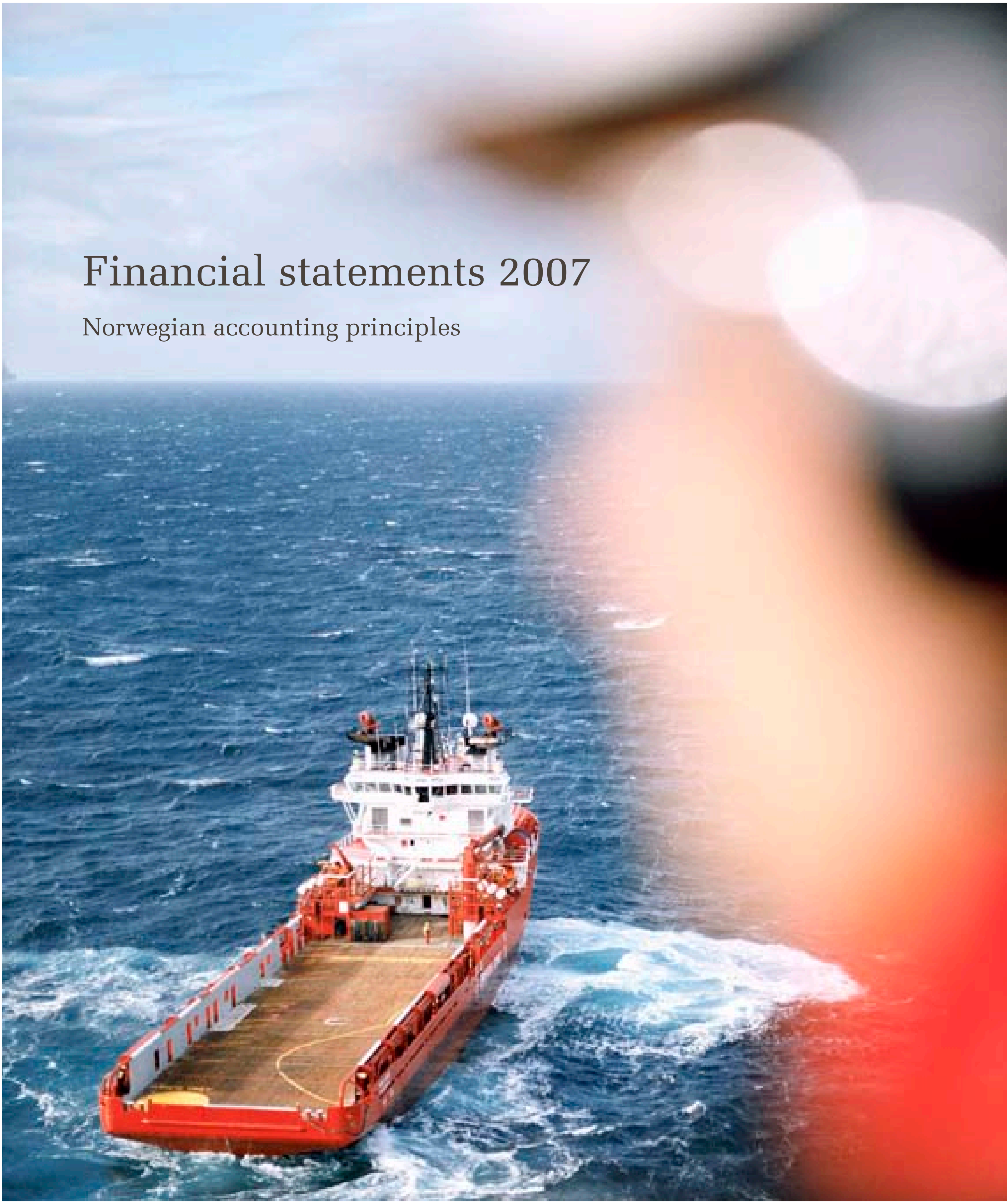
Financial statements 2007

Norwegian accounting principles



StatoilHydro

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Directors' report 2007
is included in the document
"Annual report and
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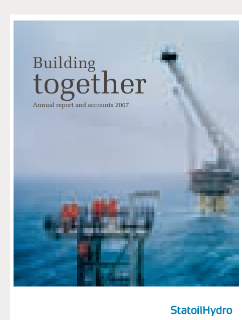

StatoilHydro ASA – NGAAP

STATEMENTS OF INCOME STATOILHYDRO ASA - NGAAP

(in NOK million)	Note	2007	2006
REVENUES AND OTHER INCOME			
Revenues		**397,850**	377,213
Net income (loss) from equity accounted investments	7	**17,485**	13,739
Other income		**159**	1,288
Total revenues and other income		**415,494**	392,240
OPERATING EXPENSES			
Cost of goods sold		**(257,612)**	(227,983)
Operating expenses	3	**(37,118)**	(30,797)
Selling, general and administrative expenses	3	**(9,444)**	(4,646)
Depreciation, amortisation and impairment losses	9	**(15,513)**	(13,876)
Exploration expenses		**(3,191)**	(3,131)
Total operating expenses		**(322,878)**	(280,433)
Net operating income		**92,616**	111,807
FINANCIAL ITEMS			
Net foreign exchange gains (losses)		**16,018**	5,759
Interest income and other financial items		**4,301**	546
Interest and other financial expenses		**(5,976)**	(3,444)
Net financial items	11	**14,343**	2,861
Income before tax		**106,959**	114,668
Income tax	12	**(63,090)**	(75,648)
Net income		**43,869**	39,020

For effect of the former Statoil ASA and Hydro Petroleum merger see note 1.

BALANCE SHEETS STATOILHYDRO ASA - NGAAP

(in NOK million)	Note	At 31 December 2007	2006
ASSETS			
Non-current assets			
Property, plant and equipment	9	**119,532**	112,529
Intangible assets	9	**3,514**	2,783
Investments in subsidiaries	7	**164,386**	113,419
Investments in associates	7	**1,083**	1,158
Pension assets	16	**1,561**	2,949
Financial investments	8	**25**	28
Financial receivables	8	**274**	168
Financial receivables from subsidiaries		**46,805**	0
Total non-current assets		**337,180**	233,034
Current assets			
Inventories	6	**8,308**	6,553
Trade and other receivables		**44,286**	32,422
Receivables from subsidiaries		**10,356**	5,678
Derivative financial instruments		**2,464**	2,065
Financial investments	8	**155**	87
Cash and cash equivalents		**24**	2
Total current assets		**65,593**	46,807
TOTAL ASSETS		**402,773**	279,841

For effect of the former Statoil ASA and Hydro Petroleum merger see note 1.

BALANCE SHEETS STATOILHYDRO ASA - NGAAP

(in NOK million)	Note	At 31 December 2007	2006
EQUITY AND LIABILITIES			
Equity			
Share capital		**7,972**	5,415
Treasury shares		**(6)**	(18)
Additional paid-in capital		**17,330**	12,418
Retained earnings		**110,587**	72,216
Reserves for valuation variances		**7,841**	13,669
Total equity	22	**143,724**	103,700
Non-current liabilities			
Financial liabilities	14	**36,662**	21,882
Financial liabilities to subsidiaries		**27**	59
Deferred tax liabilities	12	**34,921**	34,997
Pension liabilities	16	**18,384**	8,781
Other provisions	17	**24,726**	24,431
Total non-current liabilities		**114,720**	90,150
Current liabilities			
Trade and other payables		**42,093**	28,439
Income taxes payable	12	**28,037**	29,094
Financial liabilities	13	**4,731**	2,176
Derivative financial instruments		**3,694**	52
Dividends payable		**27,085**	19,690
Financial liabilities to subsidiaries		**38,689**	6,540
Total current liabilities		**144,329**	85,991
Total liabilities		**259,049**	176,141
TOTAL EQUITY AND LIABILITIES		**402,773**	279,841

For effect of the former Statoil ASA and Hydro Petroleum merger see note 1.

STATEMENTS OF CASH FLOW STATOILHYDRO ASA - NGAAP

(in NOK million)	2007	2006
OPERATING ACTIVITIES		
Income before tax	**106,959**	114,668
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation, amortisation and impairment	**15,513**	13,876
Exploration expenditures written off	**40**	161
(Gains) losses on foreign currency transactions and balances	**(5,318)**	(3,848)
(Gains) losses on sales of assets and other items	**(4,989)**	(4,937)
Termination benefits	**6,516**	0
Changes in working capital (other than cash and cash equivalents):		
• (Increase) decrease in inventories	**(1,755)**	(2,227)
• (Increase) decrease in trade and other receivables	**(11,982)**	(4,640)
• (Increase) decrease in net current financial derivative instruments	**3,243**	(4,119)
• Increase (decrease) current financial investments	**(68)**	0
• Increase (decrease) in trade and other payables	**15,055**	(1,853)
• Increase (decrease) in receivables/liabilities to/from subsidiares	**(10,793)**	5,332
Taxes paid	**(60,853)**	(67,282)
• (Increase) decrease in non-current items related to operating activities	**2,002**	679
Cash flows provided by operating activities	**53,570**	45,800
INVESTING ACTIVITIES		
Cash flows used in investing activities	**(52,401)**	(24,672)
FINANCING ACTIVITIES		
New long-term borrowings	**1,703**	65
Repayment of long-term borrowings	**(2,082)**	(2,598)
Dividend paid	**(19,560)**	(17,756)
Treasury shares purchased	**(217)**	(1,012)
Norsk Hydro ASA merger balance	**18,687**	0
Net short-term borrowings, bank overdrafts and other*	**322**	(14)
Cash flows used in financing activities	**(1,147)**	(21,315)
Net increase (decrease) in cash and cash equivalents	**22**	(187)
Cash and cash equivalents at the beginning of the period	**2**	189
Cash and cash equivalents at the end of the period	**24**	2
Interest paid	**5,492**	5,850
Interest received	**3,916**	509

*Regarding redemption of shares held by the state, StatoilHydro has paid the state NOK 2,4 billion in 2007.

NOTES TO FINANCIAL STATEMENTS STATOILHYDRO ASA – NGAAP

1. ORGANISATION AND BASIS OF PRESENTATION

StatoilHydro ASA was founded in 1972 and is incorporated and domiciled in Norway. The address of its registered office is Forusbeen 50, N-4035 Stavanger, Norway. StatoilHydro's business consists principally of the exploration, production, transportation, refining and marketing of petroleum and petroleum-derived products.

The shareholders of former Statoil ASA and Norsk Hydro ASA (Hydro) approved at extraordinary General Meetings on 5 July 2007 a merger between Statoil ASA and the oil and gas activities of Norsk Hydro ASA (Hydro Petroleum). The merger is regulated and described in a separate merger plan between the two parties. The merger was effective 1 October 2007 and the company's name changed to StatoilHydro ASA as of that date.

The Hydro Petroleum operations are mainly organised under the legal entity StatoilHydro Petroleum AS, which through the merger became a subsidiary of StatoilHydro ASA. In addition to the shares in StatoilHydro Petroleum AS, the main effect on StatoilHydro ASA's financial statements was the transfer of bond loans from Hydro´s financial statements to the balance sheet of StatoilHydro ASA.

