

Press release

3 November 2008

Solid performance - financial strength

StatoilHydro's third quarter 2008, operating and financial review

StatoilHydro's net income in the third quarter in 2008 amounted to NOK 6.3 billion compared to NOK 14.6 billion in the third quarter of 2007 and was negatively affected by the significant strengthening of the US dollar compared to NOK on net financial items and consequently an unusually high tax rate. Net income in the first nine months of 2008 amounted to NOK 41.2 billion, compared to NOK 38.4 billion in the first nine months of 2007.

In the third quarter of 2008 the **net operating income** was NOK 47.0 billion, compared to NOK 35.8 billion in the third quarter of 2007. For the first nine months of 2008, net operating income amounted to NOK 161.1 billion, compared to NOK 106.4 billion in the first nine months of 2007.

Adjusted for certain items that are considered to be not reflective of StatoilHydro's underlying operational performance, the adjusted (underlying) net operating income in the third quarter of 2008 was NOK 52.1 billion, compared to NOK 32.8 billion in the third quarter of 2007. For the first nine months of the year, adjusted net operating income increased by NOK 53.8 billion to NOK 158.9 billion.

The increase in adjusted (underlying) net operating income from the third quarter of 2007 to the third quarter of 2008 was mainly due to a 36% increase in the realised prices of liquids (crude oil, condensate and NGL), measured in NOK and a 55% increase in natural gas prices, partly offset by a 3% decrease in entitlement volumes.

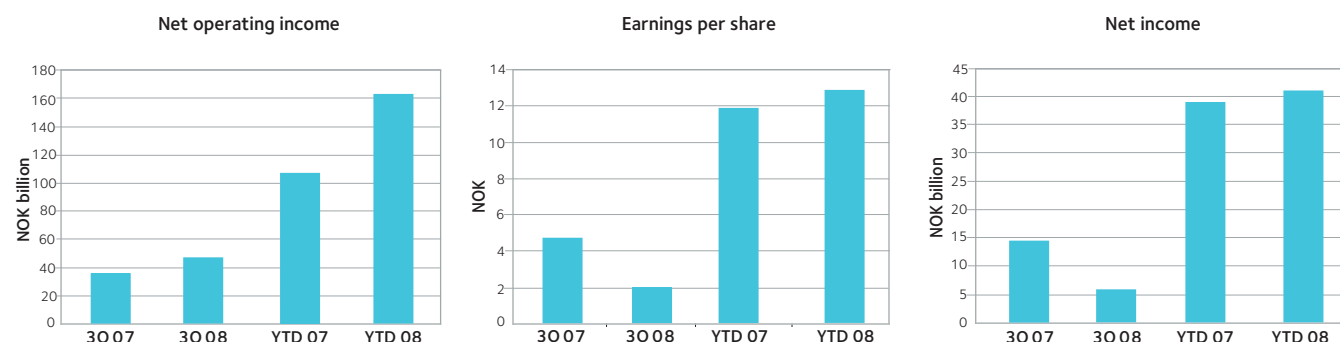
The NOK 53.8 billion increase in underlying net operating income from the first nine months of 2007 to the first nine months of 2008 was mainly due to a 41% increase in realised liquids prices measured in NOK and a 38% increase in natural gas prices. The increase was partly offset by increased operating expenses, mostly in the downstream business, and increased exploration expenses.

"Our operating performance and operating income are strong and we are well positioned industrially and financially in a time with great uncertainty in the financial markets", says Helge Lund, StatoilHydro's chief executive.

"We are capable of meeting our committed capital expenditures and a competitive dividend pay-out, even with lower oil prices", says Lund.

"Our equity production in the first nine months was 1.892 million barrels of oil equivalents per day (mmboepd), up 5% compared to the same period in 2007. In total we remain on track to deliver on our 2008 production guiding", Lund adds.

