

The Norwegian authorities have by a royal decree of 20 December 2002 issued regulations for access to and tariffs for capacity in the upstream gas transportation system. There are three main considerations behind the regulations. Firstly the regulations, together with the law adopted by the Storting in June 2002, implement the Gas Directive of the European Union. Further, they established a system for access to the upstream gas transportation system that is compatible with company-based gas sales from the NCS. Thirdly, they provided for the new ownership structure of the upstream gas transportation system (Gassled).

Parts of the regulations have a general application and parts - including the tariffs - are applicable only to the upstream gas transportation system owned by the Gassled joint venture. The regulations establish the main principles for access to the upstream gas transportation system. The access regime consists of a regulated primary market where the right to book free capacity, in accordance with regulations, is allocated to users with a duly substantiated reasonable need for transportation of natural gas. Further, the access regime consists of a secondary market where the capacity can be transferred between the users after the allocation in the primary market if the need for transportation changes.

The capacity in the primary market is released and booked through Gassco AS on the internet. Spare capacity is released for pre-defined time periods at announced points in time and with specific time limits for reservations. If the reservations exceed the spare capacity, the spare capacity will be allocated based on a distribution formula. However, consideration shall in case of spare capacity first be given to the owners' duly substantiated needs for capacity, which is limited to twice the owner's equity interest in the upstream pipeline network in question.

Based on authorization given under the regulations, tariffs for use of capacity in Gassled are determined by the Ministry of Petroleum and Energy. The Ministry's policy for determining the tariffs is to avoid excessive returns being created on the capital invested in the transportation system, allowing the return on the Norwegian petroleum activity to be taken out on the fields instead of in the transportation systems. The tariffs are to be paid for booked capacity and not in respect of the actually transported volume.

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3.10.3 Gas directive of the European Union

The EU Gas Directive, which has been included in the EEA Agreement and incorporated into Norwegian legislation, regulates the European gas market in conjunction with the gas Transmission Access Regulation of 2005. The Directive requires that all consumers in Europe should be able to choose their energy supplier beginning in July 2007. Fundamental changes to this directive and regulation were proposed by the European Commission in September 2007 with a specific focus on the separation of ownership of transmission assets from supply activities. The objective of these proposals is to increase competition in national markets and integrate them into regional and eventually a single EU-wide market for natural gas. The final form of these proposals are as yet unknown and are expected to be developed further throughout 2008. It is difficult to predict the effect liberalisation measures will have on the evolution of gas prices, but the main objective of the single gas market is to bring greater choice and reduced prices for customers through increased competition.

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3.10.4 HSE regulation

Petroleum operations in Norway are subject to extensive regulation with regard to health, safety and the environment, or HSE. Under the Petroleum Act, which is in this respect administered by the Ministry of Labour and Government Administration, all petroleum operations must be conducted in compliance with a reasonable standard of care, taking into consideration the safety of employees, the environment and the economic values represented by installations and vessels. The Petroleum Act specifically requires that petroleum operations be carried out in such a manner that a high level of safety is maintained and developed in accordance with technological developments.

Licensees and other persons engaged in petroleum operations are required to maintain at all times a plan to deal with emergency situations. During an emergency, the Ministry of Labour and Government Administration may decide that other parties should provide the necessary resources, or otherwise adopt measures to obtain the necessary resources, to deal with the emergency for the account of the licensees.

The Petroleum Safety Authority Norway (PSA) has the regulatory responsibility for safety, emergency preparedness and the working environment for all petroleum-related activities. The PSA's sphere of responsibility also includes supervision of safety, emergency preparedness and the working environment at the petroleum facilities and connected pipeline systems on land.

In our capacity as a holder of licenses under the Petroleum Act, we are subject to strict statutory liability in respect of losses or damages suffered as a result of pollution caused by spills or discharges of petroleum from petroleum facilities covered by any of our licenses. This means that anyone who suffers losses or damages as a result of pollution caused by any of our NCS license areas can claim compensation from us without needing to demonstrate that the damage is due to any fault on our part. If the pollution is caused by a force majeure event, a Norwegian court may reduce the level of damages to the extent it considers reasonable.

