FINAL TRANSCRIPT

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PRESENTATION

Lars Troen Sorensen - *StatoilHydro ASA - Head of IR*

Welcome to the StatoilHydro 2009 Strategy Update. My name is Lars Troen Sorensen. I'm Head of Investor Relations.

Let's just take one minute on your safety here at East Wintergarden in London. In the event of an emergency, we've got four exits in this room, two behind me and two behind you where you came in. If the alarm goes, then I would ask you to leave calmly, but instantly. Assembly point is just outside across the road on the square in front of the entrance of the conference center, here.

8 a.m. this morning, Central European time, or 7 a.m. UK time, presentations, press release and stock market announcements were made available on the Internet and through the Oslo Stock Exchange. They were sent to wires and they could be downloaded from our website, statoilhydro.com.

I'd like to draw your attention to the first page of the presentation, that which is the disclaimer, talking about the non-GAAP measures and forward-looking statements that we will use during the presentation, today.

Today's presentation will be held by our President and Chief Executive, Helge Lund, and the Chief Financial Officer, Eldar Saetre.

After the presentation, we'll have a Q&A session and questions can be asked from the audience, here in London, but they can also be asked via the Internet. And that makes me -- that makes a perfect opportunity to welcome the audience on the Internet who are following this via webcast.

You can ask questions by pressing the submit button on your screen and the questions will be sent to the laptop, here, and I will read them aloud on your behalf during the Q&A session after the presentations.

The Q&A is already open, so you may send in questions already, now, and during the two presentations that we're going to hear now.

Helge Lund - *StatoilHydro ASA - President and CEO*

Ladies and gentlemen, good afternoon and welcome to our Capital Market Update for 2009. I think we can easily agree that the world has changed dramatically since we met last year in London, exactly one year ago. At that time, we had seen several years of economic growth. Now, we find ourselves in a rather difficult economic situation worldwide. At that time, we saw $90 per barrel and rising, now the prices are half that and with considerable uncertainty where the prices are moving forward at least in the short run.

The objective that I and we have today is to demonstrate to you how we are taking action to maneuver through the current turmoil and beyond that main message we will confirm to you that our long-term strategy remains firm and the direction is unchanged.

We will also communicate that we put great emphasis in steering the Company in a way where we keep financial flexibility throughout this period, and we strongly also commit to the dividend policy of StatoilHydro.

I would also like to state at the beginning that I feel that our position to tackle the turmoil is strong and also that I have the levers I need to steer through this rather difficult period.

Moving then to look a little bit at the environment, I think we can conclude, all of us, that our industry is no exception. We are impacted by what we see in the environment and there are several factors that are coinciding and reinforcing each other.

The collapsing oil price is heavily affecting cash flow and earnings. Costs and investment programs are at historic high levels after many years of high activity. And access to cash is tightened due to the meltdown in the financial sector. All of that, I think, lead to a situation where we can conclude easily that the industry risk is on the rise.

The economic downturn implies lower energy demand and therefore also, at least in the short term, consequently lower prices.

And it's fair to conclude also that we face a situation that very few predicted but many now can explain in a very good way. It is more profound than most of us have been able to plan for and the fundamental challenge, I think, for StatoilHydro and most other companies is to find the right balance between keeping short-term financial flexibility and building for the long term and for the future.

The economic recession has impacted the oil price in several ways and the price has, as you know, dropped by more than 60% since the peak in July. We have seen significant impacts on demand in important markets like the US as well as in Asia. We have seen many financial investors leaving the market and reduce their exposure to oil. And the market psychology has been reversed. And it seems that the concern of supply shortages in the short term is now, more or less, replaced with a risk for over-supply.

Short term, therefore, we regard the oil price development as highly uncertain. It will, to a large extent, be determined by the length and the depth of the economic downturn and also how OPEC is responding. In our thinking, we planned for prices around today's level but are also prepared for considerable downsides and continued voatility.

This short-term turbulence and uncertainty, however, does not change our long-term view. Our analysis does not suggest a need for change in strategic direction. We believe that, once the global economy recuperates, the world will, again, find itself in a situation where energy supply will struggle to keep up with the demand.

The reasons being that we will continue to face restrained access. We will continue to face high complexity in our projects. The political risk will continue to be there and we will see limited capacity and also physical constraints. All being barriers that we need to overcome in order to react with new supplies to the market. Therefore, and on this basis, in the long term we believe in the tight oil market.

So, how are we positioned and how are we positioning ourselves for the current turmoil? And we are prepared to meet the new realities and the turmoil that we are seeing around us. We have a very strong financial position as a starting point and a robust portfolio. On that basis, we have the strength, as a Company, to handle the situation in a good way, but we will not continue as if nothing has happened. We have already taken actions that are factored into our 2009 plan and we have additional measures that we would like to implement if things get worse than it is today.

A downturn also gives opportunity to shift focus and to drive improvement internally. And I will use the situation in exactly that way in StatoilHydro. We will optimize our schedules, plans and priorities. We will, in an even more forceful way, target costs and improved quality and efficiency, not only in StatoilHydro but also in collaboration with our suppliers. In fact, my view is that, in times of uncertainty, our best protection is to deliver strong operational performance and I hope you agree.

We will, therefore, use all the levers we have at our disposals but we are not pulling the handbrake. We are looking for opportunities that can strengthen our Company and create shareholder value. However, having accessed almost 9b barrels of oil and gas resources since 2005 through successful exploration and targeted business development our priority, first and foremost, is to mature and develop that resource base in an efficient and also prudent way.

Let me address our response in a little bit more detail and start with operational performance. Hopefully, all of you that were here last year recall that we put a lot of emphasis on delivering and improving operational performance when we met here last year. And we can, today, conclude that we are delivering on the performance metrics and the guidance that we provided last year at our full Capital Market Day, here in London.

We will deliver on our production guiding for 2008 and also delivering that production at very competitive production costs.

We have, to date, captured 50% of the merger synergies and the remaining 50%, most of that will be captured in 2009. We have added more than 800m barrels of new resources through exploration and at a low finding cost.

Furthermore, we have improved in the two critical areas we focused on last year in terms of drilling efficiency as well as implemented more effective and better planned turnarounds. Over and above that, you will see that we continue to deliver a highly-competitive return on capital employed.

In parallel with these deliveries we have executed a large and very complex merger. A completely new organization is designed and implemented. Some 10,000 people have moved into new positions and, right now, we are executing the final part of the integration process, onshore at our operational facilities as well as at all of the operational facilities offshore. And I think it's prudent also, today, to compliment our people that have not only delivered the complex merger but also delivered on the targets that we put forward to you last year.

The objective of the final part of the integration process is to standardize our working processes offshore and at our onshore facilities in order to improve efficiency and flexibility, to share in a better way best practices across our operational facilities and finally also to increase safety and reliability.

I have always looked at the merger as a major catalyst to improve operational performance and I think we now see that we are using the merger in exactly that way, and it will provide additional synergies and improvement potential also in 2009 and beyond.

Looking at our portfolio, and we will review that a little bit more in detail later today, but I think it is particularly in challenging times that we see the real advantages of having a robust portfolio. This picture illustrates that our portfolio has many beneficial properties. Low production unit costs secures strong cash flow from our producing assets. A robust portfolio of sanctioned projects adds short-term production at competitive costs and a very large portfolio of non-sanctioned projects with high flexibility gives us also freedom to choose when we want to capitalize on these opportunities in the best way for our shareholders.

So we are adjusting and we will continue to adjust to the market development going forward to retain our financial strength and, at the same time, maximizing the value of our projects.

In 2009, we have already adjusted our investment program to the new situation. Some projects are delayed from the original plan, others are being evaluated. And we have undertaken new cost-reduction initiatives beyond the merger benefit in order to be more competitive and Eldar will deal with this later in his presentation in more detail.

On exploration we continue to believe and we continue to develop the Company on the basis that we believe exploration is the primary growth tool for StatoilHydro moving forward. We're still on the high level, as you see here, but our exploration expenditure is taken down from last year.

The merger has given us the opportunity to high-grade the exploration portfolio the two Companies had and I think our exploration results in 2008 documents that we captured the merger benefits also in this area. A strong portfolio of prospects will be drilled in 2009 and I can confirm that we have secured rig capacity at competitive rates for all of these wells.

A key feature of StatoilHydro since the listing in 2001 is that we have had production growth year-on-year since that time. Our planned NCS production in 2009 is at all-time high and our international production has increased over 65% since 2004.

In 2009 we will grow our production from the 2008 level to 1.95m barrels per day in equity terms. And we will grow in both equity as well as entitlement terms.