Performance update



In the third quarter of 2008, StatoilHydro delivered total liquids and gas entitlement production of 1,550 mboe per day. Lifted volumes decreased by 9% to 1,504 mboe per day. However, higher prices for liquids and natural gas more than offset the negative effects of decreased lifting, so that net operating income for the third quarter of 2008 increased to NOK 47.0 billion, up 31% from NOK 35.8 billion in the third quarter of 2007.

In the first nine months of 2008, StatoilHydro delivered total liquids and gas entitlement production of 1,716 mboe per day. Solid production and high prices yielded a net operating income for the first nine months of 2008 of NOK 161.1 billion, compared to NOK 106.4 billion in the first nine months of 2007.

During the first nine months of 2008, the group gained access to 15 new licenses 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 pending governmental approval.

StatoilHydro delivered an extensive exploration programme in the first nine months of 2008. Of a total of 60 completed exploration wells by 30 September, 33 were drilled outside of the NCS. Twenty-six discoveries have been declared, of which eight were made outside of the NCS. An additional four wells have been completed since 30 September.

In the first nine months of 2008, StatoilHydro 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 StatoilHydro started up production on six fields; Gulltopp (7 April), Oseberg Gamma Main Statfjord (12 April), Vigdis East (15 April), Theta Cook (26 June), Oseberg Delta (27 June) and Vilje (1 August). Internationally, production commenced on Deep Water Gunashli in Azerbaijan (22 April), Saxi and Batuque offshore Angola (1 July) and the Nigerian field Agbami (29 July).

Return on average capital employed after tax (ROACE) [1] for the 12 months ended 30 September 2008 was 28.9%, compared to 22.0% for the 12 months ended 30 September 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 third quarter of 2008, earnings per share were NOK 2.04, compared to NOK 4.52 in the third quarter of 2007. In the first nine months of 2008, earnings per share were NOK 12.95, compared to NOK 11.86 in the first nine months of 2007.

Profit and loss discussion

In the third quarter of 2008 the **net operating income** was NOK 47.0 billion, compared to NOK 35.8 billion in the third quarter of 2007.

Net operating income is adjusted for certain items that are considered to be incidental to the period or not reflective of StatoilHydro's underlying operational performance. Adjusted (underlying) net operating income is considered a supplemental measure to the StatoilHydro's IFRS measures that provides a better indication of StatoilHydro's underlying operational performance in the period.

The following items impacted the net operating income in the third quarter of 2008: derivatives had a positive impact of NOK 0.9 billion, while impairment charges (NOK 3.1 billion), underlift (NOK 1.3 billion), an accrual for expected losses on a tolling agreement (NOK 1.3 billion), inventory effects (NOK 0.9 billion) and other non operational accruals (NOK 0.4 billion) had a negative impact.

Adjusted for these items and effects of eliminations (NOK 1.0 billion), adjusted (underlying) net operating income was NOK 52.1 billion in the third quarter of 2008, compared to NOK 32.8 billion in the third quarter of 2007. The increase was mainly due to a 36% increase in realised prices of liquids measured in NOK, a 55 % increase in gas prices measured in NOK, partly offset by a 3% decrease in entitlement production, higher operating expenses in our downstream business and higher exploration expenses.

In the first nine months of 2008 the **net operating income** was NOK 161.1 billion, compared to NOK 106.4 billion in the first nine months of 2007. The following items had a positive impact on the net operating income in the first nine months of 2008: derivatives of NOK 5.7 billion, reversal of impairment of NOK 2.1 billion and gain on sale of assets of NOK 1.8 billion. These were partly offset by impairment charges of NOK 5.6 billion, an accrual for expected losses on a tolling agreement (NOK 1.3 billion), underlift of NOK 1.1 billion, accrual for claims (NOK 0.5 billion) and other non operational accruals NOK 0.4 billion.

Adjusted for these items, adjusted (underlying) net operating income was NOK 158.9 billion in the first nine months of 2008, compared to NOK 105.1 billion in the first nine months of 2007. The increase was mainly due to a 41% increase in prices of liquids measured in NOK, a 38 % increase in gas prices and a 1% increase in entitlement production, partly offset by higher operating expenses especially in the downstream business and higher exploration expenses.