The Statoil ASA and Hydro Petroleum merger was accounted for as a business combination between entities under common control and StatoilHydro concluded that for such a merger, the most meaningful portrayal for accounting purposes is to combine StatoilHydro and Hydro Petroleum using the carrying amounts of assets and liabilities. The merger has been reflected in the StatoilHydro ASA financial statements from 1 January 2007, and the comparable financial reporting for 2006 only include former Statoil ASA operations. The accounting policies of Hydro Petroleum have been adjusted to be consistent with the accounting policies of StatoilHydro.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance
The financial statements of StatoilHydro ASA are prepared in accordance with Norwegian generally accepted accounting principles (NGAAP)

Basis of preparation
The financial statements are prepared on the historical cost basis with some exceptions, as detailed in the accounting policies set out below. These policies have been applied consistently to all periods presented in these financial statements.

Reclassifications
Certain reclassifications have been made to prior year figures to be consistent with current year's presentation.

Changes of accounting policies
StatoilHydro ASA has made the following changes to the NGAAP presentation and accounting principles:

Pension plans
StatoilHydro ASA has decided to use the option in NRS 6A to implement IAS 19 as of 1 January 2006 and recognise actuarial gains and losses directly in equity at that date. For periods subsequent to 1 January 2006 StatoilHydro ASA will recognise actuarial gains and losses directly in equity. For implementation effect and the net income effect in 2007 as a result og the change principple, see note 16.

Asset Retirement Obligations and Accretion expense
Under StatoilHydro ASA´s previous accounting policies, the discount rate applied to an Asset Retirement Obligation (ARO) upon initial recognition was not changed throughout the life of the provision. For any addition to an ARO, the latest discount rate is used, and then this was not revisited in future periods. StatoilHydro ASA has changed accounting principles under NGAAP for ARO under NGAAP. Under the new accounting principle, the discount rate applied to an ARO is reviewed and updated each period. The change resulted in a reduction of NOK 2,7 billion in the ARO and a corresponding reduction in property, plant and equipment as at 31 December 2006.

StatoilHydro has also decided to change the presentation of accretion expense from operating expenses to finance expenses as allowed under NRS 13. Prior period information has been restated to be comparable. The change in presentation resulted in NOK 0,8 billion being reclassified from operating expenses to finance expenses for 2006.

Deferred tax on initial recognition
Under StatoilHydro ASA´s previous accounting principles, deferred taxes were provided on virtually all temporary differences. NGAAP (Foreløpig Norsk RegnskapsStandard Resultatskatt) has an exemption from provisions to recognise deferred taxes on a transaction when the deferred tax assets/liabilities arise from initial recognition of assets and liabilities which at the time of the transaction, affects neither accounting profit nor taxable profit. StatoilHydro ASA has decided to change the accounting principle under NGAAP. Prior period information has been restated to be comparable. The change in accounting principle resulted in NOK 1,8 billion reduction in deferred tax liabilities and a corresponding reduction in property, plant and equipment at 31 December 2006.

Tax on unrealised intra-company profits
Under previous accounting principles, deferred tax was recognised for differences arising from intra-company transactions (transactions between the onshore and offshore tax regimes) using the seller´s tax rate. StatoilHydro ASA has decided to change this accounting principle and recognise deferred tax using the buyer´s tax rate.

Subsidiaries, associates and jointly controlled entities
Shareholdings and interests in subsidiaries, associates (companies in which StatoilHydro ASA does not have control, but has the ability to exercise significant influence over operating and financial policies; generally when the ownership share is between 20 and 50 per cent) and jointly controlled entities are accounted for using the equity method.

Jointly controlled assets
Interests in jointly controlled assets are recognised by including StatoilHydro ASA's share of assets, liabilities, income and expenses on a line-by-line basis.

StatoilHydro as operator of jointly controlled assets
Indirect operating costs such as personnel costs are accumulated in cost pools. These costs are allocated to business areas and StatoilHydro operated jointly controlled assets on an hours incurred basis reducing the costs in the company's income statement.

Only StatoilHydro's share of profit and loss and balance sheet items related to StatoilHydro operated jointly controlled assets are reflected in the statement of income and balance sheet.

Foreign currency translation
Transactions in foreign currencies are translated into NOK at the foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to NOK at the foreign exchange rate at the balance sheet date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transactions.

Revenue recognition
Revenues associated with sale and transportation of crude oil, natural gas, petroleum and chemical products and other merchandises are recorded when title passes to the customer, which is normally at the point of delivery of the goods based on the contractual terms of the agreements.

Revenues from the production of oil and gas properties in which StatoilHydro ASA has an interest with other companies are recognised on the basis of volumes lifted and sold to customers during the period (sales method). Where StatoilHydro ASA has lifted and sold more than the ownership interest, an accrual is recorded for the cost of the overlift. Where the Company has lifted and sold less than the ownership interest, costs are deferred for the underlift.

Revenue is presented net of customs, excise taxes and royalties paid in kind on petroleum products.

Sales and purchases of physical commodities, which are not settled net, are presented on a gross basis as Revenue and Cost of goods sold in the Income statement. Activities related to the trading of commodity based derivative instruments are reported on a net basis, with the margin included in Revenue.

Transactions with the Norwegian State
StatoilHydro ASA markets and sells the Norwegian State's share of oil and gas production from the Norwegian continental shelf (NCS). The Norwegian State's participation in petroleum activities is organised through the State's direct financial interest (SDFI). All purchases and sales of SDFI oil production are recorded as Cost of goods sold and Revenue. StatoilHydro sells, in its own name, but for the Norwegian State's account and risk, the state's production of natural gas. This sale and related expenditures refunded by the State, are recorded net in StatoilHydro's financial statements.

Oil and gas exploration and development expenditure
StatoilHydro uses the "Successful efforts"- method of accounting for oil and gas exploration costs. Expenditures to acquire mineral interests in oil and gas properties and to drill and equip exploratory wells are capitalised as exploration and evaluation expenditure within intangible assets until the well is complete and the results have been evaluated. If, following evaluation, the exploratory well has not found proved reserves, the previously capitalised costs are tested for impairment. Geological and geophysical costs and other exploration expenditures are expensed as incurred.

Unproved oil and gas properties are assessed for impairment on a quarterly basis or when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. Exploratory wells that have found reserves, but classification of those reserves as proved depends on whether a major capital expenditure can be justified, may remain capitalised for more than one year. The main conditions are that either firm plans exist for future drilling in the license or a development decision is planned in the near future. Impairment of unsuccessful wells is reversed, as applicable, to the extent that the events or circumstances that triggered the original impairment have changed.

Expenditures to drill and equip exploratory wells that find proved reserves are capitalised and depreciated using the unit of production method based on proved developed reserves expected to be recovered from the well. Development expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells are capitalised as producing oil and gas properties within property, plant and equipment and are depreciated using the unit of production method based on proved developed reserves expected to be recovered from the area during the concession or contract period. Capitalised acquisition costs of proved properties are depreciated using the unit of production method based on total proved reserves. Pre-production costs are expensed as incurred.

Employee benefits
Wages, salaries, bonuses, social security contributions, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by employees of the StatoilHydro ASA. The accounting policy for pensions and share-based payments is described below.

Pensions
StatoilHydro ASA has pension plans for employees that provide a defined pension benefit upon retirement. The benefit to be received by employees generally depends on many factors including length of service, retirement date and future salary increases.

The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their services in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date reflecting the maturity dates approximating to the terms of the Company's obligations. The calculation is performed by an external actuary.

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest cost is recognised in the income statement as operating expenses.

Past service costs are recognised immediately when the benefits become vested or on a straight-line basis until the benefits become vested. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are re-measured using current actuarial assumptions and the resulting gain or loss is recognised in the income statement during the period in which the settlement or curtailment occurs.

Actuarial gains and losses are recognised in full in the Company's retained earnings in the period in which they occur.

Share-based payments
The Company operates an employee bonus share program. The cost of equity-settled transactions (bonus share awards) with employees is measured by reference to the estimated fair value at the date at which they are granted and is recognised as an expense over the vesting period of two years. The awarded shares are accounted for as salary expense, see remuneration note, and recorded as an equity transaction (included in additional paid-in capital).

Research and development
The Company undertakes research and development both on a funded basis for licence holders, and unfunded projects at its own risk. The Company's share of the licence holders funding and the total costs of the unfunded projects are development costs that are considered for capitalisation.

Development costs which are expected to generate probable future economic benefits are capitalised as intangible assets if, and only if, all of the following have been demonstrated: the technical feasibility of completing the intangible asset so that it will be available for use or sale; the intention to complete the intangible asset and use or sell it; the ability to use or sell the intangible asset; how the intangible asset will generate probable future economic benefits; the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; the ability to measure reliably the expenditure attributable to the intangible asset during its development. All other research and development expenditure is expensed as incurred.

Subsequent to initial recognition, capitalised development costs are reported at cost less accumulated amortisation and accumulated impairment losses.

Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of any decommissioning obligation, if any, and, for qualifying assets, borrowing costs.

Exchanges of assets are measured at the fair value of the asset given up unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable.

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset is replaced and it is probable that future economic benefits associated with the item will flow to the Company, the expenditure is capitalised. Inspection and overhaul costs associated with major maintenance programs are capitalised and amortised over the period to the next inspection. All other maintenance costs are expensed as incurred.

Depreciation of production installations and field-dedicated transport systems for oil and gas is calculated using the unit of production method based on proved developed reserves expected to be recovered from the area during the concession or contract period. Depreciation of other assets and of transport systems used by several fields is calculated on the basis of their estimated useful lives, using the straight-line method. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. For exploration and production (E&P) assets the Company has established separate depreciation categories for platforms, pipelines, and wells as a minimum.

The estimated useful lives of property, plant and equipment are reviewed on an annual basis and changes in useful lives are accounted for prospectively. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in other income or operating expenses, respectively, in the period the item is derecognised.

Intangible assets

Intangible assets are stated at cost, less accumulated amortisation and accumulated impairment losses. Intangible assets include expenditure on the exploration for and evaluation of oil and natural gas resources, goodwill and other intangible assets. Intangible assets acquired separately from a business are carried initially at cost. An intangible asset acquired as part of a business combination is recognised separately from goodwill at its fair value if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably.

Intangible assets relating to expenditure on the exploration for and evaluation of oil and natural gas resources are not amortised. These assets are subject to impairment testing when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount (or at least on an annual basis); and are reclassified to property, plant and equipment when the decision to develop a particular area is made. Other intangible assets are amortised on a straight-line basis over their expected useful lives. The expected useful lives of the assets are reviewed on an annual basis and changes in useful lives are accounted for prospectively.

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of the ownership are recorded as finance leases within property, plant and equipment and loans and borrowings. All other leases are classified as operating leases and the costs are charged to income on a straight line basis over the lease term, unless another basis is more representative of the benefits of the lease to the Company.

Assets recorded under finance leases are stated at an amount equal to the lower of fair value and the present value of the minimum lease payments at inception of the lease, and subsequently reduced by accumulated depreciation and any impairment losses. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

NOTES TO FINANCIAL STATEMENTS STATOILHYDRO ASA – NGAAP

Cash and cash equivalents
Cash and cash equivalents include cash, bank deposits and all other monetary instruments with three months or less to maturity at the date of purchase.