Looking beyond 2009 for 2012, today we confirm the target that we presented last year on 2.2m barrels per day. A high quality portfolio of sanctioned projects underpin the growth towards 2012, further strengthened by the acquisitions that we made last year and that is also increasing our confidence that we will reach that number. However, given the global economic turmoil and the uncertainty that I've already dealt with, we will not raise the 2012 targets.

I talked about exploration already. Let me go a little bit more in detail. And just opening by saying that exploration results in 2008 is encouraging. And I think it proves that our exploration strategy is working. We have completed 79 wells with a success rate of 60%, and we have gained access to 76 new licenses moving forward.

The North Sea still holds a high yet-to-find potential. After decades of exploration and production, the developed infrastructure allows fast track development from discovery to production, also with high profitability. And I would say that persistence and also creativity of our geologists has proved considerable resources in this area in 2008.

And I think the two most prominent examples are the two discoveries that we made last year in this area, Dagny and Ermintrude, two rather strange Norwegian names. But those were identified or discovered in the area close to Sleipner, one of the most explored areas in the North Sea. And I think that is positive because it still shows that with new technology, new concepts and even better geologists we can find new resources even in these areas. These two discoveries combined have a potential of roughly 200m barrels.

In the deep waters of the Norwegian Sea, we have proved a set of moderate-sized gas discoveries. This is in a completely different area. It's frontier with limited infrastructure. But with these new discoveries we are getting closer to possible development in this area. More drillings need to be done, more technical work, but I hope that these resources could support our gas supplies to Europe and we believe that that gas will be welcome with our clients and customers.

Finally on this note, Gulf of Mexico has developed into one of StatoilHydro's most important areas internationally. We are currently the fourth largest deepwater license holder and have an equity interest in six of the largest deepwater discoveries made in recent years. And we expect to continue to develop and grow our Gulf of Mexico business going forward. And the growth and the development is underpinned by several promising projects and discoveries that you know about, the Tahiti field, the Julia, Jack and Cesar and more.

Turning to resources, we have, over the last years, actively built a much stronger resource base. All-in-all, we now hold approximately 20b barrels in our resource bank. Deepwater Gulf of Mexico, the oil sands in Canada, Shtokman in Russia, heavy oil in Brazil and our recent gas acquisition in the US, all represents resources of long-term growth for StatoilHydro.

Going forward, as I already mentioned, our key focus will now be to mature these resources in an efficient and prudent way.

I would like to highlight also another profile or aspect illustrated by the chart, here in just underlining that the resource base has an excellent risk profile. With limited political risk with approximately 75% of the resources within the OECD region and a vast majority, as you see on the chart, here, is still within conventional oil and gas plays. And the unconventional resources, we have accessed lately have manageable technical risks and also has a good fit with our total capabilities in the Company.

A few words about strategy. This is a strategy update so that certainly signals the fact that there are no big changes in our strategy. The strategy remains firm and the direction is unchanged. The key elements of our strategy is to continue to maximize the potential and the value of the Norwegian Continental Shelf. It is to continue to build international production growth and step-by-step and gradually also strengthen our position within renewable.

And we are executing on the four strategic priorities that we communicated and launched last year at our Capital Markets Day. The Peregrino operatorships put us in the lead in a major international offshore heavy oil project where we can capitalize and utilize all of the scales, the technologies and the concepts that we developed at the Norwegian Grane project.

The Shtokman opportunity strengthens our position in the Arctic building both on the Snohvit experience and also on the Ormen Lange project. The Marcellus acquisition enables us to use our market competence and ability to commercialize gas resources and deepwater Gulf of Mexico 2009 will be the first year where we are operating our own exploration wells in deepwater Gulf of Mexico.

So all of this is focusing on the fact that we are implementing on the strategic framework that we put forward last year.

The Shtokman project and the Marcellus acquisition stem from our fundamental strategic belief of the competitiveness of gas longer term. And gas has many beneficial properties. It is clean with a low carbon footprint compared to alternatives, oil and coal. There is a well-developed infrastructure in attractive and liquid markets. And the liberalization of the gas markets allow us to capture additional value from our strong market position.

Let me, therefore, and on that basis elaborate briefly on our unique gas position. You know that Statoil has been, and still is, the key industrial architect in developing the NCS into a gas machine, I would say, of global proportions. By end 2009 Norway will probably be the second largest exporter of gas in the world. And StatoilHydro alone supplies some 14% of the EU consumption and only Gazprom is a bigger supplier.

And step-by-step, we have expanded our gas position based on exactly the NCS experience we have developed over 40 years.

Azerbaijan and Shah Deniz with sales and infrastructure to Turkey, a strategic step into LNG through the Snohvit project as well as the Cove Point receiving terminal in the US. The establishment of a strong foothold in North Africa, primarily in Algerie, and finally now also on the Shtokman project, as well as Marcellus.

And the Marcellus acquisition adds an important building block to the gas value chain position we have established in the US, the world's most liquid gas market. And this is a significant step for us in strengthening our gas position, building on our existing capacity rights for the Cove Point LNG terminal, our gas trading and marketing organization, and the gas producing assets we already have in the Gulf of Mexico.

Beyond that, Marcellus represents significant resources, and it's a strategic fit for us, at least on three dimensions. It leverages our established gas value chain and marketing competence. It addresses the US market, both as a domestic producer and also as an Atlantic LNG player. And over and above that we also have the opportunity to look at global opportunities within unconventional gas, together with Chesapeake outside the US.

Let me then try to wrap up. It is a fact that our industry has long lead times but, I would say, equally short memory. In periods of strong balance sheets, the industry has a poor track record of adapting fast to change. In the current environment I believe that the risk consist of either ignoring or over-reacting to the changes that we are facing. And in the past, our industry's short-term response has often caused an over-response that has hampered the long-term development of our industry, and this is definitely, this time, not a part of StatoilHydro's strategy.

However, on the other hand, I strongly believe that doing nothing would be a detrimental option. We have, today, and we will continue to outline our response here today, to you, and I firmly believe that we have taken necessary measures in order to steer through this short-term turmoil, and to deliver on the long-term strategy.

It is fair to reflect, at this stage, that we are a little bit more than one year into the merger, and we have come a long way in a short period of time. The first leg of the merger was to deliver on the execution side. That is still the priority, but beyond that we also focus now strongly on maturing the resource base, turning resources into projects, projects into profitable production.

So, the concluding remarks. If you will remember only three things from my presentation, it will be that we stick to our long-term strategy, that we believe serve the company and the shareholders well. We will ensure financial flexibility on the short term and we are committed to deliver on our dividend policy.

So with those words I thank you for the attention, and I would like now to introduce Eldar Saetre, the CFO of StatoilHydro, that probably do not need a lot of introduction. So the floor is yours, Eldar. Thank you.

Eldar Saetre - *StatoilHydro ASA - CFO*

Well, thank you, Helge, for this kind introduction. Good afternoon, everybody. I have to say it's really good to see so many of you here in London today, and it's only one year, now, more or less exactly, since we had our first Capital Market Day as a merged and combined company.

Quite a lot has happened since then, and 2008 has also been a very busy year for StatoilHydro. The merger and the integration process has been more or less completed, and successfully so. We have developed several new and quite important growth opportunities and, I have to say, we have also quite recently been through a quite comprehensive planning process, preparing us for some rough and unstable conditions ahead of us.

So, Helge has now just given you the broader perspectives, and I will elaborate on some of these issues in more detail, and obviously with a special attention to the financials.

As you all know, should know, commodities are very cyclical by nature, and this means that when the actual inevitable downturn hits the industry, this fact should come as no surprise to the management of any, I would say, prudent oil and gas company. And this basic understanding is fundamental to our strategy and our operations. Therefore, our main message today, as already conveyed, is that the strategy remains firm. We are well prepared for the current situation and for whatever might be the developments over the next couple of years.

First of all, we have consciously built ourselves a solid financial platform. Secondly, we are also benefiting from a very strong competitive position, both in terms of operating costs, and financial returns that you have already seen. Thirdly, we have a robust portfolio of new business opportunities, with substantial flexibility, and we will manage this portfolio and our cost base proactively and in line with the market realities. And finally, through this downturn we will stay committed to our dividend policy. We are also well prepared to raise both short- and long-term debt in order to secure a firm strategic direction, and value creation through this cycle.

So let me now turn to some of the characteristics of our project portfolio and also our CapEx program. The industry has, in recent years, been focusing on production and resource growth, backed by high and increasing energy prices. This growth strategy, combined with a strict value focus, has also been the priority for our company. The merger, as you know, was mainly driven by growth, and StatoilHydro is currently possessing a substantial large portfolio of high-quality investment opportunities.

