



Rating: Buy  
 S&P 500: 1377  
 Intraday

## StatoilHydro ASA Dividends in Norwegian Currency

<i>Symbol</i>	STO	<i>Ebitda Next Twelve Months ending 12/31/08 (US\$m)</i>	25,040
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	0
<i>Price (\$/sh)</i>	30.60	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	2/27/08	<i>Adjusted Reserves/Production NTM</i>	7.7
<i>Shares (mm)</i>	3194	<i>EV/Ebitda</i>	4.9
<i>Market Capitalization (\$mm)</i>	97,700	<i>PV/Ebitda</i>	6.2
<i>Debt (\$mm)</i>	24,000	<i>Undeveloped Reserves (%)</i>	28
<i>Enterprise Value (EV) (\$mm)</i>	121,700	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	33.10
<i>Present Value (PV) (\$mm)</i>	154,900	<i>Present Value Proven Reserves(\$/boe)</i>	26.80
<i>Net Present Value (\$/share)</i>	41	<i>Present Value Proven Reserves(\$/mcf)</i>	4.50
<i>Debt/Present Value</i>	0.15	<i>Earnings Next Twelve Months (US\$/sh)</i>	2.85
<i>McDep Ratio - EV/PV</i>	0.79	<i>Price/Earnings Next Twelve Months</i>	11
<i>Dividend Yield (%/year)</i>	5.2	<i>Indicated Annual Dividend (US\$/sh)</i>	1.58
Note: Estimated cash flow and earnings tied to one-year futures prices for oil.			
Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.			
Estimated present value presumes a long-term price for oil of US\$80 a barrel and natural gas, \$11 a million btu.			
The Norwegian government owns 71% of the shares in StatoilHydro.			

### Summary and Recommendation

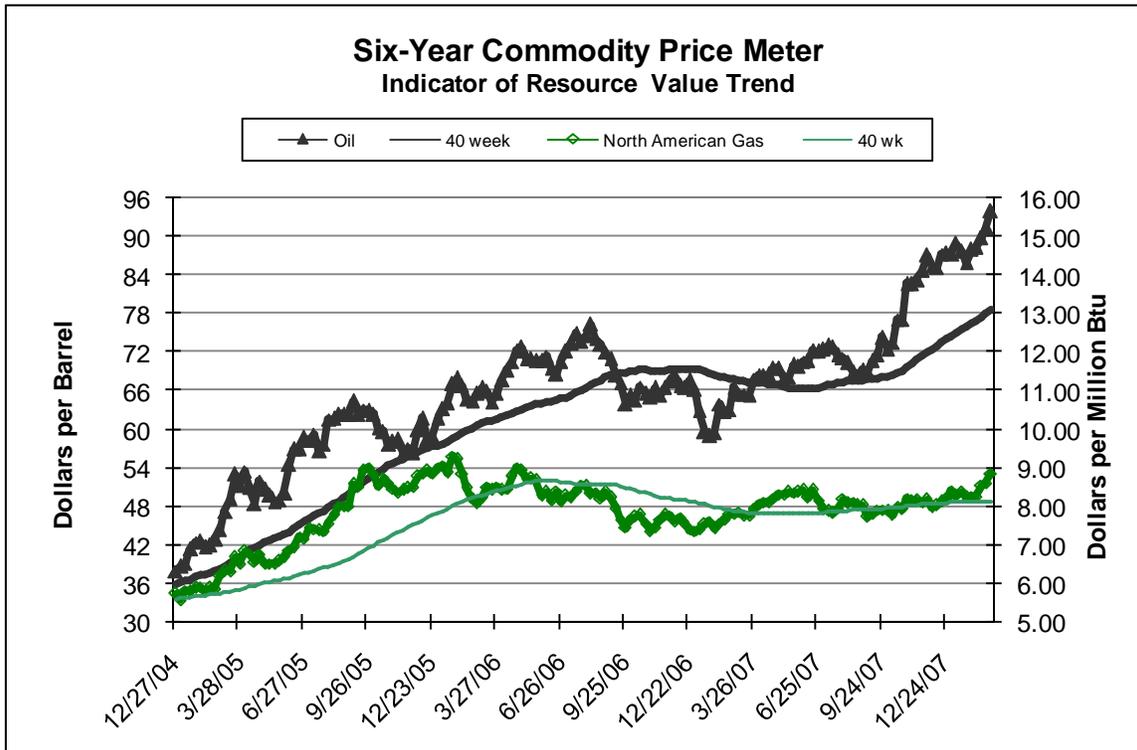
Buy-recommended **StatoilHydro (STO)** offers unlevered appreciation potential of 27% to estimated net present value (NPV) of \$41 a share, concentrated 66% on oil and 34% on natural gas. Fourth quarter results released today included accounting write-offs that set up a clean basis for reporting gains in 2008, the first year of operations after the acquisition of oil and gas properties from Norsk Hydro in October 2007. Year-end oil and gas reserves matched those of the combined companies a year ago. Earlier on December 18, we increased NPV from \$35 a share when we increased long-term oil price for calculating present value to \$80 from \$66 a barrel. Projected volumes along with current futures prices promise a continuing high level of unlevered cash flow (Ebitda) (see table [Next Twelve Months Operating and Financial Estimates](#)). NPV is supported by projected cash flow capitalized at unlevered multiples (PV/Ebitda) related to reserve life (Adjusted R/P) (see table [Functional Cash Flow and Present Value](#)). STO pays a high dividend, denominated in Norwegian kroner, indicating a current annual yield of 5.2%. The company's dividend and cash flow outlook is boosted by a continued uptrend for oil price and more recently natural gas price (see chart [Six-Year Commodity Price Meter](#)).