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3.10.5 Taxation of StatoilHydro

We are subject to ordinary Norwegian corporate income tax as well as to a special petroleum tax relating to our offshore activities. We are also subject to a special carbon dioxide emissions tax and, from 2007, a nitrogen oxide fee. Under our production licenses we are obligated to pay an area fee to the Norwegian State. Set forth below is a summary of certain key aspects of the Norwegian tax rules that apply to our operations.

Corporate income tax. Our profits, both from offshore oil and natural gas activities and from onshore activities, are subject to Norwegian corporate income tax. The corporate income tax rate is currently 28%. Our profits are computed in accordance with ordinary Norwegian corporate income tax rules, subject to certain modifications that apply to companies engaged in petroleum operations. Gross revenue from oil production and the value of lifted stocks of oil are determined on the basis of norm prices. Norm prices are decided on a monthly basis by the Petroleum Price Board, a body whose members are appointed by the Ministry of Petroleum and Energy, and published quarterly. The Petroleum Taxation Act provides that the norm prices shall correspond to the prices that could have been obtained in case of a sale of petroleum between independent parties in a free market. When adopting norm prices, the Petroleum Price Board takes into consideration a number of factors, including spot market prices and contract prices within the industry.

The maximum rate for depreciation of development costs related to offshore production installations and pipelines is 16 2/3% per year. The depreciation starts when the cost is incurred. Exploration costs may be deducted in the year in which they are incurred. Beginning in 2007, financial costs related to the offshore activity are calculated directly based on a formula set in the petroleum tax act. The financial costs deductible against the offshore tax regime are the total financial costs multiplied by 50% of tax values divided by average interest bearing debt. All other financial costs and income are allocated to the onshore tax regime.

Any tax losses may be carried forward indefinitely against subsequent income earned. Fifty per cent of losses relating to activity conducted onshore in Norway may be deducted from NCS income subject to the 28% tax rate. Losses from foreign activities may not be deducted against NCS income. Losses from offshore activities are fully deductible against onshore income.

By use of group contributions between Norwegian companies in which we hold more than 90% of the shares and the votes, tax losses and taxable income can, to a great extent, be offset. Group distributions are not deductible in our offshore income.

From 1 January 2004, dividends received have not been subject to tax in Norway. Exemptions exist for dividends from low-tax countries or portfolio investments outside the EEA.

From 26 March 2004, capital gains on realization of shares are not taxable and losses are not deductible. Exemptions exist for shares held in companies domiciled in low-tax countries or portfolio investments outside the EEA.

Special petroleum tax. A special petroleum tax is levied on profits derived from petroleum production and pipeline transportation on the NCS. The special petroleum tax is currently levied at a rate of 50%. The special tax is applied to relevant income in addition to the standard 28% income tax, resulting in a 78% marginal tax rate on income subject to petroleum tax. The basis for computing the special petroleum tax is the same as for income subject to ordinary corporate income tax, except that onshore losses are not deductible against the special petroleum tax, and a tax-free allowance, or uplift, is granted at a rate of 7.5% per year. The uplift is computed on the basis of the original capitalized cost of offshore production installations. The uplift may be deducted from taxable income for a period of four years, starting in the year in which the capital expenditures are incurred. Unused uplift may be carried forward indefinitely.

Abandonment costs. Abandonment costs incurred can be deducted as operating expenditures. Provisions for future abandonment costs are not tax deductible.

Carbon dioxide emissions tax. A special carbon dioxide emissions tax applies to petroleum activities on the NCS. The tax is NOK 0.80 for 2007 and NOK 0.45 for 2008 per standard cubic meter of gas burned or directly released and per litre of oil burned. For 2008, companies operating on the NCS will have to buy quotas to cover the carbon dioxide emissions from the petroleum activities.

Nitrogen oxide fee. Beginning on 1 January 2007, the Norwegian government introduced a nitrogen oxide fee applicable to emissions of nitrogen oxide on the NCS. The fee is NOK 15.40 per kilogram of nitrogen oxide (NOK 15.39 for 2008).

Area fee. After the expiration of the initial exploration period, the holders of production licenses are required to pay an area fee. The amount of the area fee is set out in regulations promulgated under the Petroleum Act. In respect of most of the production licenses, the initial annual area fee is currently NOK 7,000 per square kilometre. The annual area fee is increased yearly by NOK 7,000 until it reaches NOK 70,000 per square kilometer.

