



NOK 28 100 000 000

Another strong result for the SDFI

The State's Direct Financial Interest (SDFI) achieved an income after financial items of NOK 28.1 billion for the first quarter of 2007, compared with NOK 35.5 billion in the same period of last year. This decline reflects lower prices and reduced oil production. Petoro received seven new SDFI holdings to manage, two in the Barents Sea and five in the North Sea.

Operating income for the first quarter was NOK 28.5 billion, compared with NOK 35.9 billion for the same period of last year. Net cash flow came to NOK 29.5 billion as against NOK 36.6 billion in the first quarter of 2006.

Total production for the first quarter averaged 1 248 000 barrels of oil equivalent per day (boe/d), a reduction of 49 000 boe/d from the same period of last year. This decrease reflects lower oil output from mature fields.

Gas production rose by three per cent from the first quarter of 2006. The increase in gas sales derived largely from Troll.

Oil output declined by eight per cent, primarily as a result of the general fall in production from several mature fields on the Norwegian continental shelf (NCS). This loss was offset to some extent by increased volumes from Visund and the continued build-up of output on Kristin.

Financial results

Operating revenue totalled NOK 41.8 billion for the first quarter, a reduction of 13 per cent from NOK 48.2 billion in the same period of last year. Oil and natural gas liquids accounted for 56 per cent of total operating revenue, compared with 59 per cent in the first quarter of 2006. The proportion for gas was 38 per cent, unchanged

from the first three months of last year. Remaining revenues derived from participation in pipelines and land-based plants, with the SDFI's interest in Gassled as the largest contributor.

Oil and NGL revenues in the first quarter came to NOK 23.5 billion from average daily sales of 753 000 barrels. Revenues in the same period of last year were NOK 28.3 billion. The quantities of oil and NGL sold declined by six per cent compared with the first quarter of 2006.

The average realised oil price in Norwegian kroner was 13 per cent lower than in the first three months of last year, at NOK

FIRST QUARTER

(All amounts in NOK mill)	First quarter		Full year
	2007	2006	2006
Operating revenue	41 809	48 223	174 979
Total operating expenses	13 276	12 288	45 146
Operating income	28 533	35 935	129 833
Net financial items	(432)	(437)	(1 365)
Income after financial items	28 101	35 498	128 467
Total investment	4 554	4 785	22 022
Net cash flow to the state	29 463	36 645	126 213
Average oil price (USD/bbl)	57.16	60.76	64.50
NOK/USD exchange rate	6.23	6.73	6.38
Average oil price (NOK/bbl)	356	409	412
Oil/NGL production (1 000 b/d)	702	766	723
Gas production (mill scm/d)	87	84	75
Total production (1 000 boe/d)	1 248	1 297	1 198



PHOTO: STATOIL

The Snehvit partners are due to drill a well to see whether the thin oil zone in this field can be produced commercially. Pictured above is the Snehvit terminal on Melkøya.

356 per barrel as against NOK 409. The oil price in US dollars averaged USD 57.2 per barrel compared with USD 60.8 in 2006.

Gas sales for the first quarter were up by three per cent from the same period of last year. Revenues from dry gas totalled NOK 15.7 billion as against NOK 18.1 billion in the same period of 2006. This reduction primarily reflected lower gas prices. The volume of equity gas production sold during the first quarter was 7.8 billion standard cubic metres, or an average of 546 000 boe/d as against 531 000 in 2006.

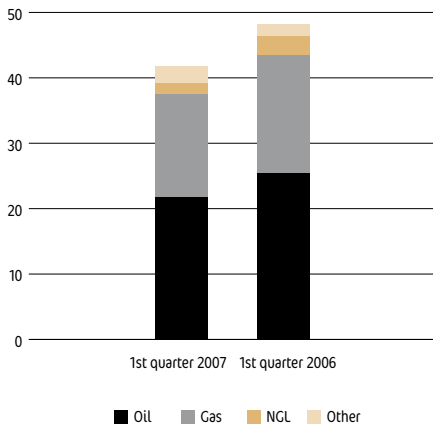
Operating expenses amounted to NOK 13.3 billion for the first quarter as against

NOK 12.3 billion in the same period of last year. This increase primarily reflects increased depreciation. Other contributory factors were higher exploration activity and increased transport costs as a result of larger gas sales at greater operating costs compared with 2006.