Total liquids and gas liftings in the third quarter of 2008 were 1,504 mboe per day, compared to 1,660 mboe per day in the third quarter of 2007, a decrease of 9%. There was an underlift in the third quarter of 2008 of 29 mboe per day [5] compared to an underlift in the third quarter of 2007 of 36 mboe per day.

Total liquids and gas liftings in the first nine months of 2008 were 1,691 mboe per day, compared to 1,718 mboe per day in the first nine months of 2007, a 2% decrease. There was an underlift in the first nine months of 2008 of 10 mboe per day [5] compared to an overlift in the first nine months of 2007 of 26 mboe per day.

Total liquids and gas entitlement production in the third quarter of 2008 was 1,550 mboe per day, compared to 1,596 mboe per day in the third quarter of 2007. Average equity [10] production was 1,733 mboe per day in the third quarter of 2008 compared to 1,722 mboe per day in the third quarter of 2007. The decrease in entitlement production mainly stems from increased maintenance activity, shut downs and declining production from maturing fields, but was partly offset by ramp-up in production from new fields coming on stream.

Consolidated statements of income-IFRS (in NOK million)	Third quarter			First nine months			Full year 2007
	2008	2007	Change	2008	2007	Change	
Revenues and other income							
Revenues	173,843	129,414	34 %	502,147	375,787	34 %	521,665
Net income (loss) from equity accounted investments	367	152	141 %	646	601	7 %	609
Other income	274	147	86 %	2,502	261	859 %	523
Total revenues and other income	174,484	129,713	35 %	505,295	376,649	34 %	522,797
Operating expenses							
Cost of goods sold	93,947	66,220	42 %	253,398	191,018	33 %	260,396
Operating expenses	15,130	12,426	22 %	43,182	37,594	15 %	60,318
Selling, general and administrative expenses	2,350	2,826	(17 %)	7,654	7,344	4 %	14,174
Depreciation, amortisation and impairment	11,407	9,385	22 %	29,187	27,503	6 %	39,372
Exploration expenses	4,644	3,030	53 %	10,815	6,833	58 %	11,333
Total operating expenses	127,478	93,887	36 %	344,236	270,292	27 %	385,593
Net operating income	47,006	35,826	31 %	161,059	106,357	51 %	137,204
Net financial items	(9,740)	6,516	(249 %)	(6,314)	10,290	(161 %)	9,607
Income tax	(30,990)	(27,791)	12 %	(113,513)	(78,226)	45 %	(102,170)
Net income	6,276	14,551	(57 %)	41,232	38,421	7 %	44,641
Net operating income (in NOK billion)	47.0	35.8	31 %	161.1	106.4	51 %	137.2
Items impacting net operating income							
Derivatives	(0.9)	(1.5)	42 %	(5.0)	1.2	(507 %)	1.2
Under/(over)lift	1.3	(2.3)	156 %	1.1	(2.3)	148 %	(0.6)
Impairment	3.1	0.4	592 %	5.6	0.4	1149 %	2.8
Reversal of impairment	0.0	0.0	-	(2.1)	0.0	-	0.0
Inventory effects	0.9	0.1	800 %	(0.8)	(0.8)	0 %	(1.5)
Gain/loss sale of assets	0.0	0.0	-	(2.1)	0.0	-	0.0
Restructuring costs and other costs arising from the merger	0.0	0.0	-	0.0	0.0	-	10.7
Accrual for take-or-pay contract	1.3	0.0	-	1.3	0.0	-	0.0
Miscellaneous accruals	0.2	0.0	-	0.2	0.0	-	0.0
Restructuring in Sweden	0.0	0.0	-	0.2	0.0	-	0.0
Accrual for claims	0.2	0.0	-	0.5	0.0	-	0.0
Eliminations	(1.0)	0.2	(683 %)	(1.0)	0.2	(683 %)	0.3
Adjusted (underlying) net operating income	52.1	32.8	59 %	158.9	105.1	51 %	150.0