Derivative financial instruments and hedging activities
The following accounting policies are applied for the principal financial instruments and commodity-based derivatives:

- Currency swap agreements
  StatoilHydro ASA utilises currency swaps to manage foreign exchange risk on its non-current financial liabilities. Currency swaps are recognised at fair value in the balance sheet and changes in fair value are recognised in the statement of income.
- Interest swap agreements
  The net effect of income and expenses related to interest swap agreements is allocated over the contract period.
- Commodity based derivatives
  Commodity-based derivatives traded on organised exchanges are valued at market value and the resulting gains and losses are charged to income. Other commodity-based derivatives are valued according to the lower of cost or market principle.

Financial liabilities
Interest-bearing loans and borrowings are initially recognised at fair value. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognised respectively in interest income and other financial items and interest and other finance expenses.

Trade and other payables
Trade and other payables are carried at payment or settlement amounts.

Income tax
Income tax in the Statement of Income for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years. Uncertain tax positions and potential tax exposures are analysed individually and the best estimate of the probable amount for liabilities to be paid (unpaid potential tax exposure amounts, including penalties) and virtually certain amount for assets to be received (disputed tax positions for which payment has already been made) in each case is recognised within current tax or deferred tax as appropriate. Interest income and interest expenses relating to tax issues are estimated and recorded in the period in which they are earned or incurred, and are presented as financial items in the Statement of Income.

Deferred tax is provided using the balance sheet liability method. Deferred tax assets and liabilities are recognised for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the financial statements and their respective tax bases, subject to the initial recognition exemption. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. However, the existence of unused tax losses is strong evidence that future taxable profits may not be available. In order to recognise a deferred tax asset based on future taxable profits, convincing evidence is required taking into account the existence of contracts, production of oil or gas in the near future based on volumes of proved reserves, observable prices in active markets, expected volatility of trading profits and similar facts and circumstances.

A special petroleum tax is levied on profits derived from petroleum production and pipeline transportation on the Norwegian Continental Shelf (NCS). The special petroleum tax is currently levied at a rate of 50 per cent. The special tax is applied to relevant income in addition to the standard 28 per cent income tax, resulting in a 78 per cent 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 cent per year. The uplift is computed on the basis of the original capitalised 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. Uplift benefit is recorded when the deduction is included in the current year tax return and impacts taxes payable. Unused uplift may be carried forward indefinitely.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is determined by the first-in first-out method and comprises direct purchase costs, cost of production, transportation and manufacturing expenses.

Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as other finance expenses.

Possible assets arising from past events that will only be confirmed by future uncertain events are not recognised, but are disclosed when an inflow of economic benefits is probable.

Decommissioning and asset retirement obligations
Liabilities for decommissioning costs are recognised when the Company has an obligation to dismantle and remove a facility or an item of property, plant and equipment and to restore the site on which it is located, and when a reasonable estimate of that liability can be made. The cost is estimated based upon current regulation and technology. Normally an obligation arises for a new facility, such as oil and natural gas production or transportation facilities, on construction or installation. An obligation for decommissioning may also crystallise during the period of operation of a facility through a change in legislation or through a decision to terminate operations. At the time of the obligating event, a decommissioning liability is recognised. The amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. Refining and processing plants that are not limited by an expected license period have indefinite lives and therefore there is no measurable asset retirement obligation to be recorded. For retail outlets, decommissioning provisions are estimated on a portfolio basis.

When a liability for decommissioning cost is recognised, a corresponding amount is recorded to increase the related property, plant and equipment. This is subsequently depreciated as part of the costs of the facility or item of property, plant and equipment.

Any change in the present value of the estimated expenditure or change in timing of the decommissioning is reflected as an adjustment to the provision and the corresponding property, plant and equipment.

Impairment

Intangible assets and property, plant and equipment
The Company assesses assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Individual assets are grouped based on the level that there are separately identifiable and largely independent cash inflows. Normally, separate cash-generating units are individual oil and gas fields or plants. For capitalised exploration expenditure cash-generating units are individual wells.

If assets are determined to be impaired, the carrying amounts of those assets are written down to recoverable amount which is the higher of fair value less costs to sell and value in use.

Impairments are reversed as applicable to the extent that the conditions for impairment are no longer present.

Financial assets
The Company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost: If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the carrying amount of the asset is reduced. Any subsequent reversal of an impairment loss is recognised in the income statement.

Use of estimates
Preparation of the financial statements requires the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as disclosures of contingencies. Actual results may ultimately differ from the estimates and assumptions used.

The nature of StatoilHydro's operations, and the many countries in which StatoilHydro operates, are subject to changing economic, regulatory and political conditions. StatoilHydro does not believe it is vulnerable to the risk of a near-term severe impact as a result of any concentration of its activities.

3. REMUNERATION

(In NOK million except average man-labour year)	For the year ended 31 December 2007	2006
Salaries	14,129	8,970
Pension costs	2,865	1,355
Payroll Tax	2,508	1,589
Other social costs	1,790	958
Total	21,292	12,872
Average man-labour year	16,064	12,197

Management remuneration in 2007 (in NOK thousand)

Members of Corporate Executive Committee	Fixed salary	Bonus**	Benefits in kind	Taxable reimbur-sements	Taxable salary	Benefits in kind	Reimbur-sements	Non-taxable salary	Total Remun.	Pension cost	Present value of pension obligations
Lund Helge	5,214	2,491	286	8	7,999	312	12	324	8,323	4,070	13,759
Bjørnson Rune	2,321	844	197	17	3,378	0	20	20	3,398	816	17,349
Jacobsen Jon Arnt	2,703	978	59	131	3,872	0	17	17	3,889	1,503	13,669
Mellbye Peter	3,218	1,074	162	32	4,486	0	38	38	4,525	1,525	37,528
Ruud Morten*	595	0	3	34	632	0	10	10	641	683	17,896
Sætre Eldar	2,775	1,154	190	8	4,127	25	20	44	4,171	937	24,454
Torvund Tore*	938	0	3	33	973	0	48	48	1,022	1,175	34,600
Øvrum Margareth	2,887	1,035	121	135	4,177	171	29	200	4,377	895	22,169
Aasheim Hilde Merete*	699	0	39	0	739	42	18	60	799	1,160	2,489
Total	21,350	7,576	1,060	398	30,383	549	211	761	31,144	12,764	183,912

* Remuneration from StatoilHydro

** Bonuses received in 2007 include bonuses for all of 2006 and the first nine months of 2007. Potential bonuses for the remaining three months of 2007 will be combined with bonuses for 2008, if any, and paid in 2009.

Pension cost consist of benefits earned during the year.

Among the members of the Corporate Executive Committee, some have received remuneration in the period up to 30 September 2007 pursuant to the policies that governed Norsk Hydro's Oil and Gas business up until that point in time. See table below.

The amounts received under such policies are not necessarily representative of current policies and therefore of future compensation.

Corporate Executive Remuneration earned in Norsk Hydro ASA	Fixed salary	Bonus	Share appreciation rights*	Benefits in kind	Taxable reimbur-sements	Taxable salary	Benefits in kind	Reimbur-sements	Non-taxable salary	Total Remun.
Ruud Morten	1,696	642	6,084	126	10	8,558	0	13	13	8,571
Torvund Tore	2,688	690	14,255	172	3	17,808	9	187	195	18,004
Aasheim Hilde Merete	1,559	684	3,200	107	4	5,553	0	12	12	5,565
Total	5,943	2,016	23,539	404	17	31,920	9	212	221	32,140

* Includes exercised and terminated.

Members of the board (in NOK thousand)	Board Remuneration	Audit Committee	Compensation Committee	Total Remuneration
Åm Knut*	169	25	70	264
Svaan Morten	239	50	0	289
Fritsvold Ragnar Per*	70	0	0	70
Bakkerud Lill Heidi	239	0	0	239
Nilsen Geir*	70	0	0	70
Skaugen Grace R	239	0	80	319
Five Kaci Kullmann*	210	0	0	210
Lindbæk Jannik*	338	0	70	408
Grieg Elisabeth	70	0	7	77
Nielsen Kurt Anker	70	38	0	108
Franklin Roy	124	25	0	149
Wiik Ingrid*	169	25	0	194
Reiten Eivind**	8	0	0	8
Arnstad Marit	305	25	0	330
Clausen Claus	239	0	0	239
Bjørndalen Kjell	70	0	7	77
Hvistendahl Finn A*	169	38	0	206
Total	2,796	225	234	3,255

*Members of the board in StatoilHydro ASA for the period up to 1 October 2007

**Chairman of the board from 1 October to 5 October 2007

STATEMENT ON REMUNERATION AND OTHER EMPLOYMENT TERMS FOR STATOILHYDRO'S CORPORATE EXECUTIVE COMMITTEE

In accordance with the Norwegian Companies Act § 6-16 a), the Board has the intention to present the following statement regarding remuneration of the Corporate Executive Committee to the General Meeting at the 2008 annual meeting:

1. Remuneration policy and concept for accounting year 2008

1.1 Policy and principles

StatoilHydro's remuneration policy is strongly linked to the company's people policy and core values. It is believed that the development of a strong value based performance culture is an important success factor in creating values for the owners.

Certain key principles have been adopted for the design of the company's remuneration concept. These principles apply in general but they will be applied differently for the different remuneration systems and job categories.

The remuneration policy is intended to:

- Ensure that the overall picture is taken into account through solutions that are integrated with StatoilHydro's value and performance-oriented framework
- Be competitive in the employment market without taking the lead in a total remuneration context
- Reward and recognize delivery and behaviour equally
- Ensure that there is a strong link between performance and reward
- Differentiate on the basis of responsibility and performance
- Reward both short- and long-term results
- Strengthen the common interests between employees, the company and it's owners
- Be transparent and in accordance with good corporate governance

Our rewards and recognition are designed to attract and retain the right people – people who perform, change and learn. The overall remuneration level and composition of the total reward reflect the national and international framework and business environment StatoilHydro operates within.

1.2 The decision-making process

The decision-making process for the establishment and changing of remuneration policies and the determination of salaries and other remuneration for management is in accordance with the provisions of the Companies Act paragraphs 5-6, 6-14, 6-16 a) and the Board Instruction adopted on 27 October 2006.

The Board has appointed a separate Compensation Committee. The Compensation Committee is an advisory body for the Board of Directors and it has the authority to decide special matters as authorized by the Board. The Board of Directors decides the salary and other terms of employment for the Chief Executive Officer.

1.3 The remuneration concept for managers

StatoilHydro's remuneration concept for managers consists of the following main elements:

- Fixed remuneration
- Variable pay
- Pensions and insurance schemes
- Severance pay arrangements
- Other benefits

Fixed remuneration

Fixed remuneration consists of base salary and a long term incentive.

Base salary

The base salary shall be competitive in the markets where the company operates and shall reflect the individual's responsibility and performance. The evaluation of performance is based on fulfilment of certain pre-defined goals; refer to "Variable pay" below. The base salary is normally reviewed once a year.

Long term incentive

StatoilHydro has established a long-term incentive system for a limited number of senior managers, including the members of the Corporate Executive Committee.

The long term incentive system is a fixed, monetary compensation calculated in per cent of the participant's base salary; ranging from 20 – 30 per cent depending on the participant's position. The participant is obliged to buy StatoilHydro shares in the market with the net sum of the fixed amount every year and to hold the shares for a lock-in period of 3 years.

The long-term incentive and the annual variable pay system constitute a remuneration concept which focuses both on short - and long-term goals and results. The long-term incentive contributes to a strengthening of the common interests between the shareholders of StatoilHydro, the company and the individual.