Royalty. The obligation to pay royalty on the NCS was abolished at the end of 2005.

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3.10.6 The Norwegian state as a regulatory authority

As a corporation based in Norway, we are subject to the laws and regulations of the Kingdom of Norway. Changes to relevant laws and regulations could have a significant impact on our operations. Various agencies and departments of the Kingdom of Norway exercise regulatory functions over our activities. The Ministry of Petroleum and Energy also exercises important regulatory powers over all petroleum operations of the companies of the NCS, including those of Statoil. For additional information about the Ministry of Petroleum and Energy's role, see previous report sections under Regulation for further details. A number of other agencies and departments, such as the Norwegian Petroleum Directorate, the Ministry of Finance, the Ministry of Labour and Government Administration, the Ministry of the Environment and the Norwegian Pollution Control Authority, exercise regulatory powers which affect important parts of our operations.

A significant part of the taxes we pay are paid to the Norwegian State, see previous report sections under Regulation for further details.

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3.10.7 The Norwegian state's direct participation in petroleum operations on the NCS

The Norwegian State's policy as an owner has been, and continues to be, to ensure that petroleum activities create the highest possible value for the Norwegian State. Initially, the Norwegian State's participation in petroleum operations was organized mainly through us. In 1985, the Norwegian State established the State's direct financial interest, or SDFI, through which the Norwegian State has taken direct participating interests in licenses and petroleum facilities on the NCS. As a result, the Norwegian State holds interests in a number of licenses and petroleum facilities in which we also hold interests.

As a result of changes in global markets and competitive conditions in the petroleum industry, the Norwegian State implemented a strategic review of its oil and gas policy in 2000. Based on the results of this strategic review, the Norwegian State prepared a plan to restructure its petroleum holdings on the NCS that was approved by the Storting on 26 April 2001. The key elements of the restructuring plan include:

- the partial privatization of StatoilHydro;
- a restructuring of the Norwegian State's SDFI assets, including the sale of SDFI assets to us and to other oil and gas companies and an exchange of interests in certain oil and gas infrastructure between the SDFI and us;
- the establishment of procedures to ensure that, as long as the Norwegian State instructs us to do so, we will continue to market and sell the State's oil and gas, together with our oil and gas, following the partial privatization;
- the transfer of responsibility over and management of the SDFI's assets from us to a new company which will be wholly owned by the Norwegian State; and
- the transfer of operational responsibility over certain pipelines on the NCS from us to a new company which, for the time being, is wholly owned by the Norwegian State.

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3.10.8 Marketing and sale of the SDFI's oil and gas

Introduction. We have historically marketed and sold the Norwegian State's oil and gas as a part of our own production. The Norwegian State has elected to continue this arrangement. Accordingly, at an extraordinary general meeting held on 27 February 2001, the Norwegian State, as sole shareholder, revised our articles of association by adding a new article which requires us to continue to market and sell the Norwegian State's oil and gas together with our own oil and gas in accordance with an instruction established in shareholder resolutions in effect from time to time. At an extraordinary general meeting held on 25 May 2001, the Norwegian State, as sole shareholder, approved a resolution containing the instructions referred to in the new article. This resolution is referred to as the owner's instruction.

The Norwegian State has a coordinated ownership strategy to maximise the aggregate value of its ownership interests in StatoilHydro and the Norwegian State's oil and gas. This is reflected in the owner's instruction, which contains a general requirement that, in our activities on the NCS, we are required to take account of these ownership interests in decisions that may affect the execution of this marketing arrangement.

The owner's instruction sets forth specific terms for the marketing and sale of the Norwegian State's oil and gas. The principal provisions of the owner's instruction are as set forth below.

Objectives. The overall objective of the marketing arrangement is to obtain the highest possible total value for our oil and gas and the Norwegian State's oil and gas and ensure an equitable distribution of the total value creation between the Norwegian State and us. In addition, the following considerations are important:

- create the basis for making long-term and predictable decisions concerning the marketing and sale of the Norwegian State's oil and gas;
- ensure that results, including costs and revenues related to our oil and gas and the Norwegian State's oil and gas, are transparent and possible to measure; and
- ensure an efficient and simple administration and execution.

