

Rating: Buy
S&P 500: 1474

Statoil (STO) **Norwegian Oil and Gas Champion**

<i>Symbol</i>	STO	<i>Ebitda Next Twelve Months ending 6/30/08 (US\$mm)</i>	21,920
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	0
<i>Price (\$/sh)</i>	29.44	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	7/30/07	<i>Adjusted Reserves/Production NTM</i>	7.7
<i>Shares (mm)</i>	3200	<i>EV/Ebitda</i>	5.1
<i>Market Capitalization (\$mm)</i>	94,200	<i>PV/Ebitda</i>	5.9
<i>Debt (\$mm)</i>	17,600	<i>Undeveloped Reserves (%)</i>	35
<i>Enterprise Value (EV) (\$mm)</i>	111,800	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	19.90
<i>Present Value (PV) (\$mm)</i>	129,600	<i>Present Value Proven Reserves(\$/boe)</i>	22.10
<i>Net Present Value (\$/share)</i>	35	<i>Present Value Proven Reserves(\$/mcf)</i>	3.70
<i>Debt/Present Value</i>	0.14	<i>Earnings Next Twelve Months (US\$/sh)</i>	2.77
<i>McDep Ratio - EV/PV</i>	0.86	<i>Price/Earnings Next Twelve Months</i>	11
<i>Dividend Yield (%/year)</i>	5.3	<i>Indicated Annual Dividend (US\$/sh)</i>	1.57

Note: Estimated cash flow and earnings tied to one-year futures prices for oil.

Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.

Estimated present value presumes a long-term price for oil of US\$66 a barrel and natural gas, \$11 a million btu.

The Norwegian government owns 71% of the shares in Statoil

Summary and Recommendation

Buy-recommended **Statoil (STO)** offers unlevered appreciation potential of 16% to estimated net present value (NPV) of \$35 a share. Second quarter results reported on July 30 disclosed higher than expected unlevered cash flow (Ebitda) apparently because of lower petroleum tax payments to the Norwegian government (see table Next Twelve Months Operating and Financial Estimates). With the acquisition of **Norsk Hydro (NHY)**'s oil and gas properties expected to be final October 1, Statoil would become the tenth company in our coverage with more than a hundred billion dollars in present value. Concentrated 63/37 on oil and natural gas production, NPV for the large cap stock looks in line with our estimates for some thirty other producers (see table Functional Cash Flow and Present Value). Currently quoted at \$71 a barrel, long-term oil price appears to be in an uptrend despite volatility of short-term quotes (see chart Six-Year Commodity Price Meter). Finally, STO stock also has positive momentum as it trades above its 200-day average.

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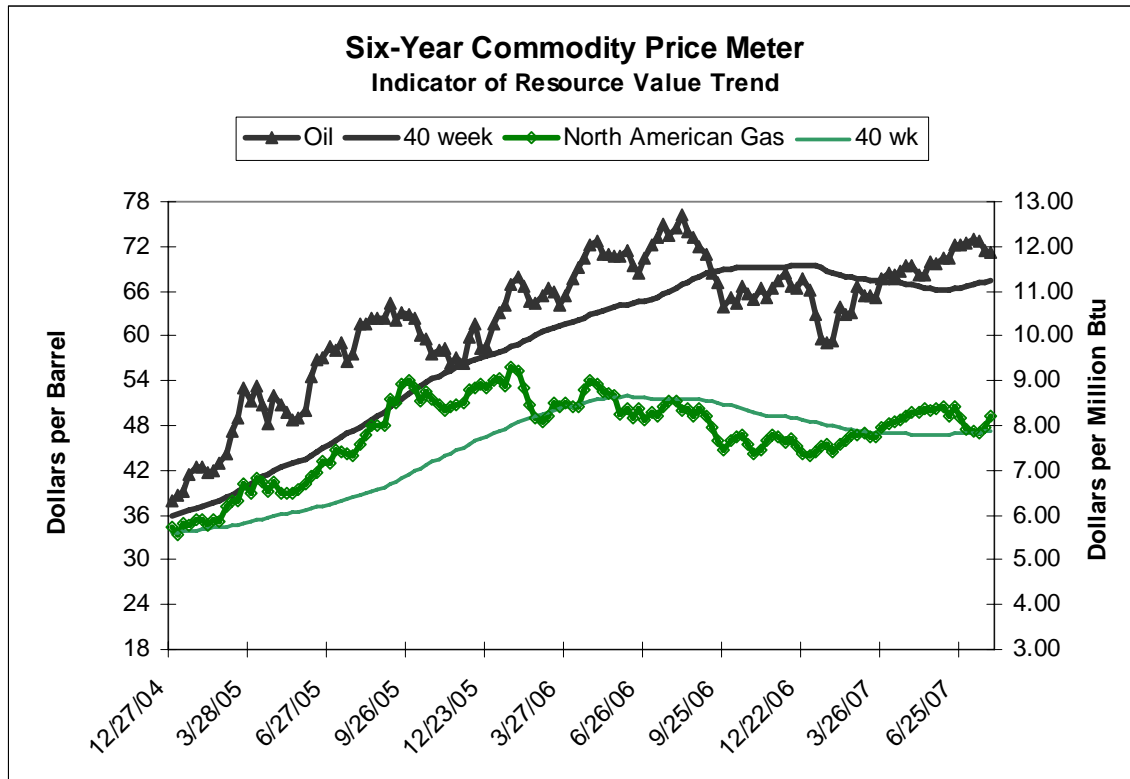
Statoil
Next Twelve Months Operating and Financial Estimates

