

## Press release

4 August 2009

# Solid performance in a demanding market

## StatoilHydro's second quarter 2009, operating and financial review

**StatoilHydro's second quarter 2009 net operating income was NOK 24.3 billion, compared to NOK 62.6 billion in the second quarter of 2008. The quarterly result was negatively affected by a 40% drop in oil prices, an 18% decrease in the average price of natural gas and a 9% reduction in liftings of liquids, partly offset by a 4% increase in lifted gas volumes and improved margins for natural gas.**

Adjusted for certain items that management considers not to be reflective of StatoilHydro's underlying operational performance in the individual reporting period, **adjusted earnings** in the second quarter of 2009 were NOK 29.2 billion, compared to NOK 56.3 billion in the second quarter of 2008. The decrease in adjusted earnings was primarily due to lower prices and volumes of liquids and partly due to decreasing prices for natural gas. The reduction was only partly compensated by higher margins and sales volumes of natural gas.

The second quarter **net income** was NOK 0.0 billion and was mostly influenced by lower crude oil and gas prices, currency effects and an unusually high effective tax rate caused in part by tax on currency gains not reflected in the net financial items.

**Adjusted earnings after tax** amounted to NOK 9.0 billion, down from NOK 16.7 billion in the second quarter of 2008. The decrease is mainly due to lower oil prices and volumes, partly offset by higher income from natural gas sales and a lower effective tax rate on adjusted earnings. Adjusted earnings after tax excludes the effects of tax on net financial items, and represented an effective tax rate of 69.2% in the second quarter of 2009 and 70.3% in the second quarter of 2008.

"StatoilHydro maintains a high activity level and robust operations both in Norway and internationally. In a demanding market, our operational performance is solid. We have increased our efforts to reduce costs, and we continue to deliver good results from operations," says StatoilHydro's chief executive Helge Lund.

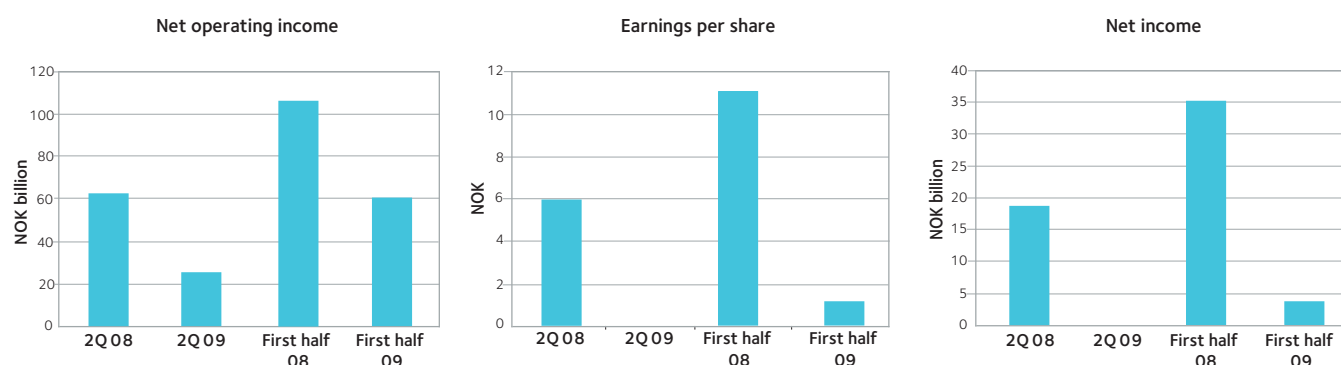
"Since first quarter we have started operations on important oil and gas fields such as Tyrihans in the Norwegian Sea and Tahiti and Thunder Hawk in the Gulf of Mexico and our exploration programme continues to yield good results."

"So far this year we have completed a total of 48 exploration and extension wells, 30 of which resulted in discoveries. Twenty-five of these discoveries were made on the Norwegian continental shelf," says Lund.

The CEO continues: "Although the outlook for the global economy seems somewhat less pessimistic and the balance of risks appears to have improved, the uncertainty remains high. We therefore continue to focus on operational efficiency and capital discipline, and we have the flexibility to adjust our activity level according to market development," says Lund.

In the second quarter of 2009, equity production of liquids and natural gas was 1.137 million and 708 thousand barrels of oil equivalent per day, respectively. Total equity production was 1.845 million barrels of oil equivalent per day, down 3% from the second quarter of 2008. The decrease in equity production was primarily caused by declining production from mature fields.

## Performance update



In the second quarter of 2009, StatoilHydro delivered total liquids and gas entitlement **production** of 1,729 mboe per day, which is an increase of 1% compared to the 1,710 mboe per day in the second quarter of 2008. Total liftings of liquids and gas were 1,664 mboe per day in the second quarter of 2009, a 4% decrease from 1,736 mboe per day in the second quarter of 2008.