Net operating income for the segments (in NOK million)	Third quarter			First nine months			Full year 2007
	2008	2007	Change	2008	2007	Change	
E&P Norway	40,429	31,770	27 %	136,453	90,562	51 %	123,150
International E&P	583	3,124	(81 %)	14,407	9,926	45 %	12,161
Natural Gas	3,508	1,206	191 %	4,947	3,314	49 %	1,493
Manufacturing & Marketing	2,028	165	1,131 %	4,134	4,450	(7 %)	3,845
Other	(510)	(273)	(87 %)	208	(968)	121 %	(2,260)
Eliminations of internal unrealised profit on inventories	968	(166)	n/a	910	(927)	198 %	(1,185)
Net operating income	47,006	35,826	31 %	161,059	106,357	51 %	137,204

Financial data	Third quarter			First nine months			Full year 2007
	2008	2007	Change	2008	2007	Change	
Weighted average number of ordinary shares outstanding	3,185,821,248	3,198,647,654		3,186,199,738	3,201,007,684		3,195,866,843
Earnings per share	2.04	4.52	(55 %)	12.95	11.86	9 %	13.80
ROACE (last 12 months)	28.9 %	22.0 %		28.9 %	22.0 %		17.7 %
Cash flows provided by operating activities (billion)	30.8	42.6	(28 %)	83.2	91.7	(9 %)	93.9
Gross investments (billion)	17.1	14.6	17 %	47.8	58.3	(18 %)	75.0
Net debt to capital employed ratio	(0.3 %)	27.8 %		(0.3 %)	27.8 %		12.4 %

Operational data	Third quarter			First nine months			Full year 2007
	2008	2007	Change	2008	2007	Change	
Average liquids price (USD/bbl)	107.6	73.6	46 %	105.3	65.4	61 %	70.5
USD/NOK average daily exchange rate	5.37	5.76	(7 %)	5.26	6.00	(12 %)	5.86
Average liquids price (NOK/bbl) [3]	578	424	36 %	553	393	41 %	413
Gas prices (NOK/scm)	2.37	1.53	55 %	2.19	1.58	38 %	1.66
Refining margin, FCC (USD/boe) [4]	9.2	6.6	39 %	8.5	7.6	12 %	7.5
Total entitlement liquids production (mboe per day)[5]	989	1,015	(3 %)	1,042	1,058	(2 %)	1,070
Total entitlement gas production (mboe per day)	561	581	(3 %)	674	634	6 %	654
Total entitlement liquids and gas production (mboe per day) [6]	1,550	1,596	(3 %)	1,716	1,692	1 %	1,724
Total equity liquids and gas production (mboe per day)	1,733	1,722	1 %	1,892	1,798	5 %	1,839
Total liquids liftings (mboe per day)	943	1,079	(13 %)	1,018	1,084	(6 %)	1,081
Total gas liftings (mboe per day)	561	581	(3 %)	674	634	6 %	654
Total liquids and gas liftings (mboe per day) [7]	1,504	1,660	(9 %)	1,691	1,718	(2 %)	1,735
Production cost entitlement volumes (NOK/boe, last 12 months) [8]	47.4	33.3	42 %	47.4	33.3	42 %	44.1
Equity production cost excluding restructuring and gas injection cost (NOK/boe, last 12 months) [10]	33.2	29.0	14 %	33.2	29.0	14 %	31.2

Total liquids and gas entitlement production in the first nine months of 2008 was 1,716 mboe per day, compared to 1,692 mboe per day in the first nine months of 2007. Average equity [10] production was up 5% to 1,892 mboe per day in the first nine months of 2008 compared to 1,798 mboe per day in the first nine months of 2007. Increased production mainly stems from new fields coming on stream and a higher gas off-take, but was partly offset by declining production from maturing fields.

Exploration expenditure was NOK 4.3 billion in the third quarter of 2008, compared to NOK 3.4 billion in the third quarter of 2007. Exploration expenditure was NOK 11.9 billion in the first nine months of 2008, compared to NOK 9.1 billion in the first nine months of 2007. The increase in both periods was mainly due to higher exploration activity and increased drilling costs. Exploration expenditure reflects exploration activities in the period.