Our tasks. Our tasks under the owner's instruction are to market and sell the Norwegian State's oil and gas and to carry out all necessary tasks, other than those carried out jointly with other licensees under the production license, in relation to the marketing and sale of the Norwegian State's oil and gas, including, but not limited to, the responsibility for processing, transport and marketing. In the event that the owner's instruction is terminated, in whole or in part, by the Norwegian State, the owner's instruction provides a mechanism under which contracts for the marketing and sale of the Norwegian State's oil and gas to which we are a party may be assigned to the Norwegian State or its nominee. Alternatively, the Norwegian State may require that the contracts be continued in our name, but to the effect that in the underlying relationship between the Norwegian State and us, the Norwegian State receives all rights and obligations related to the Norwegian State's oil and gas.

Costs. The Norwegian State does not pay us specific consideration for executing these tasks, but the Norwegian State reimburses us for its proportionate share of certain costs, which under the owner's instruction may be our actual costs or an amount specifically agreed. Price mechanisms. For sales of the Norwegian State's natural gas, both to us and to third parties, the payment to the Norwegian State is based on either achieved prices, a net back formula or market value. We now purchase all of the Norwegian State's oil and NGL. Pricing of the crude oil is based on market reflective prices. NGL prices are based on either achieved prices, market value or market reflective prices.

Lifting mechanism. As part of the coordinated ownership strategy, a lifting mechanism for the Norwegian State's and our oil and gas is established in accordance with rules set out in the owner's instruction.

To ensure a neutral weighting between the Norwegian State's and our natural gas volumes, a list has been established for deciding the priority between each individual field. To decide the ranking, a mathematical optimisation model is used which describes existing and planned production facilities, infrastructure and processing terminals where the Norwegian State and we have ownership interests. The list yields a result giving the highest total net present value for the Norwegian State's and our oil and gas. In the evaluation, the following objective criteria shall, among other things, apply:

- the effect of the draw on the depletion rate;
- identification of time critical fields;
- influence on oil/liquid fields with associated gas needing gas disposal; and
- free capacity and flexibility in transportation systems and onshore facilities.

The different fields are ranked in accordance with the assumed total value creation for the Norwegian State and us, assuming all of the fields meet our profitability requirements if we participate as a licensee, and the Norwegian State's profitability requirements if the State is a licensee. The list is updated annually or more frequently if incidents occur that may significantly influence the ranking. Within each individual field where both the Norwegian State and we are licensees, the Norwegian State and we will deliver volumes and share income in accordance with our respective participating interests.

The Norwegian State's oil and NGL are lifted together with our oil and NGL in accordance with applicable lifting procedures for each individual field and terminal.

Withdrawal or Amendment. The Norwegian State may utilise its position as majority shareholder of StatoilHydro at any time to withdraw or amend the instruction requiring us to market and sell the SDFI oil and natural gas together with our own.

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3.10.9 Petoro AS - The SDFI management company

From the establishment of StatoilHydro in 1972 until 1 January 1985, the participation of the Norwegian State in production licences and facilities for transport and utilisation of petroleum took place entirely through us. As of 1 January 1985, the Norwegian State's participation was reorganised through the establishment of the SDFI. Through this reorganisation the Norwegian State began taking a direct financial interest in production licences. The establishment of the SDFI entailed a transfer of a substantial part of our participation in most of our then-existing licences to the SDFI, although formally such licences continued to be held wholly in our name. Since its establishment in 1985, the SDFI has taken shares in most licences awarded. The SDFI also holds shares in a number of oil and gas pipelines and land-based terminal facilities.

We were, until 17 June 2001, registered as licensee for all SDFI shares in licenses. In accordance with a decision made in an extraordinary general meeting on 10 May 2001, we were until this time also the manager of the SDFI shares in these licences on behalf of the Norwegian State. Where both the SDFI and we had an interest in the same licence, the department managing our interest also managed the SDFI interest. In fields with SDFI interests only, the interests were managed by a separate unit that we established for this purpose. Our tasks as the manager of the SDFI's interests have included attending management committee meetings for both the SDFI's and our own share in licences, and votes cast by us in management committee meetings have represented both the SDFI's and our own interests in the licences. We have also been responsible for marketing the petroleum of which the Norwegian State becomes the owner through the SDFI shares in production licences.