StatoilHydro delivered an extensive **exploration** programme in the second quarter of 2009. Of a total of 22 exploration wells completed before 30 June 2009, eight were drilled outside the NCS. Fourteen wells have been announced as discoveries, of which two are located outside the NCS. In the first half of 2009 StatoilHydro has completed 44 wells, 27 on the NCS and 17 internationally. A total of 27 wells have been announced as discoveries, 23 on the NCS and four internationally. An additional four wells, of which three have been declared as discoveries, have been completed since 30 June 2009.

In the second quarter of 2009, the Tyrihans field started production on the NCS and first oil was received from the Chevron-operated Tahiti field in the US Gulf of Mexico.

The StatoilHydro operated Troll field received approval from the Norwegian government on 19 June on a project to increase reserves and extend the lifetime of the field. The Goliat field also received approval from the Norwegian government on 19 June, marking the go-ahead for development of the first oil field in the Barents Sea.

**Return on average capital employed after tax (ROACE)** [1] for the 12 months ended 30 June 2009 was 13.4%, compared to 23.2% for the 12 months ended 30 June 2008. The decrease was due to the reduced income and a higher average capital employed. ROACE is defined as a non-GAAP financial measure. [2]

In the second quarter of 2009, earnings per share based on net income was NOK 0.02 compared to NOK 5.89 in the second quarter of 2008. In the first half of 2009 earnings per share based on net income amounted to NOK 1.18, compared to NOK 10.91 in the first half of 2008.

## Profit and loss discussion

In the second quarter of 2009, **net operating income** was NOK 24.3 billion, compared to NOK 62.6 billion in the second quarter of 2008.

Net operating income includes certain items that management considers not to be reflective of StatoilHydro's underlying operational performance. Management adjusts for these items to arrive at adjusted earnings. **Adjusted earnings** is a supplemental non-GAAP measure to StatoilHydro's IFRS measure of net operating income which management believes provides an indication of StatoilHydro's underlying operational performance in the period and facilitates a better evaluation of operational developments between periods.

In the second quarter of 2009, lower fair value of derivatives (NOK 0.5 billion), impairment charges net of reversals (NOK 3.3 billion), underlift (NOK 1.1 billion) and other accruals (NOK 0.1 billion) negatively impacted net operating income, while higher values of products in operational storage (NOK 1.2 billion) and gain on sale of assets (NOK 0.2 billion) both had a positive impact on net operating income in the second quarter of 2009. Adjusted for these items and effects of eliminations (NOK 1.3 billion), **adjusted earnings** were NOK 29.2 billion in the second quarter of 2009.

In the second quarter of 2008 restructuring cost accruals (NOK 0.2 billion) and other accruals (NOK 0.3 billion) negatively impacted net operating income, while higher value of derivatives (NOK 3.3 billion), impairment charges net of reversals (NOK 2.1 billion), overlift (NOK 1.8 billion), higher values of products in operational storage (NOK 1.4 billion) and gain on sale of assets (NOK 0.5 billion), had a positive impact on net operating income in the second quarter of 2008. Adjusted for these items and effects of eliminations (NOK 1.3 billion), adjusted earnings were NOK 56.3 billion in the second quarter 2008.

The 48 % decrease in adjusted earnings from second quarter 2008 to second quarter 2009 was primarily due to the reduction in prices for both liquids and gas, and the decrease in volumes of liquids sold, partly compensated by increased results from sales of natural gas.

In the first half of 2009, the net operating income was NOK 59.8 billion, compared to NOK 114.1 billion in the first half of 2008.

In the first half of 2009, lower fair value of derivatives (NOK 0.6 billion), impairment charges net of reversals (NOK 5.7 billion) and underlift (NOK 0.5 billion) negatively impacted net operating income, while higher values of products in operational storage (NOK 1.7 billion), gain on sale of assets (NOK 0.5 billion) and other accruals (NOK 1.4 billion) had a positive impact on net operating income for the second quarter of 2009. Adjusted for these items and effects of inter-company eliminations (NOK 2.2 billion), adjusted earnings were NOK 65.3 billion in the first half of 2009.

In the first half of 2008 impairment charges net of reversals (NOK 0.4 billion) and other accruals (NOK 0.5 billion) negatively impacted net operating income, while higher value of derivatives (NOK 4.1 billion), gain on sale of assets (NOK 1.2 billion), overlift (NOK 0.1 billion) and higher values of products in operational storage (NOK 1.7 billion) had a positive impact on net operating income in the second quarter of 2008. Adjusted for these items adjusted earnings were NOK 107.9 billion in the first half of 2008.

The 39% decrease in adjusted earnings from first half of 2008 to first half of 2009 was primarily due to the drop in liquids prices, and was only partly offset by the higher income from sales of natural gas.