Adjusted exploration expenses for the period consist of exploration expenditure adjusted for the period's change in capitalised exploration expenditure and for certain items impacting the net operating income as described above. The adjusted (underlying) exploration expenses increased from NOK 3.0 billion in the third quarter of 2007 to NOK 3.3 billion in the third quarter of 2008, mainly due to higher exploration activity and increased drilling costs.

Adjusted exploration expenses increased from NOK 6.8 billion in the first nine months of 2007 to NOK 8.5 billion in the first nine months of 2008, mainly due to higher exploration activity and increased drilling costs.

Exploration (in NOK million)	Third quarter			First nine months			Full year 2007
	2008	2007	Change	2008	2007	Change	
Exploration expenditure (activity)	4,274	3,371	27 %	11,890	9,068	31 %	14,241
Expensed, previously capitalised							
exploration expenditure	2,020	387	422 %	4,641	907	412 %	1,653
Capitalised share of current							
period's exploration activity	(1,650)	(728)	(127 %)	(4,580)	(3,142)	(46 %)	(4,562)
Reversal of impairment	0	0	na	(1,136)	0	na	1
Items impacting exploration expenses	(1,300)	0	na	(2,300)	0	na	(700)
Adjusted exploration expenses	3,344	3,030	10 %	8,515	6,833	25 %	10,633

In the third quarter of 2008, a total of 15 exploration and appraisal wells and two exploration extension wells were completed, nine on the NCS and six internationally. Ten exploration and appraisal wells and two exploration extension wells have been declared as discoveries. In the third quarter of 2007, a total of 15 exploration and appraisal wells were completed, seven on the NCS and eight internationally. Fourteen exploration and appraisal wells were declared as discoveries.

In the first nine months of 2008, a total of 60 exploration and appraisal wells and six exploration extension wells were completed, 27 on the NCS and 33 internationally. Twenty-six exploration and appraisal wells and four exploration extension wells have been declared as discoveries. In the first nine months of 2007, a total of 51 exploration and appraisal wells and two exploration extension wells were completed, 18 on the NCS and 33 internationally. Twenty-seven exploration and appraisal wells and two exploration extension wells were declared as discoveries.

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

Drilling of 14 exploration and appraisal wells and two exploration extension well was ongoing at the end of third quarter 2008. Four wells have been completed after 30 September 2008, of which two wells have been declared as discoveries.

Production cost per boe was NOK 47.4 for the 12 months ended 30 September 2008, compared to NOK 33.3 for the 12 months ended 30 September 2007. [8] Based on equity volumes, [10] the production cost per boe for the two periods was NOK 43.1 and NOK 31.5, respectively.

Normalised at a USDNOK exchange rate of 6.00, the production cost for the 12 months ended 30 September 2008 was NOK 48.2 per boe, compared to NOK 33.2 per boe for the 12 months ended 30 September 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 non-recurring restructuring costs relating to the merger of Statoil ASA and Hydro Petroleum in 2007, 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 September 2008 was NOK 33.2. The comparable figure for the 12 months ended 30 September 2007 is NOK 29.0.

Net financial items amounted to a loss of NOK 9.7 billion in the third quarter of 2008, mainly caused by a NOK 0.75 (14.7%) weakening in relation to the US dollar, compared to an income of NOK 6.5 billion in the third quarter of 2007 mainly caused by a NOK 0.46 (7.8%) strengthening in relation to the US dollar.

The NOK 16.3 billion negative change was mostly attributable to currency effects. Specifically, in the third quarter of 2008, currency losses amounted to NOK 11.8 billion and NOK 5.1 billion related to financial risk management and non-current financial liabilities, respectively. By comparison, in the third quarter of 2007, currency gains amounted to NOK 4.7 billion and NOK 3.1 billion related to financial risk management and non-current financial items, respectively. The net currency losses were partly offset by net currency gains of NOK 8.2 billion related to receivables which were mostly internal US dollar loans provided by a Euro-functional currency subsidiary.

