 2008. On the NCS, a significant part of the drilling activity is expected to be in mature areas close to existing infrastructure. We also plan to drill several wells in frontier areas of the Norwegian Sea and in the Barents Sea. Internationally, we will continue to pursue a high level of exploration activity combined with targeted business development consistent with our strategy to further grow our resource base. Rig capacity has been secured for the 2008 drilling programme, and we believe we are well positioned for further exploration drilling beyond 2008 based on our current drilling programme and rig positions. Due to the lower USDNOK exchange rate, we now estimate the exploration activity to be slightly below the NOK 18 billion communicated at the Capital Market Day.

2008 has so far been one of the most **volatile periods in the product, gas liquid and crude oil markets**. High prices were experienced during the first half of the year and we believe that prices will remain relatively high and volatile at least in the near term.

Prices for natural gas are expected to increase from today's relatively high level through the rest of 2008. This is based on an assumption of continued high prices for refined oil products as well as on increased seasonal demand as we move towards the upcoming winter. The natural gas market is also influenced by developments in the power market where gas is competing with coal, also reflecting the costs for CO₂ emissions. The supply situation is rather tight as a number of new supply schemes are delayed. Going forward, the value of natural gas will increasingly be determined in the power segment in competition with coal, renewable- and nuclear energy. The climate policy and regulations will be an important part of this equation.

These forward-looking statements reflect current views about future events and are, by their nature, subject to significant risks and uncertainties because they relate to events and depend on circumstances that will occur in the future. See "Forward-Looking Statements" below.

Health, safety and the environment (HSE)

The total recordable injury frequency was 5.7 in both the second quarter of 2008 and the second quarter of 2007. The serious incident frequency decreased from 2.6 in the second quarter of 2007 to 2.2 in the second quarter of 2008. The decrease in serious incidents was mainly caused by a decrease in falling objects from 33 in the second quarter of 2007 to 24 in the second quarter of 2008. There was one fatality in the second quarter of 2008 where an employee drowned during a teambuilding seminar.

The total recordable injury frequency increased from 5.4 in the first half of 2007 to 5.6 in the first half of 2008. The serious incident frequency was unchanged at 2.3 from the first half of 2007 to the first half of 2008. There was one fatality in the first half of 2008.

Accidental oil spills in the second quarter of 2008 decreased compared to the second quarter of 2007. Accidental oil spills in the first half of 2008 also decreased compared to the first half of 2007. The 12 month average number of oil spills is stable.

HSE	Second quarter		First half		Year 2007
	2008	2007	2008	2007	
Total recordable injury frequency	5.7	5.7	5.6	5.4	5.0
Serious incident frequency	2.2	2.6	2.3	2.3	2.1
Accidental oil spills (number)	98	115	175	199	387
Accidental oil spills (volume, scm)	211	16	226	51	4,989

Important events

- **Production from Gamma Main Statfjord on the Oseberg field in the North Sea commenced** on 12 April, only 18 months after the oil deposit was proved.
- Production at **Vigdis Øst** came on stream 15 April. A new template is on stream and oil is flowing from template number three on the Vigdis East structure in the North Sea.
- The Azerbaijan International Operating Company (AIOC) announced on 23 April the **start-up of oil production from the Deep Water Gunashli (DWG) platform complex**.
- Our plan for development and operation (PDO) for the **Morvin field was approved** on 25 April.
- **The block 15/06 partnership announced on 5 May the first oil discovery** in this deepwater block off the coast of Angola. We have a 5% share in the block.
- **We discovered hydrocarbons in two exploration wells in the Oseberg area** in the Norwegian offshore sector of the North Sea.
- The plan for development and operation of the **Yttergryta** prospect was approved by the authorities on 23 May, less than one year after hydrocarbons were proved during exploration drilling.
- **Production resumed on the Statfjord A platform 28 May**, after four days of shutdown due to an oil leak Saturday 24 May.
- In March, we bought out the remaining 50 percent of the Peregrino field in Brazil - and acquired the operatorship at the same time. **We took over the project responsibility for Peregrino** from Anadarko on 2 June.
- **Production at the Brage and Veslefrikk fields as well as on the Oseberg field centre, Oseberg South, Oseberg East and Tune resumed** after the small fire in a switchboard room on the Field Centre on Sunday 15 June.
- Production at **Theta Cook** came on stream 26 June. This exploration well was completed 15 May and set directly in production. Theta Cook is a long reach well drilled from Oseberg C.
- Production at **Oseberg Delta** came on stream 27 June. The first well is in production, the second well has an expected start-up in the fourth quarter of 2008.
- Our plan for development and operation of **Troll Field Projects** was submitted on 27 June.
- The Ministry of Petroleum and Industry announced the **20th licensing round on the Norwegian continental shelf** 30 June. It involves 79 blocks, or parts of blocks, in new areas of the Norwegian Sea and the Barents Sea.
- We have decided to build the **world's first full scale floating wind turbine**, and test it over a two-year period offshore Karmøy.

Subsequent important events:

- We confirmed on 4 July a **gas discovery in the Ververis prospect in the Barents Sea**, whereas an exploration well in the Stetind prospect in the Norwegian Sea turned out to be dry.
- The world's largest onshore **oil vapour recovery unit** which captures and recovers oil vapour during crude oil loading on tankers started up at our crude oil terminal at Mongstad, north of Bergen, Norway. The facility will reduce emissions creating harmful ground-level ozone.

- **Production from the Snøhvit field in the Barents Sea resumed on 10 July**, after extensive service work comprising 150,000 labour hours.
- **An agreement signed by Sogn og Fjordane county council and StatoilHydro 15 July**, will ensure that development of the North Sea's Gjøa field can take place with a satisfactory solution to the issue of electricity supplies.
- The EFTA Surveillance Authority (ESA) gave its **approval to an 80% government subsidy for the pilot project for carbon dioxide treatment** at Mongstad on 16 July.

To see end notes referenced in main table and text please download our complete report from our WEB site - <http://www.statoilhydro.com/en/investorcentre/results/quarterlyresults/pages/default.aspx>

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