Kurt H. Wulff, CFA



StatoilHydro ASA									
Next Twelve Months Operating and Financial Estimates									
									Next Twelve Months
	Q4 12/31/06	Q3 9/30/07	Q4 12/31/07	Year 2007	Q1E 3/31/08	Q2E 6/30/08	Q3E 9/30/08	Q4E 12/31/08	12/31/08
<b>Volume</b>									
Natural gas (bcf)	268	236	393	1,151	378	331	322	393	1,424
Natural Gas (mmcf)	2,916	2,562	4,272	3,155	4,200	3,600	3,500	4,272	3,891
Days	92	92	92	365	90	92	92	92	366
Oil (mmb)	61	58	102	282	100	102	102	102	405
Oil (mbd)	668	629	1,106	772	1,106	1,106	1,106	1,106	1,106
Total gas & oil (mbd)	1,154	1,056	1,818	1,297	1,806	1,706	1,689	1,818	1,755
<b>Price</b>									
Natural gas (NOK/mcf)	57	44	52	48	52	43	44	52	48
Natural gas (NOK/Sm <sup>3</sup> )	2.01	1.54	1.83	1.69	1.83	1.53	1.54	1.83	1.69
Oil									
WTI Cushing US\$/bbl)	59.99	75.48	90.67	72.28	95.93	98.86	97.77	96.93	97.37
Kroner/\$	6.42	5.76	5.44	5.86	5.39	5.39	5.39	5.39	5.39
WTI Cushing (NOK/bbl)	385	435	493	424	517	533	527	522	525
Wellhead (NOK/bbl)	381	432	468	425	491	506	500	496	498
Total gas & oil (NOK/bbl)	364	363	407	369	421	419	418	423	420
<b>Revenue (NOKmm)</b>									
Natural Gas	15,276	10,283	20,375	54,974	19,596	14,355	14,048	20,375	68,374
Oil	23,415	24,999	47,620	119,685	48,836	51,448	50,882	50,443	201,610
Other	80,320	84,483	98,528	345,487	98,528	98,528	98,528	98,528	394,112
Total	103,735	109,482	146,148	465,172	166,960	164,331	163,458	169,346	664,096
<b>Expense</b>	80,154	91,344	119,329	382,110	132,744	131,430	130,993	133,937	529,104
<b>Ebitda (NOKmm)</b>	23,581	18,138	26,819	83,062	34,216	32,902	32,465	35,409	134,992
Exploration	1,917	1,802	4,500	8,666	3,000	3,000	3,000	3,000	12,000
Deprec., Deplet., & Amort.	6,009	5,578	11,869	28,219	11,869	11,869	11,869	11,869	47,476
<b>Ebit</b>	15,655	10,758	10,450	46,177	19,347	18,033	17,596	20,540	75,516
Interest	378	11	-	1,074	-	-	-	-	-
Foreign Exchange	(3,189)	(5,547)	987	(8,968)					
<b>Ebt</b>	18,466	16,294	9,463	54,071	19,347	18,033	17,596	20,540	75,516
Income Tax	6,463	5,703	3,312	18,925	6,771	6,311	6,159	7,189	26,431
<b>Net Income (NOKmm)</b>	12,003	10,591	6,151	35,146	12,576	11,721	11,437	13,351	49,085
<b>Shares (millions)</b>	2,151	2,144	3,187	2,275	3,187	3,187	3,200	3,200	3,194
Per share (NOK)	5.58	4.94	1.93	15.45	3.95	3.68	3.57	4.17	15.37
Ebitda Margin (E&P)	61%	51%	39%	48%	50%	50%	50%	50%	50%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%

StatoilHydro ASA					
Functional Cash Flow and Present Value					
					Present Value
	NTM Ebitda (US\$m)	Adjusted R/P	PV/ Ebitda		(US\$m)
Natural Gas	6,343	12.7	8.4		34%
Oil	18,702	4.8	5.4		66%
	25,045	7.7	6.2		100%
Debt (US\$m)					24,000
Net Present Value (US\$m)					130,900
Shares (mm)					3,194
Net Present Value - Standard Estimate (US\$/sh)					41
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					37



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