In the first nine months of 2008, net financial items amounted to a loss of NOK 6.3 billion, mainly caused by a NOK 0.42 weakening in relation to the US dollar, compared to an income of NOK 10.3 billion in the first nine months of 2007 mainly caused by a NOK 0.81 strengthening in relation to the US dollar.

As described above for the quarterly effects, the NOK 16.6 billion decrease was mainly related to net currency losses of NOK 15.3 billion and NOK 8.1 billion related to financial risk management and non-current financial liabilities respectively. The net currency losses were partly offset by net currency gains of NOK 6.8 billion related to receivables which were mostly internal US dollar loans provided by a Euro-functional currency subsidiary.

Exchange rates	30 September 2008	30 September 2007	31 December 2007
USDNOK	5.83	5.44	5.41
EURNOK	8.33	7.72	7.96

Income taxes were NOK 40.0 billion in the third quarter of 2008, equivalent to a tax rate of 83.2%, compared to NOK 27.8 billion in the third quarter of 2007, equivalent to a tax rate of 65.6%. The increase in the tax rate was mainly related to a net loss on financial items which is subject to lower taxation than the average rate, impairment expenses that in effect are not tax deductible and relatively higher income in certain high tax jurisdictions outside the NCS.

In the first nine months of 2008 income taxes were NOK 113.5 billion, equivalent to a tax rate of 73.4%, compared to NOK 78.2 billion in the first nine months of 2007, equivalent to a tax rate of 67.1%. The increase in the tax rate was mainly related to a net loss on financial items which is subject to lower taxation than the average rate and relatively higher income in certain high tax jurisdictions outside the NCS.

Outlook update

StatoilHydro guided at the Capital Markets Day in January 2008 **equity production** for 2008 to 1,900 mboe per day. Strong production during the first nine months of 2008 supports this estimate.

Maintenance activity is expected to have little impact on the equity production in the fourth quarter of 2008. Gas offtake is expected to increase in the fourth quarter of 2008 compared to third quarter of 2008 due to seasonal increases in demand.

In the second quarter of 2008 **capital expenditures for 2008 excluding acquisitions** for the group were estimated at around NOK 65 billion. The capital expenditures estimate remains unchanged, although the current level of the USDNOK exchange rate may influence the final year end figure in NOK. Almost 50% of the forecasted investments for 2008 are in assets expected to contribute to growth in oil and gas production, about one third are related to investments in currently producing assets, with the remainder in other activities. The acquisition of the remaining 50% of the Peregrino development offshore Brazil is not included in the figures above.

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.

StatoilHydro's ambition is to deliver a competitive **ROACE** compared with its peer group.

The company expects to continue a high level of **exploration activity** throughout 2008 and complete between 75 and 80 exploration and appraisal wells. On the NCS, a significant part of the drilling activity has been in mature areas close to existing infrastructure as well as in frontier areas of the Norwegian Sea and in the Barents Sea. Internationally, the company will continue to pursue a high level of exploration activity combined with targeted business development consistent with the strategy to further grow the group's resource base. The company is well positioned for further exploration drilling beyond 2008 based on current drilling programme and rig positions. The exploration activity estimate is maintained at slightly below NOK 18 billion, although current USDNOK exchange rate uncertainty may affect the actual amount of expenditure for 2008.

The year 2008 has so far been one of the most **volatile periods in the product, gas liquid and crude oil markets**. Prices decreased dramatically during third quarter and the negative trend has continued into the fourth quarter. We anticipate prices to remain relatively lower than earlier in the year and volatile at least in the near term.