Up until the financial crisis set in last fall, the main --challenge was to secure access to sufficient capacity, and also competence to mature these opportunities with quality. With the current uncertainties in the macro environment, I would say capital prioritization is vital, and portfolio flexibility is of high value if you take care of it. However, long lead times in the industry limits the flexibility somewhat in the short term. Most of the 2009 CapEx are related to sanctioned projects and also operational investments, which is currently in the execution phase.

Moving towards 2012, we see however significantly increasing CapEx optionality, as you can see here, which is attributed to the non-sanctioned portfolio. A substantial share of this flexibility is also related to StatoilHydro-operated projects, where we can quite strongly influence the timing of the execution. We are using this flexibility to ensure that StatoilHydro remains financially robust, against a potential deep and long crisis with low oil prices, as mentioned by Helge. We will also seek to capture values from a supplier market expected to soften going forward.

In addition, we will allow more time to mature projects into higher quality at the decision points and thereby also improving the basis for higher quality project execution.

Over the last years, we have consistently built new growth positions within the four strategic platforms, as illustrated by Helge in his presentation. In addition to an extensive and also successful exploration program, we have also made some targeted acquisitions. And as you can see from this illustration, these efforts adds up to a large and robust portfolio of non-sanctioned projects.

The average breakeven price at the current cost environment is slightly above $40 per barrel. And this will become even more robust assuming a softening supplier market going forward. The current breakeven prices vary, as you can see, significantly across the portfolio, from the time-critical tie-in projects in the lower end, to the left here, to the more costly stand-alone developments at the high end. I should also mention that the concept of breakeven prices in this context is defined as the oil price, where the net present value of the cash flows after tax is zero at our hurdle rate.

The greatest flexibility in this portfolio is related to the largest projects, which is to the right, and also projects with the highest breakeven prices, such as the oil sands in Canada. Within these exact areas we will also benefit the most from postponements and expected less heated cost environment going forward. Some of our longer-term growth positions will take somewhat more time to realize, but we are confident that our shareholders will benefit from higher value creation. And in the meantime, the growth prospects for 2012 remains intact.

Then, I would like to give you some more details of our CapEx program. Actual capital expenditures for 2008 is expected to be in line with our previous guidance, and equivalent to $12.5b, excluding acquisitions. Including total acquisitions of approximately $3.5b, this adds up to around $16b in CapEx last year, and we will come back to the final numbers.

And, as you can see, US dollar will now also be our preferred currency when guiding on capital expenditures and also exploration costs going forward, as this is reflecting the underlying currency in a much better way than Norwegian kroner is.

In preparing for 2009, and also subsequent years, extensive prioritizations, as you have heard, have already been undertaken, and more will be done to the extent necessary.

I can assure you that all projects that make sense to postpone from a value creation perspective, will be delayed until the economic outlook is sufficiently favorable. Prioritizations that have been made includes postponing non-sanctioned projects, high-grading of operational investments, and also minimizing downstream investments in this context.

As a result of these efforts, the CapEx guiding for 2009 is maintained at approximately the same level, translated into $13.5b, as we presented last year. Despite that we have added some new capital requirements related to recent acquisitions.

Upstream investments represent around 90% of our total CapEx, and this is split approximately 50/50 between the Norwegian continental shelf and our international E&P segment. Similarly, there -- you can see that the investments in producing fields, that is to maintain production capacity, represents 35% to 40% of the CapEx, while new E&P field developments constitutes around 50% of the total. Eight new projects are expected to come on-stream in 2009, having an average breakeven price of around $35 per barrel.

Then, I would like to move to our exploration program. As mentioned by Helge, exploration is definitely considered to be our most precious growth tool, and we have stepped up exploration activity significantly since 2001 and 2002. Through successful exploration we are confident we can still benefit from the souped-up profits of this industry which we still think is out there.

In light of the current financial crisis we are examining, obviously, all pockets of flexibility and potential savings. Ten years ago our industry, I was there, so was Statoil and Hydro, massively cut their exploration efforts and consequently suffered from lack of project opportunities for many years. And I would say, based on this lesson and the long-term, in itself, nature of the industry, we consider it important to give priority to quality exploration through this downturn. However, and mainly as a consequence of the merger, we also see opportunities to do further high-grading of our portfolio.

So we therefore plan with an activity level approximately 50% lower than in 2008, and this goes for both the number of wells and the exploration spending phrased in US dollars.

In 2008, we finalized 79 wells, which is approximately ten wells more than we guided one year ago, at this location. During this year we plan to complete 65 to 70 wells, again split approximately 50/50 between the Norwegian continental shelf and the international operations. And we expect the exploration spending to be reduced from around $3.1b to $2.7b, this year.

As mentioned, we are well secured with rig capacity for 2009, and I could also add that the average rig rate will be around $350 per day for StatoilHydro-operated exploration activities.

We avoided signing up new contracts on top of the cycle, and we are consequently well positioned to benefit from what we expect to be a softening of the rig market going forward.

Let me now address the production outlook for, first, 2009 and then 2012. We can now conclude that we have met our production guidance for 2008 of 1.9m barrels per day. However, you still have to be a little bit patient and wait until the fourth quarter announcement, until you get the official numbers -- audited numbers, to put it that way. And this result has been achieved because of a strong operational performance and, I would say, despite issues like the Kvitebjorn pipeline incident, and also the ACG in Azerbaijan gas leakage.

In 2009, we estimate an equity production of 1.95m barrels per day, and there are some factors that you should be aware of when you consider this guidance. First of all, we are still working on the repair of the Kvitebjorn pipeline, and Kvitebjorn, and Visund which is tied up to it, are important producers for us, and the plan is to have the pipeline repaired within the first quarter of this year. And so far the repair work is progressing quite well.

Secondly, the ACG field in Azerbaijan will most likely be producing well below capacity due to the gas leakage that I mentioned from the central Azeri part of the ACG field. Thirdly, the contractual changes in Libya, and also the mixed company structure in Venezuela, will have full effect on our 2009 production. And finally, we will have a marginal contribution from Marcellus shale gas, while there are no further contributions from other acquisitions that will add to our 2009 production.

The strict focus on improving the production regularity and the drilling efficiency will continue in 2009. Significant IOR efforts will also be continued. However, it is important to note that not all the short-term operational type of investments that would have been executed in the $100 framework will be carried out under the current environment and with the current uncertainty that we see ahead of us.

In 2009 we have planned turnarounds with an effect on production of around 40,000 barrels per day. This is marginally higher than we saw in 2008.

Then, all the factors that I have been through, they have been incorporated into the guiding that we give you for 2009. Then, the guiding does not include or take into account any impact of whatever might be consequences of OPEC quotas or other kind of regulations that we cannot plan for.

The outlook for 2012 equity production remains at 2.2m barrels per day. This equals an average annual growth rate of 4% over the period, from '08 to 2012. Although the growth rate will vary somewhat from year to year. The estimated production is maintained, but the underlying assumptions have changed somewhat.

During 2008 we acquired the shale gas position in the US plus another 50% stake in the Peregrino field in Brazil. We also divested our shallow-water assets in the US Gulf of Mexico, and some minor fields in the UK. These transactions, combined with acquisitions and the divestments, will have a net positive effect on the 2012 production.

On the other hand, we have seen and will see the same negative effects from changes in the contractual terms that I mentioned for 2009, and because of a lower short-term oil price outlook, we expect to abandon, or delay, some marginal operational investments and also leave out the least profitable infill exploration opportunities. These measures are probably not material, as such, but they will have a slightly negative impact on the decline rate. Average decline rate on the total portfolio of producing assets, both oil and gas, Norwegian continental shelf and internationally, is estimated at around 5%.

To sum up 2012, we see a stronger picture from the net of the transactions that we have made but, on the other hand, some negative impacts from the current markets combined with more uncertainty in general when moving into the next three to four years. Our forecast is slightly more robust than we saw last year, but adding together all of these factors that I mentioned, we do not find enough reason to adjust our guidance.

Then, a few comments also to the PSA, as it's called, impacts. As usual, we guide on the impact of production sharing agreements, which is the long version, to provide you with insight into the difference between equity volumes, which is the basis for our guidance, and the entitlement production volumes. PSA effects is, as you know, a government take, and consequently what I would say is a taxation in kind.

Higher PSA volumes is reflecting higher earnings, higher oil and gas prices, and not our operational performance. Our guidance is therefore still based on equity volumes, which is consistent with the volumes that we can control, as such, and also are the volumes that is reflected in our cost base.