In connection with the restructuring, the Norwegian State on 9 May 2001 established a new State-owned company, Petoro AS, which took over responsibility for and the management of the SDFI assets as licensee, in accordance with a new chapter of the Petroleum Act. The Norwegian State continues to be the beneficial owner of these assets. We continue to market and sell the Norwegian State's oil and gas together with our own oil and gas, pursuant to the owner's instruction described under report section Marketing and sale of the SDFI's oil and gas. One of the tasks of Petoro AS is to supervise our compliance with the owner's instruction.

Petoro AS does not own any of the oil and gas produced under the licence interests it holds, does not receive any revenues from sales of the Norwegian State's oil and gas, and is not permitted to obtain an operator role. However, Petoro AS may become a participant in new licences awarded by the Norwegian State.

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3.10.10 Gassco AS - The gas transportation operating company

In connection with the restructuring of the Norwegian State's oil and gas interests, on 14 May 2001 the Norwegian State established a separate company, Gassco AS, which on 1 January 2002 took over as operator of the natural gas transportation system

previously operated by us. Gassco AS is wholly owned by the Norwegian State. The owners of the infrastructure systems appointed Gassco AS as the new operator.

The transfer of the operatorship to Gassco AS was made without consideration and does not affect existing arrangements with respect to ownership or access to the natural gas transportation system or tariffs for transport. However, in accordance with the joint venture agreements relating to each of the gas transportation assets, the operator is entitled to be reimbursed for its costs as operator. Accordingly, since Gassco AS was appointed as operator, we no longer receive such reimbursement, and we will, as will other users of the infrastructure, be required to pay our portion of Gassco AS's expenses associated with the operation of the natural gas pipelines in which we hold interests.

Gassco AS has entered into contracts with us for each infrastructure joint venture, pursuant to which we will carry out technical operating activities on behalf of Gassco AS, such as system maintenance, for which we will receive reimbursement of costs. Either Gassco AS or we may terminate without cause each of these contracts, except the contract for the Statpipe joint venture, after five years. Either Gassco AS or we may also terminate the part of the Statpipe contract, which refers to the offshore pipelines, after five years. Currently, Gassco AS may terminate the part of the Statpipe contract that refers to the Kårstø plant, at any time, provided that 2/3 of the owners, representing more than 2/3 of the ownership interests, have supported such termination.

The natural gas transportation system was transferred to a new joint venture called Gassled as of 1 January 2003. Gassco AS is the operator of the Gassled joint venture. Our initial direct ownership interest in Gassled is currently 32.06% (32.86% including our indirect interest through our 28.58% holding in Norsea Gas AS), 15.71% in Zeepipe Terminal JV and 20.84% in Dunkerque Terminal DA. From 1 January 2011, our direct ownership interest in Gassled will be reduced to 28.05% due to an increased ownership interest for SDFI. In addition, our ownership interest in Gassled may also change as a result of inclusion of existing or new infrastructure or if Gassled undertakes further investments without participation from its owners in the same ratio as their ownership interests in Gassled. For more information on the Gassled joint venture, see report section Norwegian gas transportation system and other facilities.

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3.11 Competition

In the oil and gas industry there is intense competition for customers, production licenses, operatorships, capital and experienced human resources. In recent years the oil and gas industry has experienced consolidation, as well as increased deregulation and integration in strategic markets. StatoilHydro competes with major integrated oil and gas companies, as well as independent and government-owned companies for the acquisition of assets and licences for the exploration, development and production of oil and gas, and for the refining, marketing and trading of crude oil, natural gas and related products. Key factors affecting competition in the oil and gas industry are oil and gas prices and demand, the cost of exploration and production, global production levels, alternative fuels and governmental and environmental regulations. StatoilHydro's ability to remain competitive will require, among other things, management's continued focus on reducing unit costs and improving efficiency, maintaining long-term growth in our reserves and production through continued technological innovation and our ability to capture international opportunities in areas where our competitors may also be actively pursuing exploration and development opportunities. The company believes that it is in a position to compete effectively in each of its business segments.