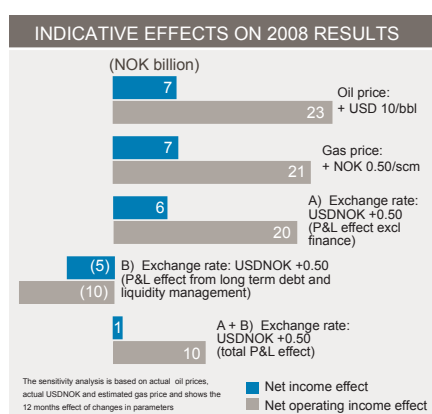
Prices for natural gas are expected to increase from today's level through the rest of 2008 as we enter into the winter season. However, the financial turmoil adds considerable uncertainty to this development. The natural gas market is also influenced by developments in the overall power market where gas is competing with coal, the price of which also reflects the costs of CO₂ emissions. Going forward, the value of natural gas will increasingly be determined in the power segment in competition with coal, renewable- and nuclear energy. Climate policy and regulations will also be important factors.

The USDNOK exchange rate has increased significantly after the end of the third quarter. If the exchange rate remains at the prevailing level, it will positively impact our income measured in NOK. However, it will have an adverse impact on our net financial items and it will lead to increases in USD denominated costs and capital expenditures when measured and reported in NOK. Exchange rates at the current prevailing level will also have a negative impact on our reported tax rate.

StatoilHydro will present guidance for 2009 in January 2009. The guidance will be based on equity production, capital expenditure and exploration activity and include a description of uncertainty and degree of flexibility in our portfolio.

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.

Risk update



Risk factors

The results of operations largely depend on a number of factors, most significantly those that affect the price we receive in NOK for our sold products. Specifically, such factors include the level of liquids and natural gas prices; trends in the exchange rate between the US dollar and Norwegian kroner, our liquids and natural gas production volumes, which in turn depend on entitlement volumes under profit sharing agreements and available petroleum reserves, and our own, as well as our partners' expertise and co-operation in recovering oil and natural gas from those reserves; and changes in our portfolio of assets due to acquisitions and disposals.

The illustration shows how certain changes in the crude oil prices (a substitute for liquids prices), natural gas contract prices and the USDNOK exchange rate, if sustained for a full year, could impact our financial results, assuming activity at levels achieved so far in 2008. Changes in commodity prices, currency and interest rates may result in income or expense for the period as well as changes in the fair value of derivatives in the balance sheet.

The illustration is not intended to be exhaustive with respect to risks that have or may have a material impact on the cash flows and results of operation. See the annual report for 2007 for a more detailed discussion of risks that StatoilHydro is exposed to.

Financial risk management

StatoilHydro has policies in place to manage acceptable risk for commercial and financial counterparties and the use of derivatives and market activities in general. StatoilHydro has so far avoided exposure towards those more distressed parties and instruments during the current financial crisis. The turmoil in the financial markets has not caused us to make any changes in our risk management policies but we have tightened our practises with respect to credit risk and liquidity management. There have been no counterparty losses incurred so far. Our exposure towards financial counterparties is still considered to have an acceptable risk profile, but it is anticipated that the risk may increase if the financial crisis worsens. This may be somewhat reduced by the effects of national and international actions by nations and national banks.

The market for short- and long term financing remains challenging. Despite our solid rating and solid cash flow, the cost of borrowing is expected to be higher than in recent years. With regard to liquidity management, focus is on finding the right balance between risk and reward and most funds are currently placed in short term AA- and AAA-rated non-Norwegian government certificates or with banks with AA-rating.

Health, safety and the environment (HSE)

The total recordable injury frequency was 5.5 in the third quarter of 2008 compared to 4.7 the third quarter of 2007. The serious incident frequency increased from 1.6 in the third quarter of 2007 to 1.9 in the third quarter of 2008.

The increase in serious incidents was mainly caused by an increase in falling objects in the third quarter of 2008 compared to the third quarter of 2007. A fatal accident occurred during the third quarter in 2008 in Iran when a mooring line broke and hit one of the crew.

The total recordable injury frequency increased from 5.2 in the first nine months of 2007 to 5.5 in the first nine months of 2008. The serious incident frequency increased from 2.1 in the first nine months of 2007 to 2.2 in the first nine months of 2008. There were two fatalities in the first nine months of 2008.