Currently, the production in Azerbaijan, Algeria, Angola, Libya, and Nigeria are subject to PSAs, and they represent approximately 80% of our total volumes in 2009 outside of the Norwegian continental shelf. Over time that percentage is reduced, to around 60% in 2012, as the production in places like Gulf of Mexico, Brazil and Canada are increasing. And just to repeat, PSA effects are irreversible, in the sense that if you are reaching one new tranche of production sharing and this has been triggered, then a falling oil price will not reverse that development. However, lower oil prices in the future means that it will take a longer time before the next tranche is triggered.

As an illustration, based on a $50 per barrel oil price, the impact on the 2009 entitlement production is expected to be around 140,000 barrels per day. Should the oil price become $75 per barrel, the PSA effect in this year increases to around 165,000 barrels per day, and to 195,000 at an oil price of $100 per barrel.

I should also mention that we foresee a lower PSA effect in 2009 , compared to 2008. The impact last year is expected to be around 175,000 to 180,000 barrels per day. Going beyond 2008, the aggregate effects are not materially exposed to oil price changes, as illustrated by the light blue bars on this graph for 2012.

I will now move on to address our operating costs. I'll come back to the merger synergies and also some other additional cost savings. Let me start by just confirming the obvious fact that cost discipline is very high on the agenda throughout the organization and is driven vigorously from the whole Executive Committee into all our different business areas. Strict decision criteria, formal approvals and mandates are forcefully implemented, also related to administrative operating costs.

When it comes to the unit production cost, I should first remind you that we charged the relevant merger restructuring costs as a one-off charge to the production cost in the fourth quarter of 2007. And this has, of course, impacted the 12-month rolling average as we have moved into 2008. Our guidance excludes this non-recurring element, and in addition we are excluding the purchase of gas for re-injection purposes.

At the Capital Markets Day last year we said that our unit production cost was expected to increase somewhat from 2007 to 2008, and then to stabilize in the range of NOK33 to NOK36 per barrel, and in this case we maintain Norwegian kroner as the guiding currency. In the third quarter of 2008, we had a 12-month rolling average of around NOK33 per barrel.

This year, we expect to stay within this the guided range, as we have given, although most likely at in the upper part of this range. And the main reason for this is that we have quite a few new large fields in a ramp-up phase and -- or in phase where they are preparing for production. And we also have some fields, like the Kvitebjorn and the ACG, which is not producing at full capacity.

In addition, there will be a high degree of maintenance activities during 2009, as well as some uncertainty around the Norwegian kroner development versus the US dollar.

On this graph I have also included an illustration from PFC Energy, comprising actually 28 companies, demonstrating that we have been able consistently to maintain a first quartile operating cost position over many years. We will continue to maintain such a position despite the upward trend that the industry, and also we, are faced with.

Let me then comment on the merger synergies and the status of that. During the 15 months, now, since the merger, a broad range of programs have been implemented to capture the value potential. We see good progress within all main areas, such as the downsizing process, the review of our procurement strategy and process, IT standardization, the implementation of best practice, and also many other initiatives like elimination of all kind of double functions, etc. And currently around 50% of the potential has been realized.

We are on track to deliver at least NOK6b, as some new additional initiatives has also been identified. Almost 1,500 onshore employees accepted early retirement in Phase 1, and that process is now completed.

The restructuring principles for phase two, that is at our onshore and offshore operating plants, have now also been concluded. This redesigned and reduced organization will be gradually implemented from mid-2009. And an important additional benefit from this process is that it's the full standardization of all work processes across all our 40 StatoilHydro operating plants on the Norwegian continental shelf.

The process of standardizing IT systems is 75% completed and we expect to have almost all IT convergence completed by the end of this year.

StatoilHydro's combined procurement volume in 2008 was more than NOK100b. We see that significant value can be extracted from standardization, from economies of scale, and also more efficient use of contracts in general. And this has been clearly demonstrated particularly within drilling, well logistics, and well activities and logistics so far. We are reviewing and redesigning systematically all procurement categories and are now 50% complete on this journey.

As mentioned, there is also a large potential from applying best practices on a lot of areas from both companies. And we have seen very good results from this where we have systematically approached both the drilling practices and also maintenance planning and maintenance execution as mentioned by Helge.

The exploration, the potential from exploration high-grading is also significant as demonstrated further in our 2009 guiding. We have made several drill-or-drop decisions during 2008 resulting in cancellation of several wells. And around 25 licenses of lower value have been relinquished as a part of this cleanup.

Finally, optimizing the tax position is also an important part of any merger process, I guess. And we have already benefited significantly from consolidating our different tax positions in several countries actually. And these benefits come in addition to the NOK6b value capture program that I've just been through.

We expect that the main part of the synergy potential from the merger will be captured by the end of this year and then we will come back to you again with a new status report.

The current macro environment combined with the significant uncertainties related to future market developments has also led to some additional and further cost reduction initiatives. We are using this opportunity, as mentioned by Helge, as a forceful and motivating event towards the organization to reduce administrative cost components, in particular, even further beyond what is captured in the merger synergies.

And this includes more efficient business development activities at the lower level. Lower IT development costs, lower corporate center costs, sales costs, and also reduction of administrative costs in general. And this program adds up to approximately NOK1.5b annually net to StatoilHydro and represents on average approximately 10% of the relevant cost base that we're talking about here.

So, I would now like to give some comments to our financial situation and preparedness. And my first point on this issue is that StatoilHydro's financial position is strong. This favorable starting position enables us to maintain our long-term business strategy through the downturn. We are prepared for various scenarios over the next few years including both significantly worse conditions and also more optimistic developments than we are currently experiencing.

We have consistently delivered a competitive dividend since 2001. Our dividend policy is unchanged and firm, which means that we will continue to deliver 45% to 50% of net earnings to our shareholders over time. As underlined by Helge, we are fully committed to this policy and through a high focus on cost and capital discipline we will strengthen the Company's ability to pay a competitive dividend in accordance with this policy.

The Board's proposal for 2008 dividend will, as usual, and it's planned to be announced in connection with our fourth quarter announcement. So again, you have to be a little bit patient.

The combination of a currently low oil price and the uncertainties on commodities going forward, a high quality CapEx and exploration program, and a commitment to our dividend policy means that we are prepared to raise new debt during the first half of this year. We are confident that our solidity, the balance sheet and our rating enables access to funding in the financial market. We will shortly update our EMTN program and also other relevant documentations as a concrete example of the execution of this plan.

Given our expected cash generation and the planned CapEx program for 2009 we are cash neutral, to use that phrase, at around $55 per barrel this year. And this, again to be precise, is defined as the point where operating cash flow, after tax and before dividends, is equal to our CapEx program.

So let me now summarize our guidance. And I would like to start with a few comments to the fourth quarter of 2008. The overall operations in the fourth quarter has been good, and oil and gas production has largely been as expected. And our net operating income will obviously be influenced by the lower oil price environment.

In addition, the fourth quarter will also be particularly influenced by the strong US dollar versus Norwegian kroner. As you know, we have all all of our debt, both short and long term debt, in US dollar. We also have swap positions connected to our liquidity management which are marked to market every quarter and generating non-cash P&L accounting volatility.

As the change in the US dollar versus Norwegian kroner has been around 20% during the quarter, the negative impact of these unrealized currency losses will be quite considerable. And the average tax rate will also be impacted negatively and substantially from this development on the financial items. And the effects are expected to be in line with the guiding that we have communicated to you earlier.

Let's do the other components briefly. Equity production in 2009 is estimated at 1.95m barrels per day, equity production in 2012 is maintained at 2.2m barrels. We estimate to spend $13.5b in CapEx and $2.7b on exploration activity this year. And the unit production cost will stay in the range of NOK33 to NOK36 per barrel.

To conclude my presentation and summarize how we will manage through this downturn while safeguarding our long term growth strategy, I would like to emphasize the following key messages. First of all, we have a very good starting point in terms of a solid financial starting position. And we have a strong and competitive performance both on operating cost and on financial returns.

We have a robust portfolio with significant flexibility and we are using this flexibility. This means that we delay projects and optimize our CapEx program. We high-grade our exploration program and we reduce all relevant cost components on top of the merger synergies.

We are committed to our dividend policy. Through a strict cost and capital discipline we will strength our dividend capacity and we have concrete plans to raise debt to the extent necessary. And finally, we maintain our production growth for 2012.

That concludes my presentation. Thank you for the attention. And then I leave the word back to Lars to lead us through the Q&A session.

QUESTIONS AND ANSWERS

Lars Troen Sorensen - *StatoilHydro ASA - Head of IR*

Thank you, Eldar. I would now invite the audience in London and on the web to ask questions. And can I ask the audience here in London to wait for the microphone so we can get the sound on the web as well. And can I just repeat, the Internet viewers you can ask questions by pressing the submit question button and it will come up on my laptop and I'll ask the question on your behalf.

And with that let's take the first question, Iain Reid.