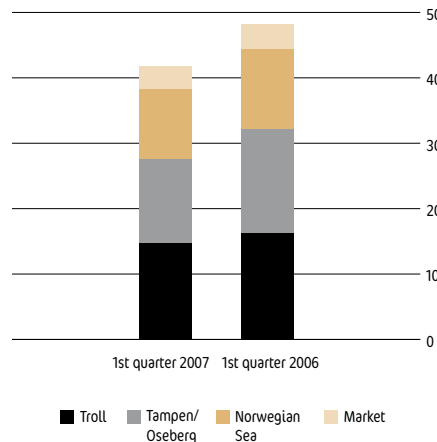
Investment in the first quarter declined by five per cent from the same period of last year to NOK 4.6 billion. Lower activity in Ormen Lange/Langed and Snehvit was an important factor, which was partly offset by increased spending on new projects such as Gjoa/Vega.

INCOME

Revenue by product
(NOK bn)



Revenue by area
(NOK bn)



Activities in the 1st quarter

Statoil-Hydro merger

The board has considered the impact of a merger between the two Norwegian oil companies on the management of the SDFI portfolio. Petoro carries out its own technical assessments in a limited number of priority areas where it can contribute to value creation from the SDFI portfolio. In addition, the company cooperates with Statoil, Hydro and other licensees in order to secure studies and assessments of alternative proposals for solutions which can be presented to the joint ventures. The merger represents a particular challenge in relation to the efficiency gain/value creation which Petoro has been able to derive from its collaboration with Hydro as a partner when Statoil has been operator, and vice versa.

On issues which are central for the SDFI, and where the other companies do not have the same interests as Petoro or choose not to apply resources, Petoro will need to give greater consideration after the merger to whether it should carry out independent analyses, present alternative proposals, pursue quality assurance of the operator's work and do its own work on selected strategic issues. That applies particularly to the technical and commercial area. As a result of the merger, the board accordingly wishes to strengthen Petoro in order to realise the value creation potential in the big SDFI portfolio.

New awards

Interests in seven new production licences were allocated under the 2006 awards in predefined areas (APA) to the SDFI portfolio, with Petoro as the licensee. Five were in the North Sea and two in the Barents Sea. This further strengthens the company's position in the Barents Sea and also provides additional exploration acreage close to existing installations in the North Sea where Petoro is already a licensee.

Discoveries

Oil and gas were proven in an exploration well on the Nucula prospect in the Barents Sea. The discovery is located in production licence 393 (Petoro 20 per cent). Awarded in March 2006, this acreage lies about 110 kilometres north-east of the Goliat discovery.

Additional resources were proven with appraisal well 15/12-17 in the Rev discovery south of the Sleipner area (Petoro 30 per cent). The licensees will now move forward with planning further development of the additional resources in this structure. A plan for development and operation of Rev was submitted for approval to the authorities in 2006.

Skinfaks/Rimfaks IOR

Production from the Skinfaks/Rimfaks improved oil recovery project (Petoro 30 per cent) began on 27 January. This development is an important IOR measure in the area, and ensures good utilisation of the infrastructure in the Gullfaks area. In addition to IOR in Rimfaks, the project also involves a start to production from Skinfaks during the autumn of 2007. The two fields will account for some 12 per cent of total production in the Gullfaks licence. Investment in the two fields is in the order of NOK 3.4 billion. Recoverable reserves are put at roughly 62 million boe.

Snøhvit oil zone

The Snøhvit joint venture (Petoro 30 per cent) has resolved to drill an appraisal well in 2007 to map resources in the structure in greater detail. This well will provide further information on recoverable oil reserves in Snøhvit will also improving knowledge of gas reserves in the western part of the structure.

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The board of directors of Petoro AS

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