Introducing the USD as functional currency from 2009 in the parent company has led to reduced currency effects on net financial income. While taxes payable are unaffected by this change, taxable income exceeded consolidated accounting income before tax by approximately NOK 3.6 billion in the second quarter of 2009, thus contributing to a tax rate of 99.9%. Management considers this tax rate not to be reflective of the underlying tax exposure. Adjusted earnings after tax excludes net financial items and tax on net financial items and is an alternative measure which provides an indication of StatoilHydro's tax exposure to its underlying operational performance in the period, and therefore better facilitates a comparison between periods.

**Adjusted earnings after tax** in the second quarter of 2009 was NOK 9.0 billion, down from NOK 16.7 billion in the second quarter of 2008. In the first half of 2009, adjusted earnings after tax was NOK 19.5 billion, down from NOK 30.7 billion the same period last year. The decrease is mainly due to lower liquid prices, partly offset by higher income from natural gas sales and a lower effective tax rate on adjusted earnings. Tax on adjusted earnings amounted to 69.2% in the second quarter of 2009 and 70.3% in the second quarter of 2008, compared to 70.1% and 71.6% in the first half of 2009 and 2008, respectively.

IFRS income statement (in NOK billion)	Second quarter			First half			Full year 2008
	2009	2008	Change	2009	2008	Change	
Total revenues and other income							
Revenues	<b>104.6</b>	170.6	(39 %)	<b>217.3</b>	328.3	(34 %)	652.0
Investment income from associated company	<b>0.6</b>	0.4	32 %	<b>0.6</b>	0.3	119 %	1.3
Other income	<b>0.0</b>	0.6	(95 %)	<b>0.1</b>	2.2	(94 %)	2.8
Total revenues and other income	<b>105.2</b>	171.6	(39 %)	<b>218.0</b>	330.8	(34 %)	656.0
Operating expenses							
Purchase net of inventory variation	<b>46.6</b>	81.8	(43 %)	<b>90.7</b>	159.5	(43 %)	329.2
Operating expenses	<b>14.0</b>	14.7	(5 %)	<b>28.0</b>	28.1	(0 %)	59.3
Selling, general and administrative expenses	<b>3.1</b>	2.3	31 %	<b>5.8</b>	5.3	9 %	11.0
Depreciation, amortisation and impairment	<b>12.8</b>	8.2	56 %	<b>24.0</b>	17.8	35 %	43.0
Exploration expenses	<b>4.4</b>	1.9	127 %	<b>9.7</b>	6.2	57 %	14.7
Total operating expenses	<b>(80.9)</b>	(109.0)	26 %	<b>(158.2)</b>	(216.8)	27 %	(457.2)
Net operating income	<b>24.3</b>	62.6	(61 %)	<b>59.8</b>	114.1	(48 %)	198.8
Net financial items	<b>(4.8)</b>	(0.5)	(915 %)	<b>(8.7)</b>	3.4	(354 %)	(18.4)
Income tax	<b>(19.5)</b>	(43.2)	(55 %)	<b>(47.1)</b>	(82.5)	(43 %)	(137.2)
Net income	<b>0.0</b>	18.9	(100 %)	<b>4.0</b>	35.0	(89 %)	43.3

Adjusted earnings (in NOK billion)	Second quarter			First half			Full year 2008
	2009	2008	Change	2009	2008	Change	
Total revenues and other income adjusted	<b>108.1</b>	168.0	(36 %)	<b>220.4</b>	325.6	(32 %)	653.1
Purchase, net of inventory variation adjusted	<b>47.8</b>	83.2	(43 %)	<b>92.4</b>	161.2	(43 %)	326.3
Operating expenses adjusted	<b>14.5</b>	14.3	2 %	<b>29.4</b>	27.8	6 %	59.7
Selling, general and administrative expenses adjusted	<b>3.0</b>	2.1	38 %	<b>5.6</b>	5.1	10 %	10.5
Depreciation, amortisation and impairment adjusted	<b>11.2</b>	8.9	26 %	<b>22.1</b>	18.5	20 %	40.5
Exploration expenses adjusted	<b>2.4</b>	3.1	(23 %)	<b>5.6</b>	5.3	6 %	12.2
Adjusted earnings [11]	<b>29.2</b>	56.3	(48 %)	<b>65.3</b>	107.9	(39 %)	203.9

Adjusted earnings after tax by segment  (in NOK billion)	Second quarter					
	2009			2008		
	Adjusted earnings	Tax on adjusted earnings	Adjusted earnings after-tax	Adjusted earnings	Tax on adjusted earnings	Adjusted earnings after-tax
E&P Norway	<b>20.7</b>	<b>15.1</b>	<b>5.6</b>	46.7	35.0	11.7
International E&P	<b>2.8</b>	<b>0.7</b>	<b>2.1</b>	5.9	2.8	3.1
Natural Gas	<b>4.2</b>	<b>3.3</b>	<b>0.8</b>	1.9	1.2	0.8
Manufacturing & Marketing	<b>1.4</b>	<b>0.9</b>	<b>0.5</b>	1.2	0.5	0.7
Other	<b>0.2</b>	<b>0.2</b>	<b>(0.1)</b>	0.6	0.1	0.5
Group	<b>29.2</b>	<b>20.2</b>	<b>9.0</b>	56.3	39.6	16.7