Iain Reid - *Macquarie Securities - Analyst*

Hi, it's Iain Reid from Macquarie. Two questions. First Eldar, you say you're going to raise debt in 2009. And you've told us what your breakeven oil price is. So if we see oil prices at this level for some period of time, gearing is going to rise rather quickly. I wonder if you've got a gearing target in mind for -- you had one a few years ago, but as oil prices have raced up you've rather abandoned that. So I wonder if have a point at which feel comfortable with gearing in the future.

And the second thing is the NPD produced a number showing oil decline in Norway averaging about 9% to 10% next year. I wonder if you agree with that for your portfolio. And if it's not that number what do you think it is for Statoil portfolio? Thanks very much.

Helge Lund - *StatoilHydro ASA - President and CEO*

Well, I guess the first question was to Eldar and I can leave it you. If I comment a few words on the decline rate. The basis on which we have calculated our decline rate in the period 2009 to 2012 is to take those projects that are in peak at year-end 2008 and looked at the same projects at the end of 2012. It contains oil and gas projects. It includes those activities we have put in place in order to fight decline and on that basis we have arrived at 5% roughly annual decline. And that is the best estimate we can make based on a field-by-field analysis.

The numbers provided by NPD is look, as far as I understand, is only looking at oil. And we think that the basis they have done their calculation would not depart significantly from the approach that we have taken but we have used slightly difference angle to addressing the issue.

Eldar Saetre - *StatoilHydro ASA - CFO*

Okay. When it comes to the debt situation and the capital structure question, now, I think it's important for us to maintain financial flexibility though the whole turmoil that we're into, that's starting point. And also we do have a good starting point in terms of a strong balance sheet.

And I would say we have been slightly conservative over the last couple of years and I think we are benefiting from that strong balance sheet now. We had a net debt to capital of around zero in connection with the third quarter. That will increase slightly now in connection with the fourth quarter because we have paid for actually four transactions and also had tax payments in this quarter.

This means that we have been very comfortable with zero. You can pull out optimal capital structure arguments which could take us in the direction of a higher gearing level and I will say we are definitely comfortable with raising that in this situation to take us through this situation. And we're committed both to the dividend policy and to strict, crisp CapEx program.

So I cannot give you any set number or any range or anything like that. That was very important back in 2001 when we did the IPO, at this point I don't think that is wise. But we have quite a lot of capacity to take on, on the balance sheet, to take on more debt as we see it today, a necessary amount of debt to take us through this situation and maintain the policies that we have confirmed.

Lars Troen Sorensen - *StatoilHydro ASA - Head of IR*

Thank you. This is a question from the Internet about CapEx, we'll just take that in the same round here. Aymeric de Villaret from Societe Generale, he asks about elaborating on the CapEx and you've just done that. But what is the impact of Chesapeake in 2009 numbers, what is the split between StatoilHydro and Chesapeake and what would 2009 CapEx be without Chesapeake?

Eldar Saetre - *StatoilHydro ASA - CFO*

Well, as I said on the impact on production is marginal. Somewhat uncertain but we see a good progress in terms of increasing the drilling capacity on the Marcellus. So, so far so good. But I cannot give you any exact number but it's marginal.

When it comes to the CapEx from Marcellus I will not be specific on projects. But what I can say is that if you look at the overall combined transactions that we made in 2008, and the effect of these on the CapEx program for this year, that represents approximately NOK1b and that includes the CapEx for the Marcellus drilling activities.

Helge Lund - *StatoilHydro ASA - President and CEO*

I guess we have a CapEx roughly on the same level as we indicated in the last year to capital market. But we have included in that number this year two new assets, the remaining 50% on Peregrino as well as the capital expenditures on Chesapeake.

Lars Troen Sorensen - *StatoilHydro ASA - Head of IR*

And that sum is $1b?

Eldar Saetre - *StatoilHydro ASA - CFO*

Asset dollars, yes.

Lars Troen Sorensen - *StatoilHydro ASA - Head of IR*

I have a list here of people but James Hubbard from Morgan & Stanley first.

James Hubbard - *Morgan Stanley - Analyst*

Thank you. Sorry just to come back to underlying decline. If I look at the 2012 guidance it seems as though there's an implicit increase there in your assumed underlying -- what you term underlying declines over the next few years are going to be. I'm just wondering is that because your underlying decline is post, as you say your measures to offset that, i.e. infill drilling the producing wells that you're drilling, and you've made a deliberate decision to do less of that activity. Or is it because your understanding of the reservoirs is still evolving?

And of course and the second point is, does that mean we could be sitting here in a year's time and looking at an assumption of 6% underlying decline? So there's that and then one more question.

You mentioned positions in the softer rig market, I know there's a big delay here and it takes years to feed through but on the leading edge contracts that you're now negotiating are you seeing a softening in the cost point?

Helge Lund - *StatoilHydro ASA - President and CEO*

First of all, we indicated the last year when we met you if you look at the period from 2008 to 2012 that we had a rough indication of decline rate of 4%. Now in the 2009 and 2012 period we have increased by 1 percentage point. That is partly driven by slightly higher decline rate than we anticipated last year. It's something to do that there are two different periods that we are measuring but also a slight impact, as Eldar talked about in his presentation, related to the measures that we are taking due to the financial turmoil and economic environment.

In terms of costs generally, as you may know we cancelled a rig tendering process a few weeks back. That was based on our belief that the bids that we got at that time was not at the level that we wanted them. So, we have the patience to wait. We have indicated that we have secured our full rig program for 2010 so we will follow the market closely and try to find a balance of committing at the right time but also at the right price.

Generally, we are working in markets, if the current environment continues with lower oil prices, and most of the other operators do as we do managing our portfolio also in terms of short term cash and flexibility, you should expect to see some decline in demand. And subsequently, there will be a ripple effect in my view through the rest of the industry.

I think those that are particularly impacted and that have the highest potential is, of course, those where there currently has been the highest margins. We have seen, I think, throughout the latter or the first part of 2008 also, at least in some segments, some leveling off and that will further accelerate in our view due to the financial turmoil.

Lars Troen Sorensen - *StatoilHydro ASA - Head of IR*

There is Charles Whall after that it's John Olaisen.

Charles Whall - *Nerwton Investment Management - Analyst*

Charles Whall with Newton Investment Management. And we've heard five times the commitment to dividend policy which is somewhat technical difficult, with special earnings it's not particularly helpful where the downside to us understanding your commitment to the absolute level of dividend payment.

There's something else you said, Eldar, which is you want to keep it competitive and maybe that is a little bit more helpful. Can you talk about what you see as a competitive dividend and really what you hope to achieve at the absolute level through what most of us here believe is a temporary tightness, or looseness in the oil market.

And just on the cash neutrality, can you talk about the gas price that goes with that $55? I understand, of course, the piece that comes from the long-term contracts but the floating market for gas? Thank you.

Helge Lund - *StatoilHydro ASA - President and CEO*

Well, on the dividend policy we have given the reasons for why we are not giving you the exact number today and that is because we have not closed our book. We have to do the auditing, we have to do the discussion with the Board before we can do it, and we plan to do it when we present the fourth quarter results in February.

So, what we have tried to communicate in a forceful way today is that we're committed to the policy. Which means, one, that we commit to an increase in ordinary dividend. And secondly that we commit to the level that we have indicated over cycle, 45% to 50%.

So, the only or the additional sort of comfort I can give about our thinking is the way the Company has delivered since we were IPO'ed in 2001 where I think we have showed throughout several periods that we are committed to be competitive. And also try to find a right balance between direct return to the shareholders as well as executing on the growth strategy that we are running.

I think part of your question is that you're addressing the extraordinary sort of dividend that we have introduced and there are no changes in that thinking or the policy so far. So, that we potentially have to come back to.

Eldar Saetre - *StatoilHydro ASA - CFO*

On this cash neutrality question, what I can say that when we give a statement like 55, that is based on a quite detailed model and hopefully a correct model of this. Then there are the assumptions and the gas is an important part, approximately 40% of our production volumes is actually gas. The main part of this is related to the long-term contracts and we know all the details of how these contracts are related to all type of products and other commodities.

Then there is a component that is more liquid and we have simply made reasonable assumptions that there are links between these liquid markets and also the long-term contracts that we are faced with. So we have made reasonable assumptions and tried to be consistent when you look at the gas market and the oil markets for the short term. And we have quite good visibility to put it that way in the short term.

Lars Troen Sorensen - *StatoilHydro ASA - Head of IR*

I'll take a short question from the Internet and then John Olaisen and then Colin.

It's from Geoffrey Stern at Cheuvreux. With regard to CapEx what is your Norwegian kroner/US dollar exchange rate assumption for 2009?