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3.12 Property, plant and equipment

Our principal offices located at Forusbeen 50, N-4035, Stavanger, Norway, comprise approximately 103,000 square meters of office space, and are owned by StatoilHydro.

We have interests in real estate in numerous countries throughout the world, but no one individual property is significant to us as a whole. We have no significant ongoing construction projects or plans to add new office space.

See Supplementary information on Oil and Gas producing activities in the F-pages for a description of our significant reserves and sources of oil and natural gas.

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3.13 Related party transactions

Transactions with the Norwegian State

For a description of shares held by the Norwegian State, see report section Shareholder information-Major Shareholders, section 6.4. See also report section Financial performance-Liquidity and capital resources-Material contracts, section 4.2.3 for details on the merger between Statoil and Norsk Hydro's oil and gas activities.

Transactions with other entities in which the Norwegian State is a major shareholder

As a result of the substantial percentage of industry in Norway controlled by the Norwegian State, there are many state-controlled entities with which we do business. The financial value of most such transactions is relatively small, and the ownership interest of the Norwegian State of such counter parties has not had any effect on the arm's-length nature of the transactions. In particular, in respect of the goods and services that we purchase, we purchase telephone services from Telenor ASA, a telecommunications company in which the Norwegian State holds a 53.9% interest. Such purchases are made pursuant to standard tariff rates applicable to public and private companies in Norway.

Other Transactions with the Norwegian State

Total purchases of oil and natural gas liquids from the Norwegian State amounted to NOK 98,498 million (237 mmbœ) and NOK 104,628 million (254 mmbœ) in 2007 and 2006, respectively. Purchases of natural gas from the Norwegian State (excluding purchases from licences and sales on behalf of the Norwegian State) amounted to NOK 287 million and NOK 293 million in 2007 and 2006, respectively. The prices paid by StatoilHydro for the oil purchased from the Norwegian State are estimated market prices. In addition, StatoilHydro sells the Norwegian State's natural gas, in its own name, but for the account and risk of the Norwegian State.

The Norwegian State compensates us for its relative share of the costs related to certain StatoilHydro natural gas storage and terminal investments and related activities. See report section Regulation-Marketing and sale of the SDFI's oil and gas for more details.

Employee Loans

We have a general arrangement with DnB NOR whereby DnB NOR makes available to each of our employees personal consumer loans of up to NOK 300,000. The employees pay the "norm interest rate", which is variable and set by the Norwegian State, and we pay the difference between the norm interest rate and the then-current market interest rate. We also guarantee these loans up to an aggregate maximum amount of NOK 10 million. The repayment period is up to eight years. Our obligations for paying the interest rate difference will be dependent on the loan volume, but based on current interest rates would not exceed NOK 5 million per year.

The three employee-elected members of the board of directors and two members of the executive Committee each entered into loan agreements under this facility prior to 30 July 2002, and had, as of 31 December 2007, an aggregate total balance outstanding

payable to DnB NOR under this loan facility of NOK 149,076. Members of the executive committee and the board of directors may not enter into loans under the foregoing program.

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4 Financial performance

The merger between Statoil and Hydro's oil and gas activities was a forceful reponse to increasing industry complexity and international competition. The merged StatoilHydro has an expanded technology base and stronger capabilities to execute larger and more demanding projects. The company has a broader global presence and a stronger portfolio of assets and resources. See previous sections for information about the nature and extent of our operations.

The successful execution and completion of the merger on 1 October 2007, was a key milestone in a year with a historic high activity level. The entitlement production of oil and gas increased by 3%, 15 new projects commenced production, an extensive exploration programme was executed, and the company gained access to new high quality projects and exploration acreage. StatoilHydro delivered a solid annual result and is well positioned for future growth and value creation.

The following tables show selected consolidated financial and statistical data for StatoilHydro. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). The accounting policies applied by the Group also comply with IFRSs as issued by the International Accounting Standards Board (IASB).