	<i>Year</i>	<i>Q1</i>	<i>Q2</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Next Twelve Months</i>
	<i>2006</i>	<i>3/31/07</i>	<i>6/30/07</i>	<i>9/30/07</i>	<i>12/31/07</i>	<i>2007E</i>	<i>3/31/08</i>	<i>6/30/08</i>	<i>6/30/08</i>
Volume									
Natural gas (bcf)	1,022	279	246	322	368	1,215	378	331	1,399
Natural Gas (mmcf)	2,791	3,102	2,676	3,500	4,000	3,321	4,200	3,600	3,823
Days	366	90	92	92	92	366	90	92	366
Oil (mmb)	245	61	61	99	99	321	97	99	395
Oil (mbd)	670	682	666	1,080	1,080	878	1,080	1,080	1,080
Total gas & oil (mbd)	1,135	1,199	1,112	1,663	1,747	1,432	1,780	1,680	1,717
Price									
Natural gas (NOK/mcf)	54	49	43	52	57	51	57	43	52
Natural gas (NOK/Sm3)	1.91	1.74	1.53	1.82	2.01	1.80	2.01	1.53	1.85
Oil									
WTI Cushing US\$/bbl)	66.05	58.08	64.91	75.91	75.47	68.59	73.75	72.89	74.50
Kroner/\$	6.41	6.23	6.01	5.80	5.80	5.96	5.80	5.80	5.80
WTI Cushing (NOK/bbl)	423	362	390	440	438	409	428	423	432
Wellhead (NOK/bbl)	413	359	413	466	463	435	453	448	458
Total gas & oil (NOK/bb)	377	332	352	411	417	385	409	381	405
Revenue (NOKmm)									
Natural Gas	55,377	13,761	10,671	16,602	20,954	61,988	21,524	14,355	73,434
Oil	101,202	22,035	25,305	46,317	46,045	139,703	44,019	44,471	180,852
Other	327,299	78,464	83,738	83,738	83,738	329,677	83,738	83,738	334,951
Total	428,501	100,499	109,043	146,657	150,737	506,935	149,280	142,563	589,237
Expense									
Ebitda (NOKmm)	87,859	17,426	20,679	31,460	33,499	103,064	32,771	29,413	127,143
Exploration	5,664	1,177	1,187	3,000	3,000	8,364	3,000	3,000	12,000
Deprec., Deplet., & Amort.	21,767	5,438	5,334	8,500	8,500	27,772	8,500	8,500	34,000
Ebit	60,428	10,811	14,158	19,960	21,999	66,928	21,271	17,913	81,143
Interest	1,250	568	495	495	495	2,053	495	495	1,980
Foreign Exchange	(3,286)	(1,571)	(2,837)						
Ebt	62,464	11,814	16,500	19,465	21,504	69,283	20,776	17,418	79,163
Income Tax	21,858	4,135	5,775	6,813	7,527	24,249	7,272	6,096	27,707
Net Income (NOKmm)	40,605	7,679	10,725	12,652	13,978	45,034	13,505	11,322	51,456
Shares (millions)	2,161	2,145	2,145	3,200	3,200	2,664	3,200	3,200	3,200
Per share (NOK)	18.79	3.58	5.00	3.95	4.37	16.90	4.22	3.54	16.08
Ebitda Margin (E&P)	56%	49%	57%	50%	50%	51%	50%	50%	50%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%

Statoil
Functional Cash Flow and Present Value

	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
				<i>(US\$mm)</i>	
Natural Gas	6,331	12.3	7.3	46,000	35%
Oil	15,591	5.0	5.4	83,600	65%
	21,921	7.7	5.9	129,600	100%
Debt (US\$mm)					17,600
Net Present Value (US\$mm)					112,000
Shares (mm)					3,200
Net Present Value - Standard Estimate (US\$/sh)					35
Net Present Value - Approximation by Correlation (US\$/sh)					36

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