And what is the level of StatoilHydro's hurdle rate. 2008 net income was massively impacted by a negative non-cash ForEx effect, does the payout ratio targeted, 45% to 50%, is that based on clean earnings, i.e. excluding those non-cash items?

Helge Lund - *StatoilHydro ASA - President and CEO*

I guess that's a question for you, Eldar.

Eldar Saetre - *StatoilHydro ASA - CFO*

Yes. Well, I think there is a reason why we have moved into US dollar on our guidance and that is that basically that's original currency. And then you can make pretty much your own assumption as to what kind of exchange rates you would apply. But basically, if you take a $13.5b translate that into an assumption of let's say NOK6 per US dollar, which was last year's assumption when we used Norwegian kroner, that takes us into approximately NOK80b which is the same range as we guided last year. And now we have included this transaction.

Hurdle rate, I think we just made a decision a couple of years ago not to talk too much about that. It's something we would like to keep to ourselves for competitive reasons. What I can confirm is that we definitely have a hurdle rate where there is some distance, some cushion, between the cost of capital as we see it and the hurdle rate that we apply for our decision making.

When it comes to the payout ratio and the way to measure that, actually our dividend policy is quite specific on that. It's just that this is related to the IFRS and the IFRS gives the kind of accounting volatility that I was talking about. That is the formal starting point.

Then, I would like to add that obviously we will take these non-cash components into consideration along with a whole lot of other components that goes into this overall consideration. But we will take it into consideration when we conclude on the final dividend. But the starting point and the formal starting point if the IFRS as it looks in our accounts.

Lars Troen Sorensen - *StatoilHydro ASA - Head of IR*

John Olaisen and then Colin Smith afterwards.

John Olaisen - *Carnegie - Analyst*

Couple of questions to do with production guidance and one to exploration. On the 2012 production target, how much of that has been sanctioned? And secondly, last year you said had the ambition to produce 1.5m barrels of oil equivalent in 2015 from Norway. Does that ambition still stand?

And then, the final question is on your exploration. You're now saying you have priority to quality exploration, I thought that always was the case, but could you tell us what do you mean by that? Does it mean drilling more in mature regions or does it mean more drilling, less seismic in new areas? I see you're keeping your number of wells in Norway and reducing them internationally, does it mean moving back to exploration in mature region areas basically?

Helge Lund - *StatoilHydro ASA - President and CEO*

Eldar, if you comment on production I can comment on the exploration part. And of course we're always focused on quality exploration. I think what we try to focus is that the merger has actually given us new insight and also given us a bigger portfolio on how to evaluate the quality of our portfolio.

We have high-graded the portfolio, and I think the results for StatoilHydro in 2008 when it comes to delivery of new barrels through the drill bit is quite encouraging in that sense. In Norway, most of the wells will be drilled around current infrastructure and the most part of the exploration wells are in that area and the rest is in more high impact and new areas, particularly further north in the Norwegian Sea.

Eldar Saetre - *StatoilHydro ASA - CFO*

Okay, can you hear me? On the 2012 production question, I can give you some guidance on that. Of that number, approximately 75% is related to fields that are producing today. Approximately 15% comes from sanctioned developments, which are not producing today.

Around 5%, is related to measures, including IOR measures, that we have plans, specific concrete plans for. And the remaining 5% is non-sanctioned type of projects including fast track exploration developments and so on related to (inaudible). So that's a rough but the best guidance I can give today.

Then this 1.5m barrels perspective in a 10-year horizon, was that the question, that is something we confirm. We maintain that 10 year perspective as an ambition for our operations and development of the Norwegian continental shelf.

Lars Troen Sorensen - *StatoilHydro ASA - Head of IR*

All right, Colin Smith.

Colin Smith - *Dresdner Kleinwort - Analyst*

Dresdner Kleinwort. Two questions, if I may. Just again, on the dividend, but a slightly different issue. You have, in the past, sanctioned share buybacks. And I wonder if that's something you'd planned to do for this year. And also, if you can just comment on your view about share buybacks versus the special dividend or extraordinary dividend component?

And my second question was, last year you set three short-term objectives by which you should be judged. One was meeting your production gains, which you clearly have for this year. One was meeting the delivery of merger synergies, which you've done for this year. And the third was operational performance.

You've actually had quite a few issues this year, both with the on/off nature of the Kvitebjorn repair, the recent shutdown at Kristin and a number of other issues around oil spills, and so on and so forth. And I just wonder if you can comment about how you think you've actually performed on that third objective that you set for yourselves, and if you feel that you haven't done as well as you should, what you're planning to do about it.

Helge Lund - *StatoilHydro ASA - President and CEO*

If you want to comment on the dividend, I will talk to the maintenance programs and how we do that to keep the regularity up. We have changed the organization completely, so we have three areas that are roughly each producing, or responsible for 1m barrels per day in production. And their only focus is to execute safe and efficient reliable operations. So this is the biggest move we have done initially.

Now in the integration process and first now we are moving offshore. We will create a common operating structure, a same way of operating the offshore installations so that we can move best practice quicker and have more transparency and openness and equalness between the different platforms in the way they are operating. So those two actions will help. Then, we have standardized in a better way how we are planning the maintenance stop.

And as I mentioned in my introduction, all maintenance stop this year, with one small exception, has delivered as planned the number of days we had planned for. And that is a significant improvement from previously. We have not raised our performance in regularity or production efficiency since last year. But we stick to the target of increasing it to 90% in 2012.

And some of these measures that we are taking are organizational in nature and, by definition, takes longer time. So that is a guidance that we still stick to. And we expect to see improvements already next year.

Eldar Saetre - *StatoilHydro ASA - CFO*

As you know, share buybacks is specifically stated as an integrated part of our toolbox and dividend policy. And there's no plans to change that. Last year, we decided not to go ask for a mandate on share buybacks because the government were in the process of increasing the shares in the Company and to have an arrangement with the government in such a situation was not something we considered the right thing to do. For 2008, that opportunity is gone, so there will be a cash dividend in any case.

Going forward, I think we will maintain this component as a part of the policy. Whether we will ask for a new mandate on share buybacks or not, I don't know. But basically, I think we look upon share buybacks as a tool to add a possibility to be more flexible in terms of returning the cash to shareholders than the the annual dividend process is in Norwegian context. So it's an additional tool and it might be something that we ask for to have in the toolbox, but I cannot be more specific than that. I think the fundamental part of our dividend policy is still sort of the cash component, going forward.

Helge Lund - *StatoilHydro ASA - President and CEO*

I guess it's fair also to say that there have been some mixed signals how useful you shareholders feel that is. So, I guess as we entertain in a dialogue with you moving forward, we would appreciate also feedback on how we look at different elements and components on returning shares -- or capital directly to the shareholders.

Lars Troen Sorensen - *StatoilHydro ASA - Head of IR*

Okay, now it's Trond Omdal

Trond Omdal - *Arctic Securities - Analyst*

One question on NCS exploration and one on project management. The disappointment on Obesum I assume that you agree to, does that change your outlook and strategy for the Barents Sea, and maybe is a follow up, the report on the email on Fulla which jointly said 200m oil equivalents. Can you dismiss that the it's outside that we have more possibilities or is it that no comment?

On project management, it's both Tahiti and Corrib for 2010 or is Tahiti still on for 2009?

And finally, on Shah Deniz phase two, are you working towards 2011/2012 still? And Iberdorola one knowledgeable person said that even if it's your only LNG position outside Norway, 2015 to 2020 is more likely than 2010, 2015. Do you have any comments on that?

Helge Lund - *StatoilHydro ASA - President and CEO*

Well, there were many, many questions. If you take some of the international projects, I will talk about the Barents Sea. And it's fair to conclude that we have concluded all our drilling commitment for the 19th round. We have made a discovery. But I think it's fair also to say that at this stage we have not reached or found, identified the key in that region. So we need to continue to explore and learn in that area. And of course, we had hoped Obesum, among others, to give a more definitive sort of signals or learnings. But we will continue to be active in the Barents Sea.

When it comes to this email that also I read about it in the paper, I prefer not to comment on that at this stage. We will release news to the market when we're ready to do it.

Eldar Saetre - *StatoilHydro ASA - CFO*

Okay. Then there was some specific questions on projects. And to just confirm that on the Tahiti, that is still on schedule for this summer. No change to that. On Corrib, this has been a challenging project for many, many years. There are still challenges, particularly related to the approval processes and the timeliness of that. Our forecast is end of 2010. I do not exclude that there it might slip into 2011. But within the 2010, 2011 time horizon that we're looking at.