Adjusted earnings after tax by segment  (in NOK billion)	First half					
	2009			2008		
	Adjusted earnings	Tax on adjusted earnings	Adjusted earnings after-tax	Adjusted earnings	Tax on adjusted earnings	Adjusted earnings after-tax
E&P Norway	<b>50.4</b>	<b>37.6</b>	<b>12.8</b>	89.1	67.0	22.1
International E&P	<b>3.1</b>	<b>0.5</b>	<b>2.6</b>	11.9	6.4	5.5
Natural Gas	<b>9.2</b>	<b>7.0</b>	<b>2.2</b>	4.9	3.2	1.7
Manufacturing & Marketing	<b>3.0</b>	<b>1.4</b>	<b>1.6</b>	1.4	0.6	0.8
Other	<b>(0.4)</b>	<b>(0.8)</b>	<b>0.4</b>	0.6	0.0	0.4
Group	<b>65.3</b>	<b>45.7</b>	<b>19.5</b>	107.9	77.2	30.7

Financial data	Second quarter			First half			Full year 2008
	2009	2008	Change	2009	2008	Change	
Weighted average number of ordinary shares outstanding	<b>3,184,206,446</b>	3,186,220,758		<b>3,184,516,025</b>	3,186,391,062		3,185,220,293
Earnings per share	<b>0.02</b>	5.89	(100 %)	<b>1.18</b>	10.91	(89 %)	13.58
Minority interest	<b>0.1</b>	(0.1)	135 %	<b>(0.3)</b>	(0.2)	(21 %)	(0.0)
ROACE (last 12 months)	<b>13.4 %</b>	23.2 %	(42 %)	<b>13.4 %</b>	23.2 %	(42 %)	21.0 %
Cash flows provided by operating activities (NOK billion)	<b>30.5</b>	25.5	20 %	<b>38.7</b>	52.4	(26 %)	102.5
Gross investments (NOK billion)	<b>19.8</b>	15.8	25 %	<b>39.3</b>	30.7	28 %	95.4
Net debt to capital employed ratio	<b>28.3 %</b>	2.3 %	1153 %	<b>28.3 %</b>	2.3 %	1153 %	17.5 %

Operational data	Second quarter			First half			Full year 2008
	2009	2008	Change	2009	2008	Change	
Average liquids price (USD/bbl)	<b>53.7</b>	115.0	(53 %)	<b>47.8</b>	104.3	(54 %)	91.0
USD/NOK average daily exchange rate	<b>6.50</b>	5.08	28 %	<b>6.7</b>	5.2	29 %	5.6
Average liquids price (NOK/bbl) [3]	<b>349</b>	585	(40 %)	<b>320</b>	542	(41 %)	513
Gas prices (NOK/scm)	<b>1.82</b>	2.23	(18 %)	<b>2.21</b>	2.12	4 %	2.40
Refining margin, FCC (USD/boe) [4]	<b>4.8</b>	10.0	(52 %)	<b>5.1</b>	8.1	(37 %)	8.2
Total entitlement liquids production (mboe per day)[5]	<b>1,032</b>	1,039	(1 %)	<b>1,068</b>	1,069	(0 %)	1,055
Total entitlement gas production (mboe per day)	<b>696</b>	671	4 %	<b>763</b>	730	5 %	696
Total entitlement liquids and gas production (mboe per day) [6]	<b>1,729</b>	1,710	1 %	<b>1,831</b>	1,799	2 %	1,751
Total equity gas production (mboe per day)	<b>708</b>	703	1 %	<b>783</b>	763	3 %	725
Total equity liquids production (mboe per day)	<b>1,137</b>	1,195	(5 %)	<b>1,176</b>	1,209	(3 %)	1,200
Total equity liquids and gas production (mboe per day)	<b>1,845</b>	1,898	(3 %)	<b>1,959</b>	1,973	(1 %)	1,925
Total liquids liftings (mboe per day)	<b>968</b>	1,065	(9 %)	<b>1,049</b>	1,056	(1 %)	1,019
Total gas liftings (mboe per day)	<b>696</b>	671	4 %	<b>764</b>	730	5 %	696
Total liquids and gas liftings (mboe per day) [7]	<b>1,664</b>	1,736	(4 %)	<b>1,813</b>	1,786	2 %	1,714
Production cost entitlement volumes (NOK/boe, last 12 months) [8]	<b>38.0</b>	46.2	(18 %)	<b>38.0</b>	46.2	(18 %)	38.1
Equity production cost excluding restructuring and gas injection cost (NOK/boe, last 12 months) [9]	<b>35.6</b>	32.1	11 %	<b>35.6</b>	32.1	11 %	33.3

**Total liquids and gas liftings** in the second quarter of 2009 were 1,664 mboe per day, compared to 1,736 mboe per day in the second quarter of 2008. In the second quarter of 2009 there was an underlift of 49 mboe per day [5] compared to an overlift in the second quarter of 2008 of 42 mboe per day.