The number of accidental oil spills in the third quarter of 2008 increased compared to the third quarter of 2007 whereas the number of accidental oil spills in the first nine months of 2008 decreased compared to the first nine months of 2007. The 12 month average number of oil spills is stable.

HSE	Third quarter		Nine months ended		Year 2007
	2008	2007	2008	2007	
Total recordable injury frequency	5.5	4.7	5.5	5.2	5.0
Serious incident frequency	1.9	1.6	2.2	2.1	2.1
Accidental oil spills (number)	111	100	290	299	387
Accidental oil spills (volume, scm)	44	480	271	531	4,989

Important events

- On 4 July we confirmed the existence of **gas in the Ververis prospect (License 395) in the Barents Sea**.
- On 28 July we announced that the Angola's state owned oil company, Sonangol, had approved **the development of a series of deepwater oil discoveries in Block 31, offshore Angola**.
- The **Agbami field offshore Nigeria** started producing oil on 29 July.
- On 1 August, the first oil flowed from the **Vilje field** to the Alvheim floating production, storage and offloading vessel (FPSO).
- On 5 August our partner Sonatrach announced a fifth **gas discovery** in the Hassi Mouina licence in the Sahara desert in **Algeria**.
- On 13 August our partner ExxonMobil announced **start-up of production from the Saxi and Batuque fields** - part of the Kizomba C development project in Block 15 offshore Angola.
- On 21 August we announced that the partners in the **Hebron discovery** signed a deal with the Province Government for the development of Hebron 350 kilometres off the coast of Newfoundland and Labrador in Canada.
- On 22 August we announced a **gas discovery in licence 394 in the Barents Sea**.
- On 25 August we announced an **oil discovery near Sleipner in the Dagny structure** in the North sea and a **gas discovery in the Snefrid South prospect** near the Luva discovery in the Norwegian Sea.
- On 28 August we announced the **discovery of dry gas in well TNK-2 (Tinerkouk 2) in the Hassi Mouina license** area in Algeria.
- Gas filling into the **storage caverns in the Aldbrough** project in the UK started in August. This is a cooperation project for natural gas storage between the British company SSE Hornsea Limited (SSEHL) and StatoilHydro.

Subsequent important events:

- StatoilHydro submitted the **external investigation report on the Libya matter** to Norwegian and US authorities on 7 October. Consultancy agreements related to Norsk Hydro's earlier activities in Libya contain issues which could be problematic in relation to Norwegian and US anti-corruption legislation. The external investigation into Hydro Oil & Energy's international operations has been submitted to the National Authority for Investigation and Prosecution of Economic and Environmental Crime in Norway (Økokrim), to the US Department of Justice (DoJ), the US Securities and Exchange Commission (SEC) and to the relevant Libyan authorities.
- StatoilHydro ASA and Det norske oljeselskap ASA signed a **sales and purchase agreement** on 12 October for the transfer of Det norske oljeselskap's 15% interest in the **Goliat** field (PL229, as well as PL229B and PL229C) to StatoilHydro ASA. The transaction has effect from 1 January 2008. StatoilHydro Petroleum AS and Det norske oljeselskap ASA have on the same date **agreed on a swap** where StatoilHydro will receive 10% interest in PL265 (the **Ragnarrock discovery**) in exchange for ceding its 10% interest in **PL102** (excluding producing fields Skirne and Byggve) and its 57% interest (45% from StatoilHydro Petroleum AS and 12% from StatoilHydro ASA) in a carve-out area of **PL169** to Det norske oljeselskap ASA.
- On 16 October we announced a **gas discovery in production license 218** in the Norwegian Sea.
- On 16 October our partner Sonangol announced **two new oil discoveries in block 31 offshore Angola**.
- On 21 October, the European Commission announced that **StatoilHydro has been granted permission to take over the bulk of the Jet retail chain** in Scandinavia currently owned and operated by ConocoPhillips.
- On 22 October we announced the presence of **oil and gas in the Pan/Pandora prospect** south of the Visund field in the North sea.

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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