Shah Deniz phase two is a very important project for us, highly complex from many dimensions, also from geopolitical perspectives. I'm not ready to give a time schedule. There's a lot of work that needs to be developed to have a firm time schedule for when this can be taken into the next phase. That is difficult. But when you indicated 2011, 2012, that is definitely too early for launching the production from that asset. On the Iberdrola, I have no further information on that.

Lars Troen Sorensen - *StatoilHydro ASA - Head of IR*

Okay. I'll take a couple of questions from the Internet then Paul Spedding. It's from Helge Andre Martinsen at Nordea Markets. Could you please indicate the split between international and Norwegian volumes for your production guiding in 2009 and 2012?

Helge Lund - *StatoilHydro ASA - President and CEO*

Well, I guess we're not giving specific numbers on the business areas. We're guiding on the corporate level. But I think a fair assumption for 2009 is basically to have the same sort of relationship as you will see in 2008. For 2012, we can indicate that we said last year 1,550 for the Norwegian continental shelf and 650 for the international part of the operation. I think the best way you can manage the -- your analysis is probably to make the numbers for Norwegian Continental Shelf a little bit less than 1550 and the international part of the contribution a little bit more than 650. I think that will be the best sort of guidance we can give at this stage.

Lars Troen Sorensen - *StatoilHydro ASA - Head of IR*

Paul Spedding.

Paul Spedding - *HSBC - Analyst*

It's a question on your breakeven number of $55. Clearly, there are tax lags that go on as well. And the tax that you paid this year, some of which will have to be being paid off. I'm curious as to whether you took this into account in the $55 number, i.e. did you strip out the $100-plus tax that might be paid into early 2009 and/or is it in there? And if it is in there would you be able to perhaps give us a cleaned-up, breakeven cash flow number?

Eldar Saetre - *StatoilHydro ASA - CFO*

Well, the guidance that we give now, we are in 2009. And the guidance we give for 2009, that is based on the best assumptions and the best knowledge and facts that we have. That includes facts related to the tax payments and assumptions on what that could be for this year and into 2009.

So the information that we have on this relationship, also general, I mentioned gas a couple of minutes ago and the relationship and the time delays that we have on long-term gas contracts, all of that is modeled and taken into account. This is sort of the way we looked at the actual cash flow the best way we can see it, including the tax effects. And if you ask for a specific number on tax, I cannot do that. I haven't got that information.

$55 is the best estimate for 2009, given all the factors that influence the cash flows and that we understand today and the best way we can understand it.

Lars Troen Sorensen - *StatoilHydro ASA - Head of IR*

It's Tim Whittaker from Barclays.

Tim Whittaker - *Barclays Capital - Analyst*

Yes, Tim Whittaker from Barclays Capital. I have a question on your NPV breakeven chart. It includes a lot of projects. And I'm presuming that it goes from very small to very large. I'm also presuming that, the larger projects are at the high-cost end. So are you able to confirm that? And also, therefore, does that mean that most of the large projects which are for future growth, breakeven and way above the 40 average, which I presume is a straightforward average of the projects. But if you were to weight the average to the size of the projects, where do you think that would be?

Eldar Saetre - *StatoilHydro ASA - CFO*

I tried to address that in my presentation and said quite specifically that the largest projects, they are also the projects with the highest breakeven prices and also the highest flexibility. And that is very important because to have that flexibility and to be willing to use it, to capture the benefits from optimizing the timing and increasing the allocation, that is very important. So that slide was based on the current cost environment, as it is today. We expect to see positive developments in that context going forward.

But it is true, the biggest projects, the largest projects, they are to the right. And if you weighted these projects, then it's a question how you chop the projects and so on. But that would increase slightly the $40, but not significantly, as such.

Tim Whittaker - *Barclays Capital - Analyst*

Thank you. Could you also comment on the reduction in your CapEx this year? Is that mostly reduction in activity or have you managed to also include lower cost in this? And could you maybe estimate how much reduction comes from things that are costing less than you had previously assumed, relative to activity?

Helge Lund - *StatoilHydro ASA - President and CEO*

Most of what you see in the reduction in capital spending is due to all prioritization. And we have not been able to factor in significant cost reductions at this stage. I think it will take a longer time before that stick, as we commented earlier.

Lars Troen Sorensen - *StatoilHydro ASA - Head of IR*

I'll take a question from the Internet. And then it's Gudmund Isfeldt. It's from Jason Kenny at ING. What is the potential for further asset write-downs at full year '08 results for projects initiated or acquired in the last 24 months, particularly given the potential for lower valuations versus original book value? In particular, is there potential impact for US Gulf of Mexico assets from Norksk Hydro or Canada, Venezuela heavy oil, or even Snohvit, given the issue here?

Helge Lund - *StatoilHydro ASA - President and CEO*

I guess that is a question for the accounting expert, Eldar.

Eldar Saetre - *StatoilHydro ASA - CFO*

Well, first on the dividend issue. I think I commented on that in general to non-cash items. That it's something that we'll be taking into the overall assessment. When it comes to write-downs, first of all, I have to say that we are obviously into a process. And it's very difficult for me to be ahead of that process, to look at all the assets that might be addressed. That's something we do every quarter, also this quarter.

When it comes to specific risks, I would say that the transactions that we have made, and if we specifically mention the last 24 months, are related to the Canadian, the Marcellus and so on. These are big assets, lots of flexibility. And that gives an opportunity for us to sort of time the developments in a way which secures value creation and makes them more robust. And they're also long term, particularly in an oil sands, long term.

And we have stated quite clearly today that we are hanging on to the long-term fundamental view on commodities and oil and gas prices, going forward. So basically, there shouldn't be any sort of material risk related to this. I think most of the risks are related to assets which are sort of more into the short-term markets and the short-term commodity environment. But I cannot issue any guarantees, we are into that process. And I have to let that process go before we conclude.

Lars Troen Sorensen - *StatoilHydro ASA - Head of IR*

All right. Gudmund Isfeldt from DnB NOR.

Gudmund Isfeldt - *DnB NOR - Analsty*

A quick question on Shtokman. Do you think Gazprom has the financial strength to lift that project and another two on the same one? I would expect a capital investment decision on that project, maybe in 2010 or 2011. What is your response to that and when do you expect Shtokman to start up? When it comes to the resource base, do you use the same number as Total uses, 800m barrels of oil equivalents?

Helge Lund - *StatoilHydro ASA - President and CEO*

Well, first, on the current status of Shtokman. The key focus now for all of the three participants in the Shtokman Development Company, that is to mature the project technically. And that is exactly what we will do. Of course, the newly introduced economic turmoil is also impacting Russia. But the plan so far has been to mature the projects towards an FID, either at the end of this year or next year. That is the most recent comment that has been given from the company.

And I'm not prepared to give any other signals as only a shareholder in this company at this stage. And basically, we are using the same approach related to the resources as Total, but what we have not yet confirmed this, that we will be able to book it. We will come back to that at a later stage. But the size of it as far as this, and the economic outcome, it should be the same.

Lars Troen Sorensen - *StatoilHydro ASA - Head of IR*

Okay. There's another question on the Internet and then you. It's from Helge Andre Martinsen at Nordea. Your equity production guiding for 2012 remains unchanged compared to your guiding at the Capital Markets Day in 2008. Marcellus and a 50% stake in Peregrino were acquired during 2008, adding 100,000 barrels per day of equity production in 2012. Divestments done during 2008 have had minor effect on 2012 production. Could you please indicate what has happened here?

Helge Lund - *StatoilHydro ASA - President and CEO*

Well, we'll try to give that an explanation. Basically there are, on the positive side, we have the acquisitions. On the negative side you have the two factors, predominantly the divestments and the changing contractual terms in Libya, as well as in Venezuela. And then we have been prudent because it's very hard to forecast these days, given the economic turmoil. Therefore, we felt that the best guidance we could give at this stage was to keep at the level as some or all these factors moving in, in different directions.

Lars Troen Sorensen - *StatoilHydro ASA - Head of IR*

Neill Morton.

Neill Morton - *MF Global - Analyst*

It's Neill Morton from MF Global. We don't hear very much nowadays about your NOC-NOC strategy. And if anything, that's more applicable, given the fact that StatoilHydro is the undisputed national champion of Norway. Can you talk a little bit about that and also comment on the possibility that resource nationalism and reverses during a period of low oil prices and this apparent competitive advantage of your company diminishes.

Helge Lund - *StatoilHydro ASA - President and CEO*

Well, I feel that after the merger we have taken an even clearer profile of a national oil company. And I can assure you that we still work extremely hard on that basis. I participated myself in what we call the National Oil Company Forum in Beijing a few months back, which is a big event that we are organizing every 18th month. We are working on that basis in Indonesia, in Russia, in Algeria, in Mexico, in Brazil. And I think our opportunity is expanded, not narrowed, by that approach.