Total liquids and gas liftings in the first half of 2009 were 1,813 mboe per day, compared to 1,786 mboe per day in the first half of 2008. There was an underlift in the first half of 2009 of 3 mboe per day [5] compared to an overlift of 3 mboe per day in the first half of 2008.

**Total liquids and gas entitlement production** in the second quarter of 2009 was 1,729 mboe per day, compared to 1,710 mboe per day in the second quarter of 2008. Average equity [9] production was 1,845 mboe per day in the second quarter of 2009 compared to 1,898 mboe per day in the second quarter of 2008. Total liquids and gas entitlement production in the first half of 2009 was 1,831 mboe per day, compared to 1,799 mboe per day in the first half of 2008. Average equity production was 1,959 mboe per day in the first half of 2009 compared to 1,973 mboe per day in the first half of 2008.

The slight increase in entitlement production between the quarters as well as year to date, mainly stems from new fields coming on stream, partly offset by declining production from mature fields. The decrease in average equity production in the second quarter of 2008 compared to the second quarter of 2009 was primarily due to declining production from mature fields, various operational issues and maintenance activities, partly compensated by increased production from start up of new fields. The decrease in average equity production in the first half of 2009 compared to the first half of 2008 was primarily due to declining production from mature fields, various operational issues, maintenance activities and Opec restrictions, partly compensated by increased production from start up of new fields.

**Exploration expenditure** was NOK 4.0 billion in the second quarter of 2009, compared to NOK 3.7 billion in the second quarter of 2008. Exploration expenditure was NOK 9.2 billion in the first half of 2009, compared to NOK 7.6 billion in the first half of 2008. The increases were mainly due to increased exploration activities and cost. 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 exploration expenses decreased from NOK 3.1 billion in the second quarter of 2008 to NOK 2.4 billion in the second quarter of 2009 primarily because of higher capitalisation of exploration expenditures. Adjusted exploration expenses was NOK 5.6 billion in the first half of 2009 compared to NOK 5.3 billion in the first half of 2008, an increase of 6% mainly due to higher drilling activity.

Exploration (in NOK billion)	Second quarter			First half			Full year 2008
	2009	2008	Change	2009	2008	Change	
Exploration expenditure activity	4.0	3.7	7 %	9.2	7.6	21 %	17.8
Expensed, previously capitalised exploration expenditure	2.2	0.4	423 %	4.9	2.6	86 %	4.8
Capitalised share of current period's exploration activity	(1.8)	(1.1)	(68 %)	(4.4)	(2.9)	(51 %)	(6.8)
Reversal of impairment	0.0	(1.1)	100 %	0.0	(1.1)	100 %	(1.1)
Items impacting exploration expenses	(2.0)	1.2	(267 %)	(4.1)	(0.9)	(356 %)	(2.5)
Adjusted exploration expenses [11]	2.4	3.1	(23 %)	5.6	5.3	6 %	12.2

In the second quarter of 2009, a total of 22 exploration and appraisal wells were completed, 14 on the NCS and eight internationally. Fourteen wells have been declared as discoveries. In the second quarter of 2008, a total of 27 exploration, appraisal and extension wells were completed, 15 on the NCS and 12 internationally. Fourteen wells were declared as discoveries.

In the first half of 2009, a total of 43 exploration and appraisal wells and one exploration extension well were completed, 27 on the NCS and 17 internationally. Twenty-six exploration and appraisal wells and one exploration extension well have been declared as discoveries. In the first half of 2008, a total of 45 exploration and appraisal wells and four exploration extension wells were completed, 22 on the NCS and 27 internationally. Nineteen exploration and appraisal wells and two exploration extension wells were declared as discoveries.

A number of wells completed internationally have encountered hydrocarbons. However, more extensive evaluation must be carried out before reaching and announcing a conclusion on potential commerciality.

Drilling of seven exploration and appraisal wells was ongoing at the end of second quarter 2009.

**Production cost per boe** was NOK 38.0 for the 12 months ended 30 June 2009, compared to NOK 46.2 for the 12 months ended 30 June 2008. [8] Based on equity [9] volumes, the production cost per boe for the two periods was NOK 35.0 and NOK 42.4, respectively.

The production cost per boe decreased mainly due to non-recurring restructuring cost relating to the merger of Statoil ASA and Hydro Petroleum in 2007, and partial reversal of the restructuring cost in the fourth quarter of 2008.

Adjusted for restructuring costs and other costs arising from the merger recorded in the fourth quarter of 2007 and gas injection costs, the production cost per boe of equity production for the 12 months ended 30 June 2009 was NOK 35.6. The comparable figure for the 12 months ended 30 June 2008 was NOK 32.1. The increase is partly due to currency effects from the strengthening of USD versus NOK.

