



Rating: Buy
 S&P 500: 1404

StatoilHydro ASA

Raise Net Present Value to \$52 a Share

<i>Symbol</i>	STO	<i>Ebitda Next Twelve Months ending 3/31/09 (US\$m)</i>	30,570
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	0
<i>Price (\$/sh)</i>	38.47	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	5/12/08	<i>Adjusted Reserves/Production NTM</i>	7.7
<i>Shares (mm)</i>	3197	<i>EV/Ebitda</i>	4.8
<i>Market Capitalization (\$mm)</i>	123,000	<i>PV/Ebitda</i>	6.2
<i>Debt (\$mm)</i>	23,100	<i>Undeveloped Reserves (%)</i>	28
<i>Enterprise Value (EV) (\$mm)</i>	146,100	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	47.30
<i>Present Value (PV) (\$mm)</i>	189,400	<i>Present Value Proven Reserves(\$/boe)</i>	32.80
<i>Net Present Value (\$/share)</i>	52	<i>Present Value Proven Reserves(\$/mcf)</i>	5.50
<i>Debt/Present Value</i>	0.12	<i>Earnings Next Twelve Months (US\$/sh)</i>	4.04
<i>McDep Ratio - EV/PV</i>	0.77	<i>Price/Earnings Next Twelve Months</i>	10
<i>Dividend Yield (%/year)</i>	4.4	<i>Indicated Annual Dividend (US\$/sh)</i>	1.68
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\$100 a barrel and natural gas, \$14 a million btu.			
The Norwegian government owns 71% of the shares in StatoilHydro.			

Summary and Recommendation

We raise estimated net present value (NPV) of buy-recommended **StatoilHydro (STO)** to \$52 a share, up from \$41 presuming a long-term oil price of \$100 a barrel, up from \$80. First quarter results released today scored higher on volume, price, cash flow and earnings than our estimates from three months ago. 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](#)). Projected cash flow capitalized at unlevered multiples (PV/Ebitda) related to reserve life (Adjusted R/P) supports NPV (see table [Functional Cash Flow and Present Value](#)). 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](#)). StatoilHydro achieved a global energy milestone in 2008 with the first delivery of liquefied natural gas (LNG) to the U.S. from Norway. The LNG was produced from STO's liquefaction plant at Snohvit (Snow White), the world's first above the Arctic Circle.

Kurt H. Wulff, CFA



StatoilHydro ASA								
Next Twelve Months Operating and Financial Estimates								
								<i>Next</i>
	<i>Q4</i>	<i>Q1</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Twelve</i>
	<i>12/31/07</i>	<i>3/31/08</i>	<i>6/30/08</i>	<i>9/30/08</i>	<i>12/31/08</i>	<i>2008E</i>	<i>3/31/09</i>	<i>Months</i>
								<i>3/31/09</i>
Volume								
Natural gas (bcf)	393	431	328	322	393	1,474	427	1,469
Natural Gas (mmcf)	4,272	4,740	3,600	3,500	4,272	4,027	4,740	4,025
Days	92	91	91	92	92	366	90	365
Oil (mmb)	102	100	100	101	101	402	99	401
Oil (mbd)	1,106	1,099	1,099	1,099	1,099	1,099	1,099	1,099
Total gas & oil (mbd)	1,818	1,889	1,699	1,682	1,811	1,770	1,889	1,770
Price								
Natural gas (NOK/mcf)	52	58	43	44	52	50	58	50
Natural gas (NOK/Sm3)	1.83	2.06	1.53	1.54	1.83	1.77	2.06	1.77
Oil								
WTI Cushing US\$/bbl)	90.67	97.94	120.36	123.86	123.08	116.31	122.15	122.36
Kroner/\$	5.44	5.32	5.05	5.05	5.05	5.12	5.05	5.05
WTI Cushing (NOK/bbl)	493	521	608	625	622	595	617	618
Wellhead (NOK/bbl)	468	494	577	594	590	564	585	586
Total gas & oil (NOK/bb	407	434	465	478	480	464	487	478
Revenue (NOKmm)								
Natural Gas	20,375	25,172	14,199	14,048	20,375	73,793	24,895	73,517
Oil	47,620	49,447	57,680	60,008	59,630	226,766	57,895	235,214
Other	98,528	109,729	109,729	109,729	109,729	438,916	109,729	438,916
Total	146,148	159,176	181,608	183,785	189,734	714,303	192,519	747,646
Expense	119,329	124,197	145,669	146,757	149,732	566,354	151,124	593,281
Ebitda (NOKmm)	26,819	34,979	35,940	37,028	40,003	147,950	41,395	154,365
Exploration	4,500	4,226	4,226	4,226	4,226	16,904	3,000	15,678
Deprec., Deplet., & Amort.	11,869	9,547	9,547	9,547	9,547	38,188	9,547	38,188
Ebit	10,450	21,206	22,167	23,255	26,230	92,858	28,848	100,499
Interest	-	54	54	54	54	216	54	216
Foreign Exchange	987	(3,412)				(3,412)		
Ebt	9,463	24,564	22,113	23,201	26,176	96,054	28,794	100,283
Income Tax	3,312	8,598	7,739	8,120	9,161	33,619	10,078	35,099
Net Income (NOKmm)	6,151	15,967	14,373	15,081	17,014	62,435	18,716	65,184
Shares (millions)	3,187	3,187	3,187	3,200	3,200	3,194	3,200	3,197
Per share (NOK)	1.93	5.01	4.51	4.71	5.32	19.55	5.85	20.39
Ebitda Margin (E&P)	39%	47%	50%	50%	50%	49%	50%	50%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%

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Functional Cash Flow and Present Value					
					<i>Present</i>
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Value</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>(US\$mm)</i>	
Natural Gas	7,279	12.3	8.8	64,000	34%
Oil	23,289	4.9	5.4	125,400	66%
	30,567	7.7	6.2	189,400	100%
Debt (US\$mm)					23,100
Net Present Value (US\$mm)					166,300
Shares (mm)					3,197
Net Present Value - Standard Estimate (US\$/sh)					52
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					50



Disclaimer: This analysis was prepared by Kurt Wulff, Manager of McDep LLC as of January 1, 2008. Previously Mr. Wulff was doing business as McDep Associates. The firm used sources and data believed to be reliable, but makes no representation as to their accuracy or completeness. This analysis is intended for informational purposes and is not a solicitation to buy or sell a security. Past performance is no guarantee of future results.

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