But I can also sort of reflect that some of these transactions and some of these approaches take a much longer time to mature and develop than you typically see in a more traditional M&A project in this industry.

In terms of resource nationalism, I think all saw that coming in a very, very strong way in 2007 and 2008 and maybe even before, as the oil prices increased, the sentiments became stronger and stronger. I think that what you see now will sort of, regardless of whether you are a resource holder or you are a supplier or an operator, as we are, you have to sort of make some reassessments and think how you best preserve and develop value. And I think that will happen with national governments around the world, as well if this current pricing environment prevails.

Lars Troen Sorensen - *StatoilHydro ASA - Head of IR*

We'll take an Internet question and then Trond Omdal. It's from Aymeric de Villaret at Societe Generale. Can you elaborate regarding the situation in the Ukraine? What are the consequences for gas sales through Europe? And do you sell more gas now and to what extent? Does it give you confidence regarding gas volumes sold by StatoilHydro in the first quarter of '09?

Helge Lund - *StatoilHydro ASA - President and CEO*

Well, first of all, I would say that a conflict of this size is not necessarily positive for gas because it is incentivising others with an incentive like nuclear and others to develop their business. Having said that, on the short term, this has no big impact on StatoilHydro.

As you know, most time during the winter, we are running more or less close to full capacity and these long term contracts have typically a flexibility where the customers can take a minimum level or a maximum level. And typically, they now run at the maximum level.

We believe, nevertheless, that the attention and a wish for more gas from Norway will increase. And the only long term response we really can offer is to continue to explore as we do. And I indicated maybe some new gas opportunities in the Norwegian Sea. But also, that the government in Norway gives StatoilHydro and others access to new high-potential areas. And we are working hard to achieve that.

Lars Troen Sorensen - *StatoilHydro ASA - Head of IR*

Then it's Trond Omdal.

Trond Omdal - *Arctic Securities - Analyst*

Maybe of more interest for the oil market than the output but I'll ask it anyway. On the Iraq, the operational environment seems to be improving and StatoilHydro and other international oil companies seem to be following it with interest. Do you see the opportunity of a bid round for renovation projects and even a license round this year?

Helge Lund - *StatoilHydro ASA - President and CEO*

Well, I won't comment on this year, but I can confirm that we follow it closely, that we are qualified, that we have a dialogue. So far you have the two issues that need to be solved. One is, of course, the security situation and secondly you have that there is clear petroleum law framework that you can work within. I don't dare to give any estimates of timing, but I can confirm that we are following it.

Lars Troen Sorensen - *StatoilHydro ASA - Head of IR*

There's a question in the first row there.

Kenan Najafov - *Exane BNP Paribas - Analyst*

Yes. Hi this is Kenan Najafov, Exane BNP Paribas. Considering that the Norwegian production is maturing and considering that the proportion of gas is increasing, considering the oil price environment and gas price environment, do you see the special petroleum tax in Norway being reduced over time?

Helge Lund - *StatoilHydro ASA - President and CEO*

Well, I think the industry made an attempt, back four or five years, to adjust the tax system. I think we can only conclude at this stage that this was not particularly successful. The best guidance I can give at this stage to our investors is that there will be no change in the petroleum tax in Norway. I can hope, but I think you should not live on my hope, but on the guidance. And this is, I think, the best guidance we can give.

Lars Troen Sorensen - *StatoilHydro ASA - Head of IR*

This is a question from the Internet, Helge Andre Martinsen in Nordea Markets. How much of the estimated synergy effects of NOK6b will affect the unit production costs? And the same question goes for the additional NOK1.5b in cost reductions.

Eldar Saetre - *StatoilHydro ASA - CFO*

That's a good question and I haven't got a good answer for you. Definitely part of this will affect the unit production costs. Part of the onshore downsizing will be allocated. That will lead to less allocated costs on the unit production costs. The offshore process that we are now into, that's also going to have impacts on the unit production cost. I mentioned examples on procurements, on best practices, which also was very much related to offshore operations, like logistics and so on. So yes, it will have an impact.

As I say, the main reason why we actually keep the guidance level of NOK33 to NOK36, and I indicated that we will be in the upper part of the range this year. It will stay in that range, going into 2012 is that we will see synergies into the unit production costs, going forward. That's the most important tool for us to fight the cost increases and be able to keep the level and be able to stay within that range for the next three to four years.

Lars Troen Sorensen - *StatoilHydro ASA - Head of IR*

Thank you. Then we've got Anne Gjoen from Handelsbanken there.

Anne Gjoen - *Handelsbanken - Analyst*

Thank you. A couple of questions related to Marcellus and Chesapeake Corporation. First, are you willing to comment on breakeven for that project. And secondly, how many wells are you going to drill in this year? And since you now have owned it for a couple of months, as you see it today, what's the major challenges for you in that operation, going forward?

Helge Lund - *StatoilHydro ASA - President and CEO*

If you want to comment on the breakeven, Eldar, I can just say that we have already established an excellent relationship with Chesapeake. We are in the process of seconding people into the organization. We have established our own asset team. We meet frequently. We have a meeting on the CEO level next week.

So we are concentrating, both on the Marcellus asset, but also on looking at what kind of options you can see outside the US. And what we have seen so far is, to us, indicating that this was a right move. And we have confirmed so far the assumptions that we made for the transaction.

Eldar Saetre - *StatoilHydro ASA - CFO*

Comment on the breakeven prices. I think, obviously, the kind of environment that we see today, the prices we see today is robust to face these developments. I should also remind you that the location of the Marcellus is at the high end, very attractive locations. And if you compare that to the Henry hub, you see a significant higher value of gas into the New York area. And that has been confirmed since we did the acquisition.

So we are talking about breakeven prices in the range of $5 per million BTU. And obviously, that's going to depend on the cost framework going forward. And I think currently, we want to see the potential to reduce the cost on drilling activities in the US.

Lars Troen Sorensen - *StatoilHydro ASA - Head of IR*

Christine Tiscarino here.

Christine Tiscarino - *Standard & Poor's - Analyst*

What type of crude oil price do you need for your enhanced volume recovery to be profitable in the Norwegian continental shelf?

Helge Lund - *StatoilHydro ASA - President and CEO*

Well, we cannot provide one specific number on that. It depends a bit on what kind of projects that we are working on. But of course, there are some projects that are not necessarily profitable on the short term, if the oil price is $40 and not $100 as Eldar touched upon in his presentation.

Christine Tiscarino - *Standard & Poor's - Analyst*

But are current oil prices impacting or having a big impact on your enhanced volume recovery program that you have?

Helge Lund - *StatoilHydro ASA - President and CEO*

Is has no big impact, but as Eldar indicated there are some slight impact on the numbers that we have presented today. But they are relatively small, so, so far, no big impacts.

Christine Tiscarino - *Standard & Poor's - Analyst*

And lastly, do you still have appetite for acquisitions?

Helge Lund - *StatoilHydro ASA - President and CEO*

Well, I've said that given the fact that we have been successful in exploration, that we have been targeting a few acquisitions the last few years, we have built a significant resource base. To mature that is our first priority. That is where we are concentrating the main part of our organization. But of course, I think it's a responsibility for any corporate management team to follow the market, particularly in a turmoil like this. And I can confirm that we do that as well. But it's not on the first on the priority list at this stage.

Christine Tiscarino - *Standard & Poor's - Analyst*

Thank you very much.

Lars Troen Sorensen - *StatoilHydro ASA - Head of IR*

There's a question from the Internet from Rahad Kijal at the Deutsche Bank. What long-term oil prices are you using for your enhanced project evaluation?

Helge Lund - *StatoilHydro ASA - President and CEO*

Well, a few years back, all of us gave the base assumptions for how we were evaluating our projects. We are not doing that anymore because we feel that is part of trying to stick together or find competitive proposals in exploration and in licensing rounds and even in M&A. So we will not provide a specific number.

But what we do is that we have one base number that we are using as a base. And then we are running scenarios with one lower price and one higher price to make sure that we both look at cost efficiency and also that we are as sure as possible that we are finding the right development concept so we can maximize value also, if the prices are higher than we anticipated.

Lars Troen Sorensen - *StatoilHydro ASA - Head of IR*

On that count, we will have to break here the Q&A session. You are of course always welcome to contact us in Investor Relations. And our contact details are on the website, www.statoilhydro.com. During 2009, we will have several opportunities for you to get an update on our business. In addition to our quarterly presentations, we'll be hosting seminars as we did during 2008, like the exploration seminar and the gas seminar. Our next event is the February 17 fourth quarter '08 presentation.

That ends today's strategy update session. Thank you very much and goodbye.
