

Rating: Buy  
S&P 500: 1541

## **StatoilHydro ASA (STO)** **Shtokman Partner**

<i>Symbol</i>	STO	<i>Ebitda Next Twelve Months ending 9/30/08 (US\$m)</i>	24,280
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	0
<i>Price (\$/sh)</i>	35.31	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	10/29/07	<i>Adjusted Reserves/Production NTM</i>	7.7
<i>Shares (mm)</i>	3200	<i>EV/Ebitda</i>	5.4
<i>Market Capitalization (\$mm)</i>	113,000	<i>PV/Ebitda</i>	5.4
<i>Debt (\$mm)</i>	17,900	<i>Undeveloped Reserves (%)</i>	35
<i>Enterprise Value (EV) (\$mm)</i>	130,900	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	39.90
<i>Present Value (PV) (\$mm)</i>	129,900	<i>Present Value Proven Reserves(\$/boe)</i>	22.10
<i>Net Present Value (\$/share)</i>	35	<i>Present Value Proven Reserves(\$/mcf)</i>	3.70
<i>Debt/Present Value</i>	0.14	<i>Earnings Next Twelve Months (US\$/sh)</i>	3.11
<i>McDep Ratio - EV/PV</i>	1.01	<i>Price/Earnings Next Twelve Months</i>	11
<i>Dividend Yield (%/year)</i>	4.8	<i>Indicated Annual Dividend (US\$/sh)</i>	1.71

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\$66 a barrel and natural gas, \$11 a million btu.

The Norwegian government owns 71% of the shares in StatoilHydro.

### **Summary and Recommendation**

Though stock price of buy-recommended **StatoilHydro ASA (STO)** has reached net present value (NPV) of \$35 a share, our estimate depends primarily on oil price lower than current futures quotes. Third quarter results reported today, the last without newly acquired oil and gas interests from **Norsk Hydro (NHY)**, disclosed cash flow (Ebitda) at a lower percentage of revenue than in previous quarters (see table Next Twelve Months Operating and Financial Estimates). Taking account of the new properties, projected cash flow capitalized at unlevered multiples (PV/Ebitda) related to reserve life (Adjusted R/P) supports estimated NPV (see table Functional Cash Flow and Present Value). Almost as important as completing the acquisition, STO signed an agreement on October 25 to become a 24% partner in buy-recommended **Gazprom (OGZPY)**'s Shtokman, the world's largest undeveloped offshore natural gas field. Its 24% share of about a hundred trillion cubic feet of potentially recoverable reserves exceeds StatoilHydro's currently proven reserves of 21 trillion cubic feet. Access to rich resources of clean fuel may be increasingly valuable as oil and gas prices trend upward (see chart Six-Year Commodity Price Meter).

Kurt H. Wulff, CFA

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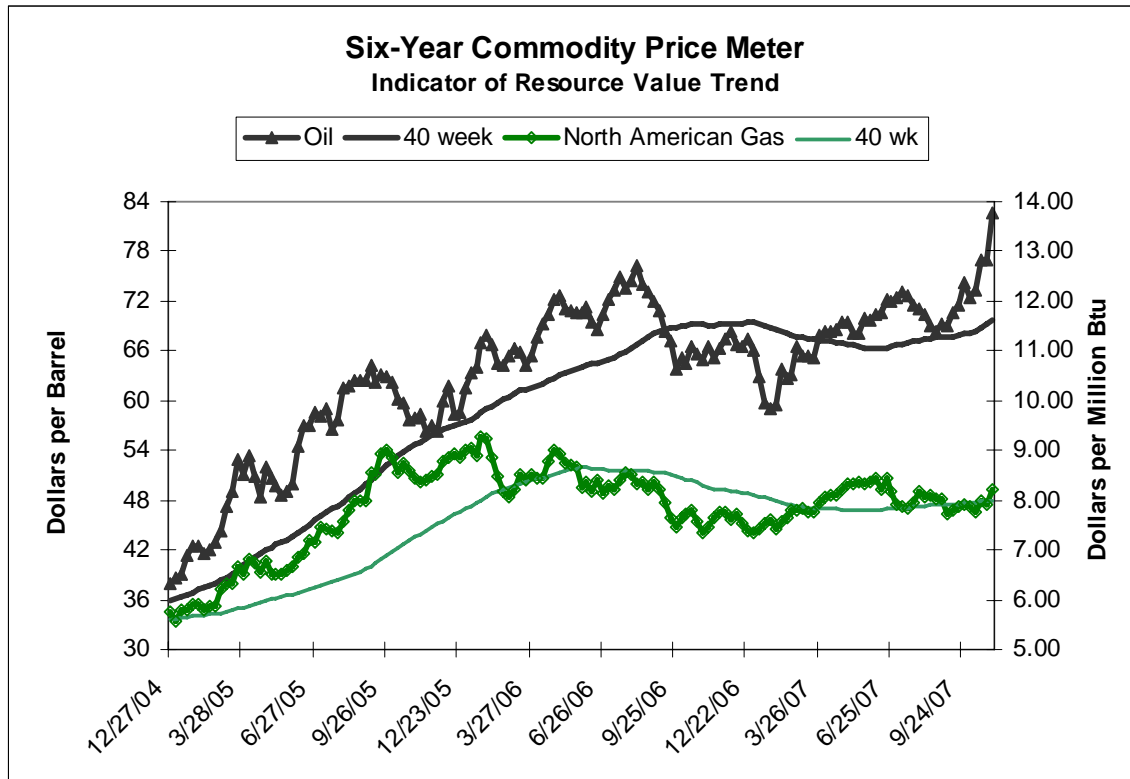
**StatoilHydro ASA**  
**Next Twelve Months Operating and Financial Estimates**

