Third quarter of 2006

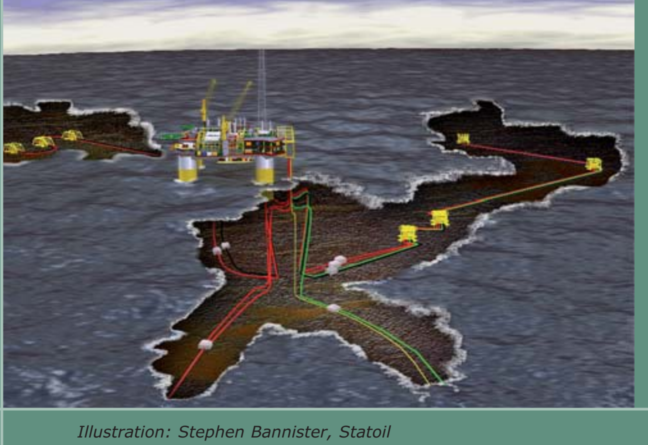


Illustration: Stephen Bannister, Statoil

A development of the Gjøa, Camilla and Belinda discoveries has been brought a big step closer by the letter of intent signed with Aker Kvaerner for fabrication and hook-up of the topsides on the semi-submersible planned for Gjøa. Plans for development and operation are due to be submitted to the authorities before the end of this year with a view to starting production around 2010. Petoro manages interests of 30 per cent in Gjøa and 40 per cent in Camilla and Belinda. Statoil is development operator, with Gaz de France due to take over as production operator.

NOK 97 billion in SDFI profit for first nine months

The State's Direct Financial Interest (SDFI) achieved an income after financial items of NOK 30.2 billion for the third quarter of 2006 compared with NOK 28.2 billion in the same period of last year. Income after financial items for the first nine months was NOK 97 billion, up by NOK 16.1 billion from the same period of 2005. Important events included preparations to start gas deliveries to the UK through Langeled and a letter of intent on developing Gjøa.

Operating income for the third quarter was NOK 30 billion, compared with NOK 28.3 billion for the same period of last year. For the first nine months, operating income rose by NOK 21 billion from 2005 to NOK 97.8 billion.

Net cash flow for the first nine months was NOK 98.6 billion compared with NOK 73.3 billion in the same period of 2005.

The improved results primarily reflect higher oil and gas prices, offset to some extent by reduced output and increased operating expenses.

Total production for the first nine months averaged 1 183 000 barrels of oil equivalent per day (boe/d), a reduction of 59 000 boe/d from the same period of last year. This decrease reflects lower oil output from mature fields, which was partly offset by increased crude production from new fields plus higher gas output.

Gas production for the first nine months averaged 73 million standard cubic metres (456 000 boe) per day, compared with 71 million scm (444 000 boe) per day in the same period of 2005. The rise in gas sales was largely supplied from Troll, Kvitebjørn and Kristin.

Oil output declined by nine per cent, primarily as a result of the general fall in production from several mature fields on the NCS. Delays with well activities were also experienced on a number of fields owing to a scarcity of rigs. Falling output from Troll Oil, Gullfaks and Draugen had the biggest impact on the portfolio. The loss of production was offset to some extent by increased volumes from newer fields such as Grane, Kristin, Urd and Kvitebjørn.

	Third quarter		First nine months		Full year
All amounts in NOK mill	**2006**	**2005**	**2006**	**2005**	**2005**
Operating revenue	40 440	36 332	130 849	107 202	152 683
Total operating expenses	10 485	8 018	33 036	26 531	39 614
Operating income	29 956	28 314	97 813	80 671	113 069
Net financial items	200	(121)	(803)	237	103
Income after financial items	30 156	28 194	97 009	80 909	113 172
Total investment	6 125	5 485	17 216	15 978	21 343
Net cash flow	30 371	24 508	98 605	73 271	99 175
Average oil price (USD/bbl)	70.78	60.35	66.36	52.47	53.03
NOK/USD exchange rate	6.14	6.51	6.38	6.35	6.48
Average oil price (NOK/bbl)	434	393	423	333	344
Oil/NGL production (1 000 b/d)	708	797	727	797	788
Gas production (mill scm/d)	62	63	73	71	73
Total production (1 000 boe/d)	1 098	1 195	1 183	1 242	1 244

Financial results

Operating revenue totalled NOK 40.4 billion for the third quarter, compared with NOK 36.3 billion in the same period of last year. Corresponding figures for the first nine months were NOK 130.8 billion and NOK 107.2 billion respectively. Oil and natural gas liquids accounted for 62 per cent of total operating revenue, compared with 66 per cent in the first nine months of 2005. The corresponding proportions for gas were 33 and 27 per cent respectively. Remaining revenues derived from participation in pipelines and land-based plants, with Gassled as the largest contributor.

Oil and NGL revenues in the first nine months came to NOK 80.6 billion from average daily sales of 731 000 barrels. Revenues in the same period of last year were NOK 70.8 billion. The quantities of oil and NGL sold declined by 10 per cent compared with the first nine months of 2005.