Variable pay

Based on performance, the Chief Executive Officer is entitled to an annual variable pay with a maximum potential of 50 per cent of the fixed remuneration. The Executive Vice Presidents have an annual variable pay based on performance with a maximum potential of 40% of the fixed remuneration. The payout for performance at target level for the members of the Corporate Executive Committee is 2/3 of the maximum potential.

The targets forming the basis for the individual variable pay evaluation are established between manager and the employee as part of our Performance Management process. In StatoilHydro this evaluation is performed along two axes, delivery (what you have delivered) and behaviour (how the goals are achieved). Targets regarding delivery are set for each business/staff area related to finance, operations and markets, health, safety and environment as well as for people and organisation. Evaluation of behaviour is based on targets related to the core values of StatoilHydro, leadership principles and the manager's individual development plan.

In the performance contract of the Chief Executive Officer and Chief Financial Officer, one of several targets is related to the company's relative total shareholder return (TSR). The amount of the annual variable pay is decided based on an overall assessment of the performance of various targets including but not limited to the company's relative TSR.

Pension and insurance schemes

StatoilHydro's general pension plan is a defined benefit arrangement with a pension level amounting to 66 per cent of the pensionable salary provided at least 30 years service period. Pension from the National Insurance scheme is taken into account when the pension is estimated. The retirement age is generally 67 years, for offshore employees 65 years.

The pension schemes for members of the Corporate Executive Committee including the Chief Executive Officer are supplementary agreements to the company's general pension plan.
The Chief Executive Officer is under specific terms according to his pension agreement of 7 March 2004, entitled to a pension amounting to 66 per cent of pensionable salary and a retirement age of 62. The full service period is 15 years.

Four of the Executive Vice Presidents have individual pension terms according to a previous standard arrangement decided October 2006. These executives are entitled, under specific terms, to a pension amounting to 66 per cent of pensionable salary and a retirement age of 62. When calculating the number of years of membership in the StatoilHydro's general pension plan, these Executive Vice Presidents have the right to an extra period corresponding to half a year of extra membership for each year the person has served the company as an Executive Vice President.

One of the Executive Vice Presidents is entitled, under specific terms, to a pension amounting to 65 per cent of pensionable salary with a retirement age of 62. Another is entitled, under specific terms, to a pension amounting to 66 per cent of pensionable salary and a retirement age of 60.

The individual pension terms outlined above are results of commitments according to previous arrangements. The previous standard arrangement for the Executive Vice Presidents, as described above, was terminated in 2007. Until a new standardized, competitive model appropriate for the company's needs is considered, StatoilHydro will apply a retirement age of 65 years and a pension level amounting to 66% for Executive Vice Presidents. This temporary arrangement applies for two of the Executive Vice Presidents.

In addition to the pension benefits outlined above the Executive Vice Presidents are offered the benefits in accordance with StatoilHydro's general pension including pension from the age of 67 based on the defined benefit arrangement.

Members of the Corporate Executive Committee are covered by the general insurance schemes applicable within StatoilHydro.

Severance pay arrangements
The Chief Executive Officer is, according to his contract of 7 March 2004, entitled to severance pay equivalent to two annual salaries, excluding term of notice of six months, when the resignation is at the request from the Board.

Executive vice presidents are entitled to severance pay equivalent to six months salary, excluding term of notice of six months, when the resignation is at the request from the company. Any other payment earned during the period in which severance pay is payable will be fully deducted. This relates to earnings from any employment or business activity where the Executive Vice President has active ownership.

The entitlement to severance pay is conditional on the Chief Executive Officer or the Executive Vice President not being guilty of gross misconduct, gross negligence, disloyalty or other material breach of his/her duties.

Other benefits
StatoilHydro has a Share Saving Plan, available to all employees including members of the Corporate Executive Committee. The Share Saving Plan gives the employees the opportunity to purchase StatoilHydro shares in the market limited to five per cent of their annual gross salary. If the shares are kept for two full calendar years of continued employment the employees will be allocated bonus shares in proportion to their savings. Shares to be used for sale and transfer to employees are acquired by StatoilHydro in the market, in accordance with the authorization from the General Meeting.

The members of the Corporate Executive Committee have benefits in kind such as company car and free telephone.

2. Remuneration policy and implementations for the accounting year 2007
In 2007 former Statoil ASA merged with Hydro's oil and gas activities. The merger was implemented 1 October 2007. The statement regarding previous accounting year comprises the remuneration policy and implementations of former Statoil and StatoilHydro. The policy and practice carried out in Hydro prior to the merger with effect for executives transferred to StatoilHydro, is not included in this statement.

The remuneration policy and principles applied in 2007 for the former Statoil and StatoilHydro were mainly the same as stated above for 2008.

In connection with the implementation of the merger a common remuneration concept based on former Statoil's systems was implemented for managers in StatoilHydro including the Executive Vice Presidents.

The Board of Directors of former Statoil ASA decided 25 September 2007 to terminate the Long Term Incentive (LTI) scheme that was implemented for executives in Statoil effective from 1 January 2007.

A performance evaluation and payout of annual variable pay for the period 1 January – 30 September 2007 was executed before the merger. The total variable payment in 2007 for each of the members of the Corporate Executive Committee is kept within the guidelines of 50 per cent of base salary.

The annual review of base salary for the Executive Vice Presidents was carried out in quarter 4 2007, effective from 1 October 2007.

The standard severance pay clause in the Executive Vice President's employment contract has been changed as described above in section 1.3.

As regards implemented changes related to the pension schemes for Executive Vice Presidents ref. section 1.3 above.

3. Concluding remarks

StatoilHydros's remuneration policy and solutions are aligned with the company's overall people policy and are integrated with the company's value and performance-oriented framework. Furthermore, the remuneration systems and practice are transparent and in accordance with prevailing guidelines and good corporate governance.

4. ASSET IMPAIRMENT

There have been no material write-downs of properties in 2007 or 2006.

5. AUDITORS' REMUNERATION

(in NOK million, excluding VAT)	2007	2006
Audit fees	15.5	14.2
Audit-related fees	7.4	3.8
Total	22.9	18.0

In addition audit fee related to StatoilHydro-operated licences amounts to NOK 4.7 and NOK 4.0 million for 2007 and 2006, respectively.

6. INVENTORIES

Inventories are valued at the lower of cost or market determined under the first-in, first-out method.

	At 31. December	
(in NOK million)	2007	2006
Crude oil	5,745	4,598
Petroleum products	1,528	1,109
Other	1,035	846
Total inventories	8,308	6,553

7. SHARES AND NON-CURRENT INVESTMENTS

Subsidiaries and equity method associates

(in NOK million)	Subsidiaries	Associates
Investment at 1 January 2007	113,419	1,158
Net income subsidiaries and affiliates	17,286	199
Translation adjustment	(9,858)	0
Change in paid-in equity	50,268	(50)
Group contribution (after tax)	5,760	0
Ordinary dividend	(12,489)	(224)
Investment at 31 December 2007	164,386	1,083

Ownership in certain subsidiaries (in per cent)

AS Eesti Statoil	100	Statoil Nigeria AS	100
North American Oil Sands Corporation	100	Statoil Nigeria Deep Water AS	100
Latvija Statoil SIA	100	Statoil Nigeria Outer Shelf AS	100
Statholding AS	100	Statoil Norge AS	100
Statoil AB	100	Statoil North Africa Gas AS	100
Statoil Angola Block 15 AS	100	Statoil North Africa Oil AS	100
Statoil Angola Block 15/06 Award AS	100	Statoil North America Inc.	100
Statoil Angola Block 17 AS	100	Statoil Orient Inc AG	100
Statoil Angola AS	100	Statoil Pernis Invest AS	100
Statoil Apsheron AS	100	StatoilHydro Orinoco AS	100
Statoil Asia Pacific Pte. Ltd.	100	Statoil Polen Invest AS	100
Statoil Azerbaijan Alov AS	100	Statoil Russia AS	100
Statoil Azerbaijan AS	100	Statoil Sincor AS	100
Statoil BTC Finance AS	100	Statoil SP Gas AS	100
Statoil Coordination Center N.V.	100	Statoil UK Ltd	100
Statoil Danmark A/S	100	Statoil Venezuela AS	100
Statoil Deutschland GmbH	100	StatoilHydro Petroleum AS	100
Statoil do Brasil Ltda	100	UAB Lietuva Statoil	100
Statoil Exploration Ireland Ltd	100	Statoil Metanol ANS	82
Statoil Forsikring AS	100	Mongstad Refining DA	79
Statoil Hassi Mouina AS	100	Mongstad Terminal DA	65
Statoil Innovation AS	100	Tjeldbergodden Luftgassfabrikk DA	51
Statoil Iran AS	100		

Voting rights correspond to ownership interests.

Ownership in certain equity method affiliates (in per cent):

Nova Naturgas AB	30
Vestprosess DA	17
Etanor DA	16

8. FINANCIAL ASSETS

Non-current financial investments

(in NOK million)	At 31 December 2007	2006
Available for sale investments	25	28
Total non-current financial investments	25	28

Non-current financial receivables

(in NOK million)	At 31 December 2007	2006
Interest bearing receivables	211	148
Non-interest bearing receivables	63	20
Total non-current financial receivables	274	168

Current financial investments

(in NOK million)	At 31 December 2007	2006
Other investments	155	87
Total current financial investments	155	87

All current financial investments are recorded at fair value. All balances at year end 2007 and 2006 are considered to be trading securities where unrealised gains and losses are included in income. The cost price for current financial investments at 31 December 2007 and 2006 was NOK 169 million and NOK 87 million respectively.

9. PROPERTY, PLANT AND EQUIPMENT

(in NOK million)	Machinery, equipment and transportation equipment	Production plants oil and gas, incl. pipelines	Refining and manufac-turing plants	Buildings and land	Vessels	Construction in progress	Total
Cost at 31 December 2006	2,361	260,814	4,546	646	2,345	28,704	299,416
Additions and transfers	492	35,802	53	135	1,931	(15,900)	22,513
Disposals assets at cost	(11)	0	0	(4)	0	0	(15)
Cost at 31 December 2007	2,842	296,616	4,599	777	4,276	12,804	321,914
Accumulated depr. and impairment losses at 31 December 2006	(1,712)	(181,614)	(3,192)	(179)	(182)	0	(186,879)
Depreciation, amortisation and impairment losses for the year	(377)	(14,762)	(133)	(23)	(217)	0	(15,513)
Disposals depreciation	9	0	0	1	0	0	10
Accumulated depr. and impairment losses at 31 December 2007	(2,080)	(196,376)	(3,325)	(201)	(399)	0	(202,381)
Book value at 31 December 2007	762	100,240	1,274	576	3,877	12,804	119,532
Intangible assets	-	-	-	-	-	-	3,514
Estimated useful lives (years) on initial recognition	3 - 10	*	15 - 20	20 - 33	20 - 25		

* Depreciation according to Unit of production, see note 2

The book value of vessels consists of financial leases. In 2007 and 2006, capitalised interest amounted to NOK 1,1 billion and NOK 1,1 billion, respectively. In addition to depreciation, amortisation and impairment losses specified above, intangible assets have been amortised by NOK 2 million in 2007.

10. PROVISION

There are no material provisions or changes thereof against assets other than property, plant and equipment and intangible assets in 2007 or 2006.