	<i>Q3</i>	<i>Q2</i>	<i>Q3</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Next Twelve Months</i>
	<i>9/30/06</i>	<i>6/30/07</i>	<i>9/30/07</i>	<i>12/31/07</i>	<i>2007E</i>	<i>3/31/08</i>	<i>6/30/08</i>	<i>9/30/08</i>	<i>9/30/08</i>
<b>Volume</b>									
Natural gas (bcf)	231	244	236	368	<b>1,126</b>	378	331	322	<b>1,399</b>
Natural Gas (mmcf)	2,514	2,676	2,562	4,000	<b>3,086</b>	4,200	3,600	3,500	<b>3,823</b>
Days	92	91	92	92	<b>365</b>	90	92	92	<b>366</b>
Oil (mmb)	60	61	58	99	<b>279</b>	97	99	99	<b>395</b>
Oil (mbd)	657	666	629	1,080	<b>765</b>	1,080	1,080	1,080	<b>1,080</b>
Total gas & oil (mbd)	1,076	1,112	1,056	1,747	<b>1,279</b>	1,780	1,680	1,663	<b>1,717</b>
<b>Price</b>									
Natural gas (NOK/mcf)	52	43	44	57	<b>49</b>	57	43	44	<b>51</b>
Natural gas (NOK/Sm3)	1.82	1.53	1.54	2.01	<b>1.74</b>	2.01	1.53	1.54	<b>1.79</b>
<b>Oil</b>									
WTI Cushing US\$/bbl)	70.42	64.91	75.48	86.12	<b>71.15</b>	84.42	82.44	80.91	<b>83.47</b>
Kroner/\$	6.33	6.01	5.76	5.46	<b>5.87</b>	5.46	5.46	5.46	<b>5.46</b>
WTI Cushing (NOK/bbl)	446	390	435	470	<b>417</b>	461	450	442	<b>456</b>
Wellhead (NOK/bbl)	438	413	432	467	<b>424</b>	458	447	439	<b>453</b>
Total gas & oil (NOK/bt)	388	352	363	419	<b>373</b>	412	380	377	<b>398</b>
<b>Revenue (NOKmm)</b>									
Natural Gas	11,925	10,555	10,283	20,954	<b>55,553</b>	21,524	14,355	14,048	<b>70,880</b>
Oil	26,474	25,030	24,999	46,426	<b>118,490</b>	44,520	44,444	43,619	<b>179,008</b>
Other	79,867	84,013	84,483	84,483	<b>331,442</b>	84,483	84,483	84,483	<b>337,932</b>
Total	106,341	109,043	109,482	151,863	<b>470,887</b>	150,526	143,282	142,149	<b>587,820</b>
<b>Expense</b>									
	82,913	88,364	91,344	118,173	<b>380,953</b>	117,505	113,882	113,316	<b>462,876</b>
<b>Ebitda (NOKmm)</b>									
	23,428	20,679	18,138	33,690	<b>89,933</b>	33,022	29,399	28,833	<b>124,944</b>
Exploration	1,514	1,187	1,802	3,000	<b>7,166</b>	3,000	3,000	3,000	<b>12,000</b>
Deprec., Deplet., & Amort.	5,025	5,334	5,578	8,500	<b>24,850</b>	8,500	8,500	8,500	<b>34,000</b>
<b>Ebit</b>									
	16,889	14,158	10,758	22,190	<b>57,917</b>	21,522	17,899	17,333	<b>78,944</b>
Interest		495	11	495	<b>1,569</b>	495	495	495	<b>1,980</b>
Foreign Exchange	3,678	(2,837)	(5,547)						
<b>Ebt</b>									
	13,211	16,500	16,294	21,695	<b>66,303</b>	21,027	17,404	16,838	<b>76,964</b>
Income Tax	4,624	5,775	5,703	7,593	<b>23,206</b>	7,359	6,092	5,893	<b>26,937</b>
<b>Net Income (NOKmm)</b>									
	8,587	10,725	10,591	14,102	<b>43,097</b>	13,667	11,313	10,945	<b>50,027</b>
<b>Shares (millions)</b>									
	2,163	2,145	2,144	3,200	<b>2,404</b>	3,200	3,200	3,200	<b>3,200</b>
Per share (NOK)	3.97	5.00	4.94	4.41	<b>17.93</b>	4.27	3.54	3.42	<b>15.63</b>
Ebitda Margin (E&P)	61%	58%	51%	50%	<b>52%</b>	50%	50%	50%	<b>50%</b>
Tax Rate	35%	35%	35%	35%	<b>35%</b>	35%	35%	35%	<b>35%</b>

**StatoilHydro ASA**  
**Functional Cash Flow and Present Value**

	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
				<i>(US\$mm)</i>	
Natural Gas	6,637	12.3	6.9	46,000	35%
Oil	17,646	5.0	4.8	83,900	65%
	24,283	7.7	5.3	129,900	100%
Debt (US\$mm)					17,900
Net Present Value (US\$mm)					112,000
Shares (mm)					3,200
Net Present Value - Standard Estimate (US\$/sh)					35
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					35

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