(in NOK million, except per share amounts)	For the year ended 31 December	
	2007	2006
Revenues	521,665	518,960
Net income (loss) from equity accounted investments	609	679
Other income	523	1,843
Total revenues and other income	522,797	521,482
Cost of Goods sold	(260,396)	(249,593)
Operating expenses	(60,318)	(44,801)
Selling, general and administrative expenses	(14,174)	(10,824)
Depreciation, amortisation and impairment	(39,372)	(39,450)
Exploration expenses	(11,333)	(10,650)
Total operating expenses	(385,593)	(355,318)
Net operating income	137,204	166,164
Interest income and other financial items	2,305	3,675
Interest and other finance expenses	(2,741)	(3,060)
Net foreign exchange gains (losses)	10,043	4,457
Net financial items	9,607	5,072
Income before tax	146,811	171,236
Income tax	(102,170)	(119,389)
Net income	44,641	51,847
Attributable to:		
Equity holders of the parent company	44,096	51,117
Minority interest	(545)	(730)
	44,641	51,847
Earnings per share for income attributable to equity holders of the company - basic and diluted	13.80	15.82
Dividend declared per ordinary share ⁽¹⁾	9.12	8.20
Weighted average number of ordinary shares outstanding	3,195,866,843	3,230,849,707

(1) Dividend declared per ordinary share in 2006 includes only dividend payment from former Statoil. In addition comes dividend payment of NOK 6.1 billion from Norsk Hydro ASA in 2007. See the Shareholder information section for a description of how dividends are determined and the share repurchase programme.

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4.1 High activity level in new organisation

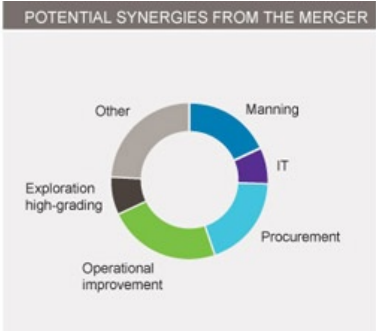


StatoilHydro delivered a total oil and gas entitlement production in 2007 of 1.724 mmboe per day. The contribution from international operations was record high and accounted for 18% of the entitlement production. Solid performance, combined with high oil and gas prices, was partly offset by an increase in operating costs and a decrease in production on the Norwegian continental shelf (NCS). The net operating income for 2007 of NOK 137 billion was also affected by restructuring costs related to the merger totalling NOK 11.1 billion.

The company reached major milestones in several projects on the NCS. During autumn 2007, the Ormen Lange project started production and export of gas to the UK, and was officially inaugurated in October. Also in October, the first LNG was shipped from the Snøhvit LNG plant on Melkøya. The LNG plant has suffered from operational challenges and there are still uncertainties related to the timing of regular and stable operations. In addition, eight projects on the NCS and five international projects

came on stream in 2007. The company also sanctioned 13 new projects for development, of which four are outside Norway.

In 2007 StatoilHydro delivered an extensive exploration programme. Of a total of 71 exploration wells, 47 were drilled outside of the NCS. The company participated in 36 discoveries, of which 18 were made internationally. During 2007, the company added 215 million boe in proved reserves from new discoveries and extensions. 325 million boe were added from revisions and improved recovery. In total, the company achieved a reserve replacement ratio of 86% in 2007.



During 2007, StatoilHydro gained access to new growth opportunities. In June, the company acquired North American Oil Sands Corporation and established a position in Canadian oil sands. The position in the deepwater US Gulf of Mexico was strengthened by accessing new exploration licences in ordinary lease sales. Towards the end of the year, the company was selected as a partner in the development of the offshore gas and condensate field Shtokman. In 2008, the company has to date strengthened its international foothold by signing an agreement to acquire the remaining 50% share and operatorship of the Brazilian Peregrino field as well as an additional position, the Kaskida discovery, in the US Gulf of Mexico. The transaction is subject to government approval and the acquisition of the Kaskida discovery is also subject to other parties not exercising preferential rights to purchase. As of 4 April, the company has been formally notified that two of such parties intend to exercise their preferential rights.

As part of the merger process, the company executed a thorough evaluation of the organisation and operations. A potential of more than NOK 6 billion of annual synergies has been identified. These synergies confirm the significant value creation potential of the merger.

The report for 2007 is the first annual report in which financial statements for the merged StatoilHydro organisation are presented. Historical data have been restated as if the merged company had existed for all periods.