**Net financial items** amounted to a loss of NOK 4.8 billion in the second quarter of 2009, compared to a loss of NOK 0.5 billion in the second quarter of 2008. In the first half of 2009, net financial items amounted to a loss of NOK 8.7 billion, compared to a gain of NOK 3.4 billion in first half of 2008.

As a result of introducing USD as the new functional currency in the parent company, StatoilHydro ASA, the US dollar denominated non-current financial liabilities that impacted net foreign exchange gains and losses in prior periods, do not impact the income statement in 2009. Correspondingly, the Norwegian kroner denominated taxes payable impacting net foreign exchange gains and losses in 2009, did not have such an impact on the income statement in prior periods. Translation differences arising from changes in the USDNOK exchange rates for USD denominated financial assets and liabilities translated into presentation currency of Norwegian kroner in consolidation have been recorded to other comprehensive income in equity.

In the second quarter of 2009, net foreign exchange gains and losses amounted to a loss of NOK 0.1 billion, compared to a NOK 0.7 billion gain in the second quarter of 2008. The NOK 0.8 billion increase in cost is mostly attributable to the effects of the change in functional currency.

In the first half of 2009, net foreign exchange gains and losses amounted to a loss of NOK 1.6 billion, compared to a NOK 4.1 billion gain in the first half of 2008. The NOK 5.7 billion increase in cost is mostly attributable to the effects of the change in functional currency.

Interest and other financial expenses amounted to NOK 6.4 billion and NOK 1.9 billion in the second quarters of 2009 and 2008, respectively. The NOK 4.5 billion increase in cost is mostly related to a NOK 3.4 billion loss on derivative financial instruments in the second quarter of 2009, due to increased USD long term interest rates and a loss related to impairment of the investment in the Pernis refinery. There was a loss on derivative financial instruments of NOK 0.8 billion in the second quarter of 2008.

In the first half of 2009, interest and other financial expenses amounted to NOK 9.3 billion, compared with NOK 2.0 billion in the first half of 2008. The NOK 7.3 billion increase in cost is mostly related to a NOK 5.1 billion loss on derivative financial instruments in the first half of 2009, due to increased USD long term interest rates and a loss related to impairment of the investment in the Pernis refinery. There was no loss on derivative financial instruments in the first half of 2008.

Summarised, net financial items changed by NOK 4.3 billion from second quarter of 2008 to second quarter of 2009, primarily due to NOK 4.2 billion from changes in the fair value of financial derivatives and to some extent due to a NOK 0.8 billion foreign exchange effect and the change in functional currency in particular.

From the first half of 2008 to the first half of 2009, net financial items changed by NOK 12.1 billion, primarily due to a NOK 5.1 billion change in the fair value of financial derivatives and a NOK 5.8 billion foreign exchange effect and a change in functional currency in particular.

Exchange rates	30 June 2009	31 December 2008	30 June 2008
USDNOK	6.38	7.00	5.08
EURNOK	9.02	9.87	8.01

**Income taxes** were NOK 19.5 billion in the second quarter of 2009, equivalent to a tax rate of 99.9%, compared to NOK 43.2 billion in the second quarter of 2008, equivalent to a tax rate of 69.6%. The increase in the tax rate was mainly due to currency effects related to the change of functional currency for certain companies. These companies are taxable in other currencies than the functional currency. In the second quarter of 2009 the taxable income was higher than the income before tax, which increased the reported tax rate in the quarter. In addition, the effective tax rate was increased by relatively higher income from the NCS and impairments with lower than average tax rate.

In the second quarter of 2009, income before tax amounted to NOK 19.5 billion, while taxable income was estimated to be NOK 3.6 billion higher. This difference in taxable income arose in companies which are taxable in other currencies than the functional currency. Adjusted earnings after tax excludes the effects of tax on financial items, and represented a tax rate of 69.2% in the period, compared to 70.3% in the second quarter of 2008.

Income taxes were NOK 47.1 billion in the first half of 2009, equivalent to a tax rate of 92.2%, compared to NOK 82.5 billion in the first half of 2008, equivalent to a tax rate of 70.2%. The increase in the tax rate was mainly due to currency effects related to the change of functional currency for certain companies. These companies are taxable in other currencies than the functional currency. In the first half of 2009 the taxable income is higher than the Income before tax, which increases the tax rate in the first half. In addition, the tax rate was increased by relatively higher income from the NCS and impairments with lower than average tax rates.