11. FINANCIAL ITEMS

(in NOK million)	For the year ended 31 December 2007	2006
Dividends received	96	206
Gain (loss) on securities	(250)	(149)
Interest and other financial income	4,455	489
Foreign exchange gains and losses, current items	11,103	3,643
Foreign exchange gains and losses, non-current items	4,915	2,116
Interest and other financial expenses	(7,034)	(4,516)
Capitalised interest	1,058	1,072
Net financial items	14,343	2,861

12. INCOME TAXES

Income tax expense

(in NOK million)	For the year ended 31 December 2007	2006
Current taxes payable	62,053	68,926
Change in deferred tax	1,037	6,722
Income tax expense	63,090	75,648
Uplift benefits for the year	5,914	4,876

Revenue from oil and gas activities on the NCS is taxed according to the Petroleum tax law. In addition to normal corporation tax, a special tax of 50 per cent is levied after deducting uplift, an investment tax credit. Uplift is deducted by 7,5 per cent per year for four years, as from the year of investment. Unrecognised uplift credits amount to NOK 11,9 billion as at 31 December 2007.

Significant components of deferred tax assets and liabilities were as follows

(in NOK million)	For the year ended 31 December 2007	2006
Deferred tax assets related to		
Inventory	142	217
Other current items	1,463	301
Pensions	10,385	5,105
Decommissioning and asset retirement obligation	17,594	18,143
Other non-current items	1,547	311
Total deferred tax assets	31,131	24,077
Deferred tax liabilities related to		
Property, plant and equipment	51,996	49,510
Capitalised exploration expenditures and interest	9,924	8,495
Other non-current items	4,132	1,069
Total deferred tax liabilities	66,052	59,074
Net deferred tax liabilities	34,921	34,997

The movement in deferred income tax liability

(in NOK million)	2007	2006
Deferred income tax liability at 1 January	34,997	30,190
Charged to the income statement	1,037	6,722
Acquisitions, sales and other	(1,113)	(1,915)
Deferred income tax liability at 31 December	34,921	34,997

13. CURRENT FINANCIAL LIABILITIES

	At 31 December	
(in NOK million)	2007	2006
Bank loans and overdraft facilities	41	45
Current portion of non-current debt	1,820	2,051
Margin call	2,797	0
Other current financial liabilities	73	80
Total	4,731	2,176
Weighted average interest rate	5.61%	5,32%

14. NON-CURRENT FINANCIAL LIABILITIES

	At 31 December	
(in NOK million)	2007	2006
Unsecured debentures bonds		
US dollar (USD)	35,135	21,394
Euro (EUR)	138	200
Other currencies	15	7
Total	35,288	21,601
Financial lease obligation	3,194	2,099
Other liabilities	0	233
Gross total non-current financial liabilities	38,482	23,933
Less current portion	1,820	2,051
Total non-current financial liabilities	36,662	21,882
Weighted average interest rate (%)	6.54	5.89

StatoilHydro utilises currency swaps to manage foreign exchange risk on its non-current financial liabilities. The swaps are reflected in the table above. The stated interest rate on the majority of the non-current loans are fixed. Interest rate swaps are utilised to manage interest rate exposure.

Details of largest unsecured debentures bonds:

			Balance in NOK million At 31 December	
	Fixed interest rate	Maturity (year)	2007	2006
Bond agreements				
USD 500 million	6.500%	2028	2,675	3,091
USD 500 million	5.125%	2014	2,704	3,125
USD 480 million	7.250%	2027	2,600	3,014
USD 375 million	5.750%	2009	2,026	2,339*
USD 300 million	7.750%	2023	1,623	1,882
USD 300 million	6.360%	2009	1,623	1,882
EUR 500 million	5.125%	2011	3,961	4,092
EUR 300 million	6.250%	2010	2,388	2,479
GBP 225 million	6.125%	2028	2,432	2,760

* Net after buy backs of NOK 1,765 million and NOK 2,035 million in 2007 and 2006, respectively

Substantially all unsecured debenture bond and unsecured bank loan agreements contain provisions restricting the pledging of assets to secure future borrowings without granting a similar secured status to the existing bond holders and lenders.

StatoilHydro's secured bankloans in USD have been secured by guarantee commitments amounting to USD 45 million, mortgage in shares in a subsidiary and investments in other companies with a combined book value of NOK 2,294 million, a bank deposit with a book value of NOK 2,020 million, and StatoilHydro's pro-rata share of income from certain applicable projects.

StatoilHydro has 31 debenture bond agreements outstanding, which contain provisions allowing StatoilHydro to call the debt prior to its final redemption at par if there are changes to the Norwegian tax laws or at certain specified premiums. The agreements' carrying value is NOK 34,956 million at 31 December closing rate.

Non-current financial liabilities repayment profile:

(in NOK million)	
2009	2,909
2010	3,525
2011	2,652
2012	3,066
Thereafter	24,510*
Total	36,662

* Includes financial lease obligation of NOK 2,052 million.

StatoilHydro ASA has an agreement with an international bank syndicate for committed non-current revolving credit facility totalling USD 2,0 billion, all undrawn. Commitment fee is 0,0575% per annum.

As of 31 December 2007 and 2006, StatoilHydro had no committed current credit facilities available or drawn.

15. FINANCIAL INSTRUMENTS AND DERIVATIVES

Market risk management

StatoilHydro ASA operates in the worldwide crude oil, refined products, natural gas, and electricity markets and is exposed to such market risks as fluctuations in hydrocarbon prices, foreign currency rates, interest rates, and electricity prices that can affect the revenues and costs of operating, investing and financing. These risks are managed on a long and short term basis, with focus on what is best for StatoilHydro ASA in order to achieve optimal risk adjusted returns.

StatoilHydro ASA has established an Enterprise-Wide Risk Management Program, which establishes guidelines for entering into contractual arrangements (derivatives) to manage its commodity price, foreign currency rate, and interest rate risk. Within the program, StatoilHydro ASA has developed a comprehensive model, which encompasses our most significant market and operational risks and takes into account correlation, different tax regimes, capital allocation on various levels and value at risk, or VaR, figures on different levels, with the goal of optimising risk adjusted return.

StatoilHydro ASA has used and intends to use financial and commodity-based derivatives to manage the risks in overall earnings and cash flows. StatoilHydro ASA uses swaps, options, futures, and forwards to manage its exposure to changes in the value of future cash flows primarily from future purchases and sales of crude oil and refined oil products. The term of the oil and refined oil products derivatives is usually less than one year. Natural gas and electricity swaps, options, forwards, and futures are likewise utilised to manage StatoilHydro ASA's exposure to changes in the value of future sales of natural gas and electricity. These derivatives usually have terms of approximately three years or less. Swaps are used by StatoilHydro ASA to manage interest rate risk related to our non-current debt portfolio.

Commodity price risk

Commodity price risk constitutes StatoilHydro ASA's most important market risk. To minimise the commodities price volatility and match costs with revenues, StatoilHydro ASA enter into commodity-based derivative contracts, which consist of futures, options, over-the-counter (OTC) forward contracts, market swaps and contracts for differences related to crude oil, petroleum products, natural gas and electricity.

Derivatives associated with crude oil and petroleum products are traded mainly on the International Petroleum Exchange (IPE) in London, the New York Mercantile Exchange (NYMEX), the OTC Brent market, and in crude and refined products swaps markets. Derivatives associated with natural gas and electricity are mainly OTC physical forwards and options, Nordpool forwards, and futures traded on the NYMEX and IPE.

Currency and interest rate risk

StatoilHydro ASA is subject to foreign exchange and interest rate risk which are assessed on a portfolio basis in accordance with approved strategies and mandates. In market risk management and in trading, StatoilHydro ASA uses only well-understood, conventional derivative instruments. These include futures and options traded on regulated exchanges, OTC swaps, options and forward contracts.

Fluctuations in exchange rates can have significant effects on StatoilHydro ASA's result. Our cash inflows are largely denominated in or driven by U.S. dollars while our cash outflows, such as operating expenses and taxes payable, are to a large extent in NOK. Accordingly, our exposure to foreign currency rates exists primarily with U.S. dollars versus Norwegian kroner. We seek to manage this currency mismatch by issuing or swapping non-current financial debt into U.S. dollars.

The existence of assets earning and liabilities owning variable rates of interest expose us to the risk of interest rate fluctuations. StatoilHydro ASA enters into various types of interest rate contracts in managing our interest rate risk. StatoilHydro ASA enters into interest rate derivatives, particularly interest rate swaps, to alter interest rate exposures, to lower funding costs and to diversify sources of funding.

Interest rate management.

The basic rule is that the long term debt portfolio shall have floating rate interest payments. The modified duration (the percentage change in value for one percentage point change in yield) expresses the way we monitor interest rate risk. Generally our modified duration shall be between 0 and 0.5%. Exceptions can from time to time be approved if justified by factors such as corporate risk considerations, tax considerations, large non-recurring transactions, credit rating concerns, etc.

The table below illustrates an uncorrelated loss scenario.

	At 31 December	
(in NOK million)	**2007**	**2006**
Currency risk (10 per cent adverse change)	11,726	8,015
Interest rate risk (1 percentage point adverse change)	299	363

Fair value of financial instruments

The following table contains estimated fair values of financial derivative instruments and estimated fair value of non-current financial liabilities. Commodity contracts capable of being settled by physical delivery of commodities (crude oil and fined products, natural gas, electricity) are excluded from the summary.

(in NOK million)	Fair value of assets	Fair value of liabilities	Net fair value
At 31 December 2007			
Debt-related instruments	4,676	(125)	4,551
Non-debt-related instruments	1,802	(163)	1,639
Non-current fixed interest liabilities	0	(38,971)	(38,971)
Crude oil and Refined products	500	(919)	(419)
Natural Gas and Electricity	430	(668)	(238)
At 31 December 2006			
Debt-related instruments	3,972	(413)	3,559
Non-debt-related instruments	2,057	(338)	1,719
Non-current fixed interest liabilities	0	(24,354)	(24,354)
Crude oil and Refined products	595	(274)	321
Natural Gas and Electricity	116	(183)	(67)

The fair values of quoted financial assets and liabilities are determined by reference to bid and ask prices respectively, at the close of business on the balance sheet date. Fair values of financial instruments quoted in active markets such as but not limited to commodity based futures, exchange traded option contracts and equity instruments are based on quoted market prices obtained from the relevant exchanges or clearing houses.

The following table contains the net fair value of non-exchange traded commodity and financial derivatives as at 31 December 2007, based on maturity of contracts and the source of determining the fair value of contracts, respectively:

(in NOK million)	Maturity less than 1 yr	Maturity 1-3 yrs	Maturity 4-5 yrs	Maturity in excess of 5 yrs	Total fair value
Commodity based derivatives					
Fair value based on prices quoted in an active market	(1,242)	(866)	0	0	(2,108)
Fair value based on price inputs from external sources	3	2	0	0	5
Fair value based on inputs from other sources	0	0	0	78	78
Total commodity based derivatives	(1,239)	(864)	0	78	(2,025)
Financial derivatives					
Fair value based on prices quoted in an active market	1,921	2,026	106	2,108	6,161
Fair value based on price inputs from external sources	0	0	0	0	0
Fair value based on inputs from other sources	0	0	0	0	0
Total financial derivatives	1,921	2,026	106	2,108	6,161

Credit risk management

StatoilHydro ASA manages credit risk concentration with respect to financial instruments by holding only investment grade securities distributed among a variety of selected issuers. A list of authorised investment limits by commercial issues is maintained and reviewed regularly along with guidelines which include an assessment of the financial position of counter-parties as well as requirements for collateral.