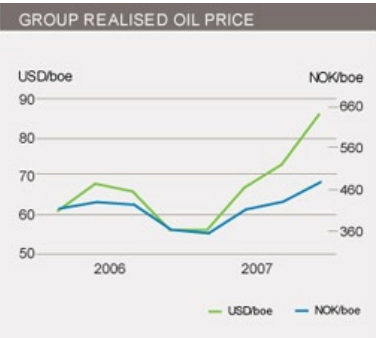
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4.1.1 Group profit and loss analysis

(in NOK million)	For the year ended 31 December		
	2007	2006	Change
Total revenues and other income	522,797	521,482	0%
Operating expenses			
Cost of goods sold	(260,396)	(249,593)	4%
Operating expenses	(60,318)	(44,801)	35%
Selling, general and administrative expenses	(14,174)	(10,824)	31%
Depreciation, amortisation and impairment	(39,372)	(39,450)	(0%)
Exploration expenses	(11,333)	(10,650)	6%
Total operating expenses	(385,593)	(355,318)	9%
Net operating income	137,204	166,164	(17%)
Net financial items	9,607	5,072	89%
Income before tax	146,811	171,236	(14%)
Income tax	(102,170)	(119,389)	(14%)
Net income	44,641	51,847	(14%)

Operational data	For the year ended 31 December		
	2007	2006	Change
Average oil price (USD/bbl)	70.5	63.2	12%
USDNOK average daily exchange rate	5.86	6.42	(9%)
Average oil price (NOK/bbl)	413	406	2%
Gas prices (NOK/scm)	1.69	1.94	(13%)
Refining margin, FCC (USD/boe)	8.4	7.1	18%
Total entitlement oil production (1,000 boe/day)	1,070	1,057	1%
Total entitlement gas production (1,000 boe/day)	654	651	0%
Total entitlement oil and gas production (1,000 boe/day)	1,724	1,708	1%
Total oil liftings (1,000 boe/day)	1,081	1,048	3%
Total gas liftings (1,000 boe/day)	654	651	0%
Total oil and gas liftings (1,000 boe/day)	1,735	1,698	2%
Production cost (NOK/boe, last 12 months)	44.1	28.4	56%
Production cost normalised (NOK/boe, last 12 months)	44.3	28.1	58%

Revenues and other income totalled NOK 522.8 billion in 2007. This was NOK 1.3 billion more than in 2006. Most of the stem from the sale of lifted crude oil, natural gas and refined products produced and marketed by StatoilHydro. We also market and sell the Norwegian State's share of oil from the NCS. All purchases and sales of the Norwegian State's production are recorded as Cost of goods sold and Sales, respectively.



From 2006 to 2007 realised oil prices measured in NOK increased by 2%. The increased oil prices contributed NOK 3.1 billion to the revenues, whereas the contribution from increased oil liftings was NOK 5.0 billion. Overall gas sales contributed with NOK 3.6 billion to the change. This was off-set by a decrease in gas prices with a negative impact of NOK 10.4 billion.

The volumes of oil lifted will over time correlate with the volumes produced. However, the volumes may be higher or lower than production in any period due to operational factors affecting the timing of when we lift the oil from the fields. Total oil liftings increased from 1.048 mboe per day in 2006 to 1.081 mboe per day in 2007.

Entitlement volumes lifted is the basis for the revenue recognition while equity production volumes more directly affect operating costs. See report section Reported volumes for more details on the differences between equity and entitlement volumes. See below for more details on the difference between lifted and produced volumes.

Total natural gas sales were 42.0 bcm (1.48 tcf) in 2007 and 40.2 bcm (1.42 tcf) in 2006. The increase was mainly due to higher third party gas sales, and was partly offset by a net decrease in StatoilHydro entitlement sales volumes.

Net income (loss) from equity accounted investments. Our share of equity in net income of affiliates was NOK 0.6 billion in 2007 and NOK 0.7 billion in 2006.

Other income was NOK 0.5 billion in 2007 compared to NOK 1.8 billion in 2006. The income in 2007 was mainly related to gains from sale of assets whereas the income the previous year was mainly related to a change in the