Composition of tax expense and effective tax rate in the second quarter of 2009	Earnings	Tax	Tax rate
Adjusted earnings	29.2	(20.2)	69.2 %
Adjustments	(4.9)	0.3	6.0 %
Net operating income	24.3	(19.9)	82.0 %
Tax on NOK 3.6 billion taxable currency gains		(1.3)	
Financial items	(4.8)	1.7	35.0 %
Net income	19.5	19.5	99.9 %

In the first half of 2009, income before tax amounted to NOK 51.1 billion, while taxable income was estimated to be NOK 13.6 billion higher than income before tax. This difference in taxable income arose in companies which are taxable in a different currency than the functional currency. Adjusted earnings after tax excludes the effects of tax on financial items, and represented a tax rate of 70.1% in the period, compared to 71.6% in the first half of 2008.

## Outlook

StatoilHydro's guiding for **equity production** is 1,950 mboe per day in 2009 and 2,200 mboe per day in 2012. [13] The estimate for 2009 excludes any adverse effects of potential Opec quotas. Operational regularity, gas offtake and commercial considerations related to gas sales activities represent the most significant risks to the production guidance.

**Maintenance** activity is expected to influence our equity production by 55-60 mboe per day in the third quarter of 2009, and around 30 mboe per day for the full year.

**Capital expenditures for 2009, excluding acquisitions**, are estimated at around USD 13.5 billion. Approximately 50% of the forecasted investments for 2009 are related to new assets contributing to growth in oil and gas production, while one third is related to investments in currently producing assets, and the remainder in other activities.

**Unit production cost** for equity volumes is estimated in the range of NOK 33 to 36 per barrel in the period from 2009 to 2012, excluding purchases of fuel and gas for injection. For 2009, the unit production cost is expected to be in the upper end of this range.

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

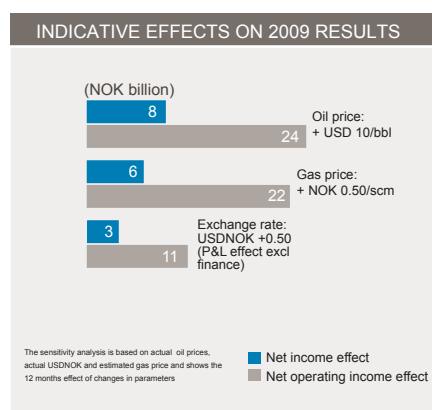
Exploration drilling is the primary tool for growing our business. The company will continue to high-grade the large portfolio of exploration assets and expects to maintain a high level of **exploration activity** in 2009, although slightly lower than in 2008. StatoilHydro expects to complete around 70 exploration and appraisal wells in 2009 and the exploration activity is estimated to be approximately USD 2.7 billion for 2009.

The year 2008 was one of the most **volatile periods seen recently in the natural gas, product, gas liquid and crude oil markets**. We anticipate that these commodity prices will continue to be volatile at least in the near term.

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 received in NOK for products sold. Specifically, such factors include the level of liquids and natural gas prices, trends in the exchange rates, liquids and natural gas production volumes, which in turn depend on entitlement volumes under profit sharing agreements and available petroleum reserves, StatoilHydro's, as well as our partners' expertise and co-operation in recovering oil and natural gas from those reserves, and changes in StatoilHydro's 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 net operating income in 2009. 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 2008 for a more detailed discussion of risks to which StatoilHydro is exposed.

### 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 had only limited exposure towards distressed parties and instruments. The turmoil in the financial markets has not caused us to make any changes in our risk management policies, but we have tightened our practices with respect to credit risk and liquidity management. Only insignificant counterparty losses have been incurred so far. The group's 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 markets for short- and long-term financing are currently considered to function comfortably for borrowers with StatoilHydro's credit standing and general characteristics. However, under the current circumstances uncertainty still exists. Funding costs for short maturities are generally at historically low levels. Long-term funding costs are at attractive absolute levels although the credit spread element for corporate issuers is still higher compared to levels existing before the financial crisis. 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.

In accordance with our internal credit rating policy, we reassess counterparty credit risk at least annually and assess counterparties that we identify as high risk more frequently. The internal credit ratings reflect our assessment of the counterparties' credit risk and are similar to rating categories used by well known credit rating agencies, such as Standard & Poor's and Moody's.

### Health, safety and the environment (HSE)

The total recordable injury frequency was 3.7 in the second quarter of 2009 compared to 5.6 in the second quarter of 2008. The serious incident frequency decreased from 2.1 in the second quarter of 2008 to 1.9 in the second quarter of 2009. There were four fatalities in the second quarter of 2009.

The total recordable injury frequency was 4.1 in the first half year of 2009 compared to 5.5 in the first half year of 2008. The serious incident frequency rate decreased from 2.4 in the first half year of 2008 to 2.1 in the first half year of 2009. There were four fatalities in the first half of 2009. One fatality occurred when a contractor fell down when dismantling the scaffolding. Three StatoilHydro employees were onboard the Air France flight 447 which disappeared over the Atlantic.

The number of accidental oil spills in the second quarter of 2009 decreased compared to the second quarter of 2008, and the volume decreased from 260 cubic metres in the second quarter of 2008 to 20 cubic metres in the second quarter of 2009.