Credit risk related to commodity-based instruments is managed by maintaining, reviewing and updating lists of authorised counter-parties by assessing their financial position, StatoilHydro ASA frequently monitors credit exposure for counter-parties, establish internal credit lines for each counterparty, and requries collateral or guarantees when appropriate under contracts and as required by internal policies. Collateral will typically be in the form of cash or bank guarantees from highly rated international banks.

Credit risk related to interest rate swaps and currency swaps, which are over-the-counter transactions, is derived from the counter-parties to these transactions. Counter-parties are highly rated financial institutions. The credit ratings are reviewed minimum annually and counter-party exposure is monitored on a continuous basis to ensure exposure does not exceed credit lines and complies with internal policies. Non-debt-related foreign currency swaps usually have terms of less than one year, and the terms of debt-related-interest swaps and currency swaps are up to 22 years, in line with that of corresponding hedged or risk managed non-current depenture bonds or bank loans.

The credit risk concentration with respect to receivables is limited due to the large number of counter-parties spread worldwide in numerous industries.

The following table contains the fair value of open non-exchange traded derivative assets split by our assessment of the counter-party's credit risk:

(in NOK million)	Fair value
Counter-party rated	
Investment grade, rated A or above	6,276
Other investment grade	10
Non-investment grade or not rated	635

As of 31 December 2007, NOK 2.8 billion in collateral is available to StatoilHydro ASA to offset a portion of this credit exposure.

Credit rating categories in the table above are based on the StatoilHydro Group's internal credit rating policies, and do not always correspond directly with ratings issued by the major credit rating agencies due to internal evaluation criteria. Consistent with StatoilHydro policies, commodity derivative counter-parties have been assigned credit ratings corresponding to those of their respective parent companies, it may not be necessary to obtain a parent company guarantee from such counter-party.

Liquidity risk management

The purpose of liquidity management and short term funding is to make certain that StatoilHydro ASA at all times has sufficient funds available to cover financial obligations. StatoilHydro ASA's business activities often generate, on a monthly basis, a positive cashflow from operations. However, in months when taxes are paid (April and October) or annual dividend is paid (typically in May/June) cashflows are typically limited.

The amount of liquid assets will, as a rule, follow a cyclical pattern and increase from month to month, with an exception for months with tax or dividends payments when the amount is sharply reduced. In the period following tax and dividend payments the amount of liquid assets will often be significantly reduced. A need for short-term funding will then be triggered for a period until the debt is repaid and subsequently followed by a new accumulation of liquid assets. Short-term funding can be carried out bilaterally through direct borrowing from banks, insurance companies, etc. An alternative is to issue short term debt securities under one of the existing funding programs or under documentation established ad hoc.

All of StatoilHydro ASA´s financial liabilities related to derivative financial instruments, both exchange traded and non-exchange traded commodity based derivatives together with financial derivatives fall due within one year, based on the underlying delivery period of the contracts included in the porfolio.

16. EMPLOYEE RETIREMENT PLANS

Pension obligation

StatoilHydro ASA is obligated to follow the Act on Mandatory company pensions. The company's pension scheme follows the requirement as included in the act.

As of 1 January 2006, StatoilHydro ASA adopted Norwegian Accounting Standard (NRS) 6A. As a consequence, pension cost and pension obligation are recognised in accordance with International Accounting Standard (IAS) 19 Employee Benefits. The policy has been applied consistently to all periods presented in the financial statement. Correspondingly, StatoilHydro ASA has recognised actuarial losses of 1.7 billion (after tax) directly to equity as of 1 January 2006. The positive net income effect in 2007 as a result of the change in principle is NOK 0.4 billion.

StatoilHydro ASA has defined benefit retirement plans which cover all of their employees. Plan benefits are generally based on years of service and final salary levels. The cost of pension benefit plans is expensed over the period that the employee renders services and becomes eligible to receive benefits. The obligations related to defined benefit plans are calculated by independent actuaries.

StatoilHydro has «agreement-based early retirement plan» (AFP) which is a defined benefit multi-employer plan. For this plan, the administrator is not able to calculate the Group's share of assets and liabilities and this plan is consequently accounted for as a defined contribution plan. The period's contributions are recognised in the profit or loss as the pension cost for the period.

The obligations related to the defined benefit plans were measured at 31 December, 2007 and 2006. The present values of the projected defined benefit obligation and the related current service cost and past service cost are measured using the projected unit credit method. The assumptions for salary increases, increases in pension payments and social security base amount have been tested against historical observations. The discount rate for the defined benefit plans in Norway was estimated to be five per cent at 31 December 2007 based on the long-term interest rate on Norwegian government bonds extrapolated based on a 30 year yield curve to match StatoilHydro's payment portfolio for earned benefits.

The longest duration of Norwegian government bonds are 10 years. StatoilHydro's opinion is that the most appropriate method to extrapolate the 10 years rate to a 30 year rate is based on the yield curves with reference to European and USA interest rates (equally weighted). These are countries with similar market trends and interest levels as in Norway.

The Norwegian Standard Accounting Board (NSAB) provided guidelines on how to determine assumptions for pensions. As of 31 December 2007, NSAB's guidance suggested a discount rate of 4.5 per cent based on extrapolating the Norwegian Government bond rate by using the yield curve of Norwegian interest rate swaps. This results in a declining Norwegian yield curve. Over time, StatoilHydro believes that the Norwegian yield curve is similar to the international yield curve and is best estimated using StatoilHydro's approach. This approach is consistent with previous periods and avoids inappropriate fluctuations from one year to another.

Actuarial gains and losses are recognised directly in equity in the period which they occur.

Payroll tax is calculated based on the pension plan's net unfundet status. Payroll tax is included in the projected benefit obligation.

Net periodic pension cost

(in NOK million)	2007	2006
Current service cost	2,420	1,387
Interest cost on prior years benefit obligation	1,556	906
Expected return on plan assets	(1,654)	(969)
Losses/(gains) from curtailment or settlement	(1,564)	0
Amortization of past service cost	2,065	0
Defined benefit plans	2,823	1,324
Multi employer plans	42	31
Termination benefits	6,516	0
Total net pension cost	9,381	1,355

Pension cost includes payroll tax.

StatoilHydro ASA has made changes in the existing defined benefit plans (past service costs) due to harmonisation of the pension plans for employees in former Hydro and former Statoil. The benefits, which are already vested, amounts to NOK 2.1 billion and were recognised immediately as past service cost in 2007.

StatoilHydro ASA offered early retirement (termination benefits) to employees above the age of 58 years (contingent upon certain conditions). The expense related to termination benefits is recognised as Operating cost and Selling, general and administration cost, NOK 4.8 billion and NOK 1.7 billion, respectively. StatoilHydro ASA has announced that a proportional part of the termination benefit costs will be charged to the partners in StatoilHydro operated licences. As a consequence of the early retirement scheme, StatoilHydro ASA's existing pension obligations related to ordinary early retirement («Avtalefestet pensjon») were reduced. The gain related to this curtailment effect was recognised in the income statement in 2007.

The expense related to ordinary pension cost is recognised as Operating cost or Selling, general and administrative cost based on the function of the cost. Ordinary pension cost is partly charged to partners of StatoilHydro operated licences.

Change in projected benefit obligation (PBO)

(in NOK million)	2007	2006
Projected benefit obligation at 1 Januray	27,283	21,486
Current service cost	2,420	1,387
Interest cost on prior years' benefit obligation	1,556	906
Actuarial loss (gain)	135	3,835
Past service cost	2,065	0
Benefits paid	(497)	(331)
Curtailments	(1,434)	0
Business combination	8,949	0
Termination benefits	6,516	0
Projected benefit obligation at 31 December	46,993	27,283

Change in pension plan assets

(in NOK million)	2007	2006
Fair value of plan assets at 1 January	21,288	17,726
Expected return on plan assets	1,654	969
Actuarial gain (loss)	(320)	1,086
Company contributions (including payroll tax)	3,585	1,668
Benefits paid	(246)	(161)
Business combination	6,034	0
Sale of business, settlements	129	0
Fair value of plan assets at 31 December	32,124	21,288

Total provision for pensions

(in NOK million)	2007	2006
Balance sheet provision at 1 January	(5,995)	(3,760)
Net periodic pension costs	(2,824)	(1,324)
Net actuarial loss (gain) recognised in SORIE	(455)	(2,749)
Less employer contributions/benefit paid during year	3,836	1,838
Business combination	(2,915)	0
Termination benefits	(6,516)	0
Balance sheet provision at 31 December	(14,869)	(5,995)

Surplus (deficit) at 31 December:

(in NOK million)	2007	2006
Surplus (deficit) at 31 December:	**(14,869)**	**(5,995)**
Represented by:		
Asset recognised as pension asset	1,561	2,949
Asset recognised as non-current financial receivables from subsidiares	2,117	0
Liability recognised as non-current pension liability	(18,384)	(8,781)
Liability recognised as current liability	(163)	(163)

Asset recognised as non-current financial receivables from subsidiares relates to termination benefit costs.

The defined benefit obligation may be analysed as follows:

(in NOK million)	2007	2006
Funded pension plans	29,495	19,856
Unfunded pension plans	17,498	7,427
Pension liabilities at 31 December	**46,993**	**27,283**

Accumulated actuarial gains and losses recognised directly to equity:

(in NOK million)	2007	2006
Accumulated actuarial losses (gains) at 1 January	0	0
Actuarial losses (gains) on plan assets occur during the year	(184)	(1,086)
Actuarial losses (gains) on benefit obligation occur during the year	135	3,835
Recognised directly to equity during the year	49	(2,749)
Accumulated actuarial losses (gains) at 31 December	0	0

Actual return on plan assets

(in NOK million)	2007	2006
Actual return on plan assets	1,334	2,055

History of experience gains and losses:

(in NOK million)	2007	2006
Actual return less expected return on plan assets (NOK million)	184	1,086
As % of plan assets at beginning of year	0.86%	6.13%
Experience gains/(losses) on plan liabilities (NOK million)	(135)	(3,835)
As % of present value of plan liabilities at beginning of year	(0.49%)	(17.85%)
Total actuarial gain/(loss) (NOK million)	49	(2,749)
As % of present value of plan liabilities at beginning of year	0.18%	(12.79%)

The cumulative amount of actuarial gains and losses recognised directly to equity amounted to NOK 4.1 billion after tax. (Negative effect on equity).

Assumptions at 31 December (Profit and Loss items)

(in per cent)	2007	2006
Discount rate	4.50	4.25
Expected return on plan assets	5.75	5.75
Rate of compensation increase	4.25	3.00
Expected rate of pension increase	2.75	2.50
Expected increase of social security base amount (G-amount)	4.00	2.75
Inflation	2.25	2.25

Assumptions at 31 December (Balance Sheet items)

(in per cent)	2007	2006
Discount rate	5.00	4.50
Expected return on plan assets	6.25	5.75
Rate of compensation increase	4.50	4.25
Expected rate of pension increase	3.25	2.75
Expected increase of social security base amount (G-amount)	4.25	4.00
Expected inflation	2.25	2.25
Average remaining service period in years	15	15

Expected turnover at 31 December 2007 was 4.0 per cent, 1.5 per cent, 1.3 per cent, 0.5 per cent and 0.0 per cent for the employees under 30 years, 30-39 years, 40-49 years, 50-59 years and 60-67 years, respectively. Expected turnover at 31 December 2006 was 5.0 per cent, 1.3 per cent, 1.2 per cent, 0.5 per cent and 0.0 per cent for the employees under 30 years, 30-39 years, 40-49 years, 50-59 years and 60-67 years, respectively.