The number of accidental oil spills in the first half of 2009 had a slight increase compared to the first half of 2008, but the volumes decreased from 276 cubic metres in the first half of 2008 to 46 cubic metres in the first half of 2009.

HSE	Second quarter		First half		Full year
	2009	2008	2009	2008	2008
Total recordable injury frequency	3.7	5.6	4.1	5.5	5.4
Serious incident frequency	1.9	2.1	2.1	2.4	2.2
Accidental oil spills (number)	93	106	190	186	401
Accidental oil spills (volume, cubic metres)	20	260	46	276	342

## Important events

- On 1 April StatoilHydro and the Norwegian utility company, Statkraft, agreed to **jointly develop the 315 MW Sheringham Shoal Offshore Wind Farm** off the coast of Norfolk in the UK.
- On 2 April StatoilHydro's board **sanctioned the Caesar Tonga Project** in the Gulf of Mexico operated by Anadarko.
- On 3 April StatoilHydro **farmed into three North Sea licences** located close to the Luno and Ragnarrock discoveries.
- On 14 April StatoilHydro **acquired a 40% stake in 50 blocks from BHP Billiton** in the frontier DeSoto Canyon area of the US Gulf of Mexico.
- On 16 April StatoilHydro **executed debt capital market transactions** issuing USD 500 million 3.875% Notes due April 2014, and USD 1500 million 5.25% Notes due April 2019.
- On 20 April StatoilHydro made public **the new logo "Statoil's new lodestar"** which will adorn the group's installations and buildings after the name change from StatoilHydro to Statoil on 1 November 2009.
- On 30 April the Norwegian Ministry of Petroleum and Energy announced that StatoilHydro was **awarded 7 new production licences** in the 20th licensing round, five of which are StatoilHydro operatorships.
- On 6 May, StatoilHydro received first oil from the Chevron-operated **Tahiti** field in the US Gulf of Mexico.
- On 7 May, an employee of STS, the contractor carrying out the scaffolding work at Oseberg B platform, died after an **accidental fall**. Investigations have been completed by the Petroleum Safety Authority Norway (PSA) and StatoilHydro, and measures are being implemented to prevent similar incidents in the future.
- On 15 May Norway's National Authority for Investigation and Prosecution of Economic and Environmental Crime, Økokrim, informed that there will be **no investigations related to the international activities of former Hydro Oil & Energy**.
- On 18 May **StatoilHydro agreed with BPC Limited to become the operator of three offshore exploration licences**, Zapata, Islamorada and Falcones in the Cay Sal area of the south-western Bahamas.
- On 1 June StatoilHydro suffered three fatalities when the flight AF447 disappeared over the Atlantic ocean en route to Paris.
- On 5 June **StatoilHydro and Gazprom signed an Memorandum of Understanding (MoU)** in St. Petersburg to jointly engage in geological exploration, development and production of hydrocarbon resources in northern regions of Russia and Norway.
- On 18 June **Einar Arne Iversen** takes up the position as a **new employee representative** on the company's Board of Directors.
- On 19 June the plan for development and operation (**PDO**) of **Goliat** in the Barents Sea and the **Troll Modification Project** was **approved by the Norwegian parliament** (Stortinget).
- StatoilHydro enjoyed **exploration successes** in the period with 12 discoveries on the NCS and two internationally: On the NCS: PL029B Freke (April 6), PL309 Corvus S (April 23), PL052 Canon S (April 30), PL265 Ragnarrock P-Graben (May 13), PL120 Titan (May 13), PL362 Fulla sidetrack (May 25), PL312 Harepus (May 27), PL309 Corvus A (May 31), PL348 Gygrid (May 31), PL348 Gygrid sidetrack (June 13), PL326 Gro (June 20), and PL120 Titan sidetrack (June 26). Internationally: Mizzen offshore Newfoundland (April 8) and BL31 Oberon 1 offshore Angola (May 27).

## Subsequent important events:

- On 1 July StatoilHydro and Scottish and Southern Energy have started some **commercial operations at the Aldbrough gas storage facility** in East Yorkshire in the UK.
- On 2 July StatoilHydro's corporate assembly announced **Jakob Stausholm** as a **new member of its Board of Directors**.
- On 7 July StatoilHydro **started production** from the **Tyrihans oil and gas field** in the Norwegian Sea.
- On 8 July StatoilHydro entered into an agreement to **acquire South Riding Point crude oil storage and transshipment terminal** located in the **Bahamas**.
- On 8 July StatoilHydro received **first oil and gas delivery from the Murphy Oil operated Thunder Hawk field in Gulf of Mexico**.
- On 20 July **production started at the Tune South satellite** which is tied back to the Oseberg field centre.
- On July 29 Anadarko Petroleum Corporation **announced a discovery at the Vito** exploration well in Mississippi Canyon in Gulf of Mexico. The well encountered around 80 metres of oil pay in subsalt Miocene sands. StatoilHydro has a 25% working interest in Vito.

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

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