Expected utilisation of Agreement-based early retirement pension (AFP) is 50 per cent for employees at 62 years and 30 per cent for employees at 63 - 66 years.

The mortality table K 2005 was used as the best estimate for mortality. The disability table, KU, developed by the insurance company Storebrand, aligns with the actual disability risk for StatoilHydro ASA.

Below is shown a selection related to demographic assumptions used at 31 December 2007. The table shows the probability of disability or death, within one year, by age groups as well as expected lifetime.

	Disability in %			Mortality in %			Expected lifetime	
Age	Men	Women	Age	Men	Women	Age	Men	Women
20	0.12	0.15	20	-	-	20	80.51	84.35
40	0.21	0.35	40	0.07	0.04	40	80.83	84.60
60	1.48	1.94	60	0.63	0.36	60	82.27	85.51
80	N/A	N/A	80	5.91	3.91	80	87.97	89.74

Number of members defined benefit plans	2007	2006
Active members	17,749	13,169
Pensioners	2,242	1,512
Paid up policies	2,935	1,985
Number of members on the pension plans	24,933	16,666

Sensitivity analysis

The table below shows an estimate of the potential effects of changes in the key assumptions for the defined benefit plans. The following estimates are based on facts and circumstances as of 31 December, 2007. Actual results may materially deviate from these estimates.

	Discount rate	
(in NOK million)	1%	-1%
Changes in pension:		
Obligation	(7,970)	10,577
Net periodic benefit cost	(475)	607

	Rate of compensation increase	
(in NOK million)	1%	-1%
Changes in pension:		
Obligation	6,100	(4,968)
Net periodic benefit cost	831	(654)

	Expected increase of social security base amount	
(in NOK million)	1%	-1%
Changes in pension:		
Obligation	(2,164)	2,213
Net periodic benefit cost	(290)	300

	Expected rate of pension increase	
(in NOK million)	1%	-1%
Changes in pension:		
Obligation	6,346	(5,214)
Net periodic benefit cost	636	(521)

Pension assets

The plan assets related to the defined benefit plans were measured at 31 December 2007 and 2006. The long-term expected return on pension assets is based on long-term risk-free rate adjusted for the expected long-term risk premium for the respective investment classes.

In its asset management, the pension fund aims at achieving long-term returns which contribute towards meeting future pension liabilities. Assets are managed to achieve a return as high as possible within a framework of public regulation and prudent risk management policies. The pension fund's target returns require a need to invest in assets with a higher risk than risk-free investments. Risk is reduced through maintaining a well diversified asset portfolio. Assets are diversified both in terms of location and different asset classes. Derivatives are used within set limits to facilitate effective asset management.

Pension assets allocated on respective investments classes

(in per cent)	2007	2006
Equity securities	50.50	36.00
Debt securities	31.90	44.00
Certificates	8.60	11.00
Real estate	6.90	5.00
Other assets	2.10	4.00
Total	100.00	100.00

Properties owned by StatoilHydro pension fund amounted to NOK 1.1 billion of total pension assets at 31 December 2007 and are rented to companies in the Group.

StatoilHydro's pension funds invest in both financial assets and real estate. The expected rate of return on real estate is expected to be between the rate of return on equity securities and debt securities. The table below presents the portfolio weight and expected rate of return of the finance portfolio, as approved by the board of the Statoil pension funds for 2008.

Finance portfolio StatoilHydro's pension funds

(All figures in per cent)		Portfolio weight 1)
Equity securities	35.1	(+/- 5)
Debt securities	55.4	(+/- 5)
Certificates	9.5	(+15/-0,5)
Total finance portfolio	100.0	

Finance portfolio StatoilHydro's pension funds

(All figures in per cent)	Expected rate of return
Equity securities	X + 4
Debt securities	X
Certificates	X - 0,4

1) The brackets express the scope of tactical deviation by Statoil Kapitalforvaltning ASA (the asset manager) in percentage points.
X = Long-term rate of return on debt securities

Company contributions may either be paid in cash or be deducted from the pension premium fund. The decision whether to pay in cash or deduct from the pension premium fund is made on an annual basis. The company contribution in 2007, paid in cash, was NOK 3.1 billion (exclusive payroll tax), of which NOK 1.0 billion was a voluntary payment to the premium fund.

The expected company contribution for the next year amounts to NOK 2.0 billion (exclusive payroll tax).

17. ASSET RETIREMENT OBLIGATION AND OTHER PROVISIONS

(in NOK million)	2007	2006
Asset retirement obligation at 1 January	23,289	17,894
Liabilities incurred / revision in estimates	(1,787)	4,716
Accretion expense	1,345	837
Incurred removal cost	(124)	(158)
Asset retirement obligation at 31 December	22,723	23,289
Current portion of asset retirement obligations	140	0
Other provision at 31 December		
Non-current portion of asset retirement obligations	22,583	23,289
Other provisions	2,143	1,142
Total non-current provisions at 31 December	24,726	24,431

Asset retirement obligations
A majority of expenditures related to asset retirement obligations are currently expected to be paid in the period between 2015 and 2025, and only a minor portion of expenditures are expected to be paid in the next five years. The timing depends primarily on when the production ceases at the various facilities whereas the amounts to be paid depend on future development in technologies, regulations, rates and availability of necessary support vessels. The provision for the expenditures is estimated using existing technology. Assumed vessel rates and all other input prices are estimates of rates and prices at the time of the expenditures and the calculated future expenditures have been discounted using nominal pre-tax discount rates. Input prices in other currencies than the functional currency of the individual entities have been converted into functional currency at the exchange rates ruling at the date of the estimate calculations.

Obligations related to environmental remediation and cleanup related to oil and gas producing assets are included in the estimated asset retirement obligations.

18. RESEARCH AND DEVELOPMENT EXPENDITURES

Research and Development (R&D) expenditures were NOK 1,350 million and NOK 1,180 million in 2007 and 2006 respectively. R&D expenditures are partly financed by partners of StatoilHydro operated licenses. StatoilHydro ASA's share of the expenditures has been recognised as expense in the Income Statement.

19. LEASES

StatoilHydro ASA leases certain assets, notably vessels and drilling rigs.

StatoilHydro ASA has entered into certain operational lease contracts for a number of drilling rigs as of December 31, 2007. The remaining significant contracts' terms range from 3 months to 8 years. Certain contracts contain renewal options. Rig lease agreements are for the most part based on fixed day rates. StatoilHydro's rig leases have partly been entered into in order to ensure drilling capacity for sanctioned projects and planned wells, and partly in order to secure long term strategic capacity for future exploration and production drilling. Certain rigs have been subleased in whole or for parts of the lease term to StatoilHydro-operated licenses on the Norwegian Continental Shelf (NCS). These matters are shown gross as operating leases in the table below. However, for rig leases where the joint venture is the original lessee, StatoilHydro only includes its proportional share of the rig lease.

As a member of the Snøhvit Sellers' group StatoilHydro ASA has entered into leasing arrangements for three LNG vessels on behalf of StatoilHydro ASA and the SDFI (the State's direct financial interest) respectively. StatoilHydro ASA accounts for the combined StatoilHydro and SDFI share of these agreements as finance leases in the balance sheet, and further accounts for the SDFI related portion as operating sub-leases. The finance leases included in the balance sheet reflect a firm leasing term of 20 years. In addition, StatoilHydro has the option to extend the leases for two additional periods of five years each.

In 2007, net rental expense was NOK 4,229 million of which minimum lease payments were NOK 5,075 million and sublease payments received were NOK 867 million. In 2006 gross rental expensed was NOK 4,177 million and sublease payments received were NOK 991 million.

The information in the table below shows future minimum lease payments under non-cancellable leases at 31 December 2007. In addition, StatoilHydro has entered into partly offsetting subleases of certain assets amounting to a total future rental income of NOK 5,993 million.

Amounts related to financial leases include future minimum lease payments for assets recorded in the financial statements at year-end 2007.

		Financial leases		
(in NOK million)	**Operating leases**	**Minimum lease payments**	**Interest**	**Principal**
2008	6,769	263	11	252
2009	7,393	263	22	241
2010	6,483	263	33	230
2011	4,813	263	42	221
2012	3,027	263	51	212
Thereafter	5,248	3395	1357	2038
Total future minimum lease payments	33,733	4,710	1,516	3,194

Property, plant and equipment include the following amounts for leases that have been capitalized at 31 December 2007 and 2006.

(in NOK million)	**2007**	**2006**
Vessels	4,276	2,345
Accumulated depreciation	(399)	(182)
Capitalized amounts	3,877	2,163

20. OTHER COMMITMENTS AND CONTINGENT LIABILITIES

Contractual commitments	**2008**	**2009**	**Thereafter**	**Total**
Contractual commitments related to construction in progress	4,901	1,906	393	7,200
Contractual commitments related to other investments and property, plant and equipement	406	163	93	662
Total	5,307	2,069	486	7,862

These contractual commitments are joint venture related, and comprise mainly of construction and acquisition of property, plant and equipment.

StatoilHydro ASA has entered into agreements for pipeline transportation for most of its prospective gas sales contracts. These agreements ensure the right to transport the production of gas through the pipelines, but also impose an obligation to pay for booked capacity. In addition, the Company has entered into certain obligations for other forms of transport capacity as well as terminal, processing, storage and entry capacity commitments. The following table outlines nominal minimum obligations for future years. Corresponding expenditures for 2007 and 2006 were NOK 6,325 million and NOK 4,671 million, respectively.

StatoilHydro ASA has entered into a number of general or field specific long-term frame agreements mainly related to crude oil loading and transport capacity availability. The main contracts run up until the end of the respective field lives. Such contracts have not been included in the below table of contractual commitments unless they entail specific minimum payment obligations.

Obligations payable by the Company to affiliates are included gross in the table below. Where the Company reflects both ownership interests and transport capacity cost for a pipeline in the accounts, the amounts in the table include the net transport commitment payable for StatoilHydro ASA.

Transport capacity and other obligations at 31 December 2007:

(in NOK million)	
2008	4,677
2009	3,818
2010	4,025
2011	4,258
2012	3,934
Thereafter	13,449
Total	34,161

Guarantees

The Company has provided parent company guarantees to Statoil Forsikring a.s and to subsidiaries with operations in Sweden, Venezuela, Great Britain, Ireland, Iran, Algeria, the Faroe Islands, USA, Belgium and Brazil. The Company has also counter-guaranteed certain bank guarantees to subsidiaries in Brazil, Algeria, the Netherlands, Venezuela, Sweden, Nigeria, Egypt, Indonesia and Angola

Other commitments and contingencies

As a condition for being awarded oil and gas exploration and production licenses, participants may be committed to drill a certain number of wells. At the end of 2007, StatoilHydro was committed to participating in 21 wells off Norway, with an average ownership interest of approximately 43 per cent. StatoilHydro ASA's share of estimated expenditures to drill these wells amounts to approximately NOK 3 billion. Additional wells that StatoilHydro may become committed to participating in depending on future discoveries in certain licenses are not included in these numbers.

A group of Norwegian pensioners has brought legal proceedings against StatoilHydro ASA over certain changes made to the pension fund articles of association in 2002, relating to the basis for adjustment of pension payments after that date. Stavanger District Court ruled in favour of StatoilHydro in the first quarter of 2007. The Gulating Court of Appeal ruled in favour of the pensioners in the fourth quarter of 2007. The verdict has been appealed to the Supreme Court by StatoilHydro on 28 December 2007. The accounting effect of an ultimately adverse verdict for StatoilHydro has been estimated at approximately NOK 3 billion before tax.

StatoilHydro ASA issued a declaration to the Norwegian Ministry of Petroleum and Energy (MPE) in 1999 in connection with a dispute between four Åsgard partners and StatoilHydro related to the construction of new facilities for the Åsgard development at the Kårstø Terminal. The declaration confirmed that the MPE will receive similar treatment as the four Åsgard partners with respect to the disputed issues. The MPE has indicated that a claim will be presented based on the declaration.

The price review of two long-term natural gas contracts are currently in arbitration. Contractual price for a total volume of 6.2 billion cubic meters of gas delivered as of 31 December 2007 and for future deliveries under these contracts may be positively or negatively affected by the arbitration verdict, the final outcome of which cannot be determined at this time.

StatoilHydro ASA has decided to offer early retirement packages to employees above the age of 58 years (contingent upon certain conditions). The offer is divided in two phases, employees working onshore (first phase) and employees working offshore and on onshore plants and terminals (second phase). StatoilHydro has announced that a proportional part of these costs will be charged to the partners in StatoilHydro operated licences. The receivable (contingent asset) related to first phase is approximately NOK 2 billion, whereas the receivable related to the second phase is currently not determined.

StatoilHydro was informed on 26 September 2007 of possible consultancy agreements and transactions associated with Hydro's operations in Libya that could be in conflict with applicable Norwegian and US anti-corruption legislation. Hydro's petroleums activities in Libya were transferred to StatoilHydro as of 1 October 2007 as part of the merger with Hydro's petroleum business. Following a preliminary assessment by StatoilHydro's corporate audit function, Chief Executive Helge Lund resolved in consultation with the StatoilHydro board to initiate an external review of the relevant aspects. The purpose is to determine the facts relevant to applicable Norwegian and US anti-corruption legislation to which StatoilHydro may be subject as a result of those operations. The U.S. law firm Sidley Austin LLP is in the process of carrying out the review together with Norwegian law firm Simonsen Advokatfirma DA, supported by StatoilHydro's corporate audit function. Other consultancy agreements relating to Hydro's international petroleum operations are also under review. Both Hydro and StatoilHydro are cooperating on securing the documentation and information required to establish the facts of the matter.

During the normal course of its business the Company is involved in legal proceedings, and several other unresolved claims are currently outstanding. The ultimate liability or asset, respectively, in respect of such litigation and claims cannot be determined at this time. StatoilHydro has provided in its accounts for probable liabilities related to litigation and claims based on the Company's best judgement. StatoilHydro does not expect that the financial position, results of operations or cash flows will be materially affected by the resolution of these legal proceedings.

21. RELATED PARTIES

The Norwegian State is the majority shareholder of StatoilHydro ASA and also holds major investments in other entities. This ownership structure means that StatoilHydro participates in transactions with many parties that are under a common ownership structure and therefore meet the definition of a related party. All transactions are considered to be on a normal arms-length basis.

The ownership interests of the Norwegian State in StatoilHydro ASA are held by the Norwegian Ministry of Petroleum and Energy (MPE). The following transactions were made between StatoilHydro and MPE for the years presented:

Total purchases of oil and natural gas liquid from the Norwegian State amounted to NOK 98,498 million, (237 million barrels oil equivalents) and NOK 104,628 million (254 million barrels oil equivalents) in 2007 and 2006, respectively. Purchases of natural gas from the Norwegian State (excluding purchases from licenses and sales on behalf of the Norwegian State) amounted to NOK 287 million and NOK 293 million in 2007 and 2006, respectively.

StatoilHydro ASA is, in its own name, but for the Norwegian State's account and risk, selling the State's natural gas production. This sale, as well as related expenditures refunded by the State, are shown net in StatoilHydro's Financial Statements.

In relation to its ordinary business operations such as pipeline transport, gas storage and processing of petroleum products, StatoilHydro ASA also has regular transactions with certain unconsolidated affiliated entities. Such transactions are carried out on an arm's length basis, and are included within the applicable captions in the Statements of income.

22. EQUITY AND SHAREHOLDERS

Change in equity

(in NOK million)	2007	2006
Shareholders' equity 1 January	103,700	88,213
Effect of the merger with Hydro Petroleum	35,420	0
Net income	43,869	39,020
Ordinary dividend	(27,085)	(19,690)
Actuarial gain employee retirement benefit plans	211	(881)
Effectuation annulment program, see information below	(2,465)	0
Treasury shares bought	(182)	(1,095)
Value of stock compensation plan	112	59
Foreign currency translation adjustment	(9,856)	(1,926)
Total equity 31 December	143,724	103,700

Common stock

	Number of shares	Par value	Common stock
Authorized and issued	3,188,647,103	2.50	7,971,617,757.50
Treasury shares	2,195,213	2.50	5,488,032.50
Total outstanding shares	3,186,451,890	2.50	7,966,129,725.00

There is only one class of shares and all shares have voting rights.

In 2001, 25,000,000 treasury shares were issued. During 2002 and 2003 a number of 1,558,115 of the treasury shares were distributed as bonus shares in favor of retail investors in the initial public offering in 2001. On 10 May 2006 the annual General Meeting resolved to reduce the Company´s share capital by a total of NOK 58,604,712.50 through the annualment of the rest of these Treasury shares.

The annual General Meeting in 2006 authorised the Board of Directors to acquire own shares for subsequent annulment. Under an agreement with the Norwegian State a proportion of the State's shares should later be redeemed and annulled, so that the State's ownership interest remained unchanged. The extraordinary General Meeting on 5 July 2007 approved to reduce the Share capital by NOK 50,397,120 by annulment of 5,867,000 acquired Treasury shares, and redemption and annulment of 14,291,848 shares held by the State through the payment of NOK 2,441,899,894 to the State, represented by the Ministry of Petroleum and Energy. The amount corresponds to the average volume-weighted price of the company's buyback of own shares in the market with the addition of interest.

The board of directors is authorised on behalf of the company to acquire StatoilHydro shares in the market. The authorisation may be used to acquire StatoilHydro shares with an overall nominal value of up to NOK 15 million. The board decides the manner in which the acquisition of Statoil shares in the market will take place. Such shares acquired in accordance with the authorisation may only be used for sale and transfer to employees of the StatoilHydro group as part of the group's share saving plan approved by the board. The lowest amount which may be paid per share is NOK 50; the highest amount which may be paid per share is a maximum NOK 500. The authorisation is valid until the next ordinary general meeting.

The 20 largest shareholders at 31 December 2007 (in per cent)	
1 THE NORWEGIAN STATE (Ministry of Petroleum and Energy)	62.50
2 BANK OF NEW YORK, ADR DEPARTEMENT *	3.57
3 STATE STREET BANK*	3.31
4 FOLKETRYGDFONDET (Norwegian national insurance fund)	2.36
5 JP MORGAN CHASE BANK *	1.78
7 CLEARSTREAM BANKING S.A.*	1.00
7 THE NORTHERN TRUST	0.92
8 MELLON BANK*	0.89
8 MELLON BANK*	0.57
18 VITAL FORSIKRING ASA	0.57
11 JP MORGAN CHASE BANK*	0.56
11 STATE STREET BANK*	0.51
13 THE NORTHERN TRUST	0.39
14 INVESTORS BANK*	0.38
14 INVESTORS BANK*	0.37
19 SVENSKA HANDELSBANKEN	0.35
6 FIDELITY FUNDS EUROPE*	0.34
20 STATE STREET BANK*	0.33
19 DNB NOR NORGE	0.31
16 RBC DEXIA INVESTORS	0.29

* Client account and similar

Members of the Board of Directors, Corporate Executive Committee and Corporate Assembly holding shares as of 31 December 2007:

Board of Directors	
Svein Rennemo (the chairman of the board of directors)*	0
Marit Arnstad	0
Elisabeth Grieg	33,108
Grace Reksten Skaugen	400
Roy Franklin	0
Kjell Bjørndalen	0
Kurt Anker Nilsen	0
Lill-Heidi Bakkerud	330
Claus Clausen	165
Morten Svaan	633

* Entered as Chairman of the Board 1 April 2008.

Corporate Executive Committee	
Helge Lund (Chief Executive Officer)	5,980
Rune Bjørnson	1,347
Jon Arnt Jacobsen	3,821
Peter Mellbye	4,401
Morten Ruud	5,087
Eldar Sætre	2,639
Tore Torvund	33,368
Margareth Øvrum	4,284
Hilde Merete Aasheim	117
Corporate Assembly (in total)	3,529

23. SHARE-BASED COMPENSATION

StatoilHydro's Share Saving Plan provides employees with the option to purchase StatoilHydro shares though monthly salary deductions, and a contribution by StatoilHydro ASA. If the shares are kept for two full calendar years of continued employment the employees will be allocated one bonus share for each one they have purchased.

Estimated compensation expense including the contribution by StatoilHydro for purchased shares, amounts vested for bonus shares rented and related social security tax was NOK 220 million and NOK 86 million related to 2007 and 2006, respectively. At 31 December 2007 the amount of compensation cost yet to be expensed throughout the vesting period is NOK 463 million. For the 2008 program (granted in 2007) the estimated compensation expense for 2008 is NOK 307 million.

Stavanger, 8 APRIL 2008

THE BOARD OF DIRECTORS OF STATOILHYDRO ASA

SVEIN RENNEMO
CHAIR

MARIT ARNSTAD
DEPUTY CHAIR

LILL-HEIDI BAKKERUD

KJELL BJØRNDALEN

CLAUS CLAUSEN

ROY FRANKLIN

KURT ANKER NIELSEN

ELISABETH GRIEG

GRACE REKSTEN SKAUGEN

MORTEN SVAAN

HELGE LUND
PRESIDENT AND CEO

To the Annual Shareholders' Meeting of StatoilHydro ASA

Auditor's report for 2007

We have audited the annual financial statements of StatoilHydro ASA as of 31 December 2007, showing a profit of NOK 43 869 million. We have also audited the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit. The financial statements comprise the balance sheet, the statements of income and cash flows, the statement of equity and the accompanying notes. The regulations of the Accounting Act and accounting standards, principles and practices generally accepted in Norway have been applied in the preparation of the financial statements. These financial statements and the Directors' report are the responsibility of the Company's Board of Directors and the President and Chief Executive Officer. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with laws, regulations and auditing standards and practices generally accepted in Norway, including the auditing standards adopted by the Norwegian Institute of Public Accountants. Those standards and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards, an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion

- the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects the financial position of the Company as of 31 December 2007, and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the Company's management has fulfilled its duty to properly record and document the Company's accounting information as required by law and generally accepted bookkeeping practice in Norway
- the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and comply with law and regulations.

Stavanger, 9 April 2008
ERNST & YOUNG AS

Erik Mamelund
State Authorised Public Accountant
(Norway)
(sign.)

Note: The translation to English has been prepared for information purposes only.

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