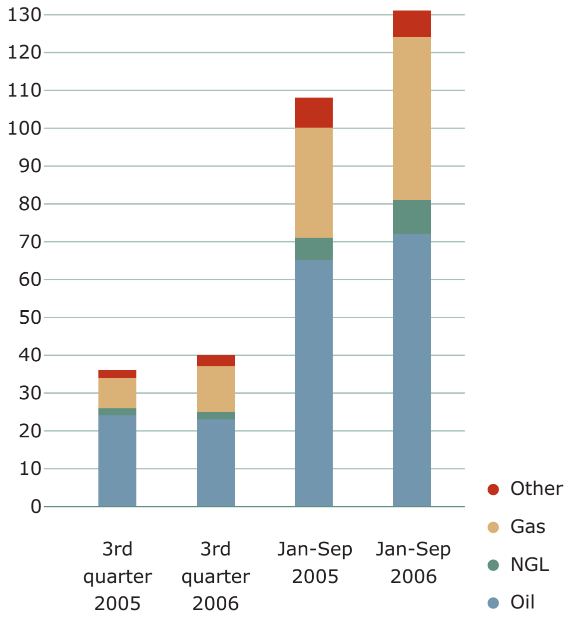
The average realised oil price in Norwegian kroner was 27 per cent higher than in the first nine months of last year, at NOK 423 per barrel as against NOK 333. The oil price in US dollars averaged USD 66.4 per barrel compared with USD 52.5 in 2005.

Gas sales for the first nine months were up by three per cent from the same period of last year. Revenues from dry gas totalled NOK 42.8 billion as against NOK 28.8 billion in the same period of 2005. The volume of equity gas production sold during the period was 19.8 billion standard cubic metres, or an average of 456 000 boe/d as against 444 000 in 2005.

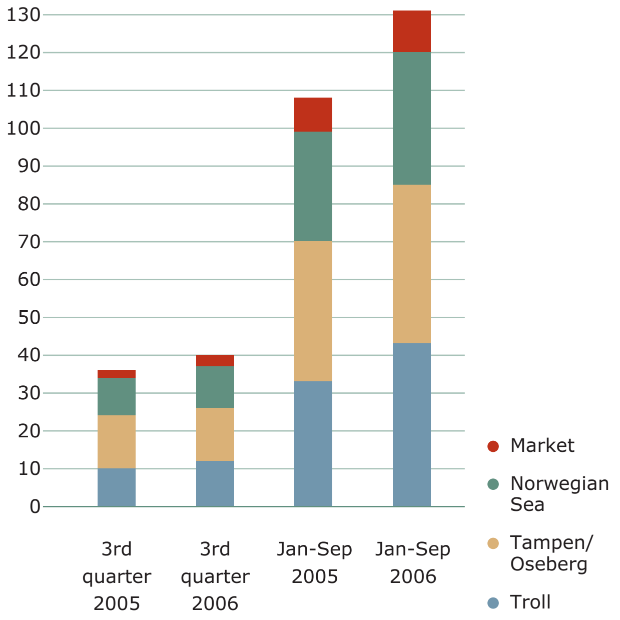
Operating expenses amounted to NOK 33 billion for the first nine months as against NOK 26.5 billion in the same period of last year. The largest single item was the increased cost of buying gas for onward sale, reflecting both higher gas prices and a larger volume. The latter was a result of bigger purchases of gas to meet customer commitments in Europe and of liquefied natural gas for delivery to the USA. Operating expenses were further boosted by the high cost of injection gas on Grane, the start-up of new facilities, and increased prices from contractors. The last of these also mean increased underlying production and maintenance costs. In addition, depreciation rose because of new investment in mature fields.

Investment in the first nine months rose by eight per cent from the same period of last year to NOK 17.2 billion. Higher capital spending includes the effect of capitalising long-term vessel charters for transporting LNG from Snøhvit. Excluding this, investment was somewhat lower than in the same period of 2005.

Revenue by product NOK bn



Revenue by area NOK bn



Activities in the third quarter

Discoveries
Gas was proven in an exploration well on the *Tornerose* structure in production licence 110B about 60 kilometres east of the Snøhvit field in the Barents Sea. This discovery is being evaluated with a view to expanding the gas liquefaction plant at Melkøya in Finnmark county. Petoro manages a 30 per cent interest in Tornerose.

A gas discovery made by an exploration well on the *Trost* prospect in the Norwegian Sea is being evaluated for production through a tie-in with the Norne field. Petoro manages a 24.5 per cent interest.

Gjøa, Camilla and Belinda
The signing of a letter of intent for fabrication and hook-up of the topsides for the semi-submersible Gjøa platform marked an important step forward in the commercialisation of the Gjøa, Camilla and Belinda discoveries. Plans for development and operation are due to be submitted to the authorities by the end of this year, and are conditional on official approval.

Located 70 kilometres north of Troll, Gjøa is due to be developed with subsea-completed wells tied back to a production floater. Camilla, Belinda and Fram B will also be tied back to Gjøa.

Reserves in Gjøa are estimated to be about 80 million barrels of oil and condensate, and 40 billion cubic metres of gas. The gas will be piped via Britain's Flags system to St Fergus in Scotland, while the oil is transported via a tie-in with the Troll II pipeline to Mongstad. The field is expected to come on stream in 2010. Petoro manages a 30 per cent interest in the discovery.

Camilla and Belinda are estimated to contain reserves totalling some 10 million barrels of oil and condensate and 10 billion cubic metres of gas. Petoro administers an interest of 40 per cent in these discoveries.

Langeled
Gas deliveries through the new Langeled pipeline system began on 1 October. The completed section of the line runs from Sleipner East to the receiving terminal at Easington in England. It has a daily transport capacity of NOK 70 million cubic metres. Underwater connections and testing remain to be done on the northern leg to Nyhamna/Ormen Lange. This work will continue until the summer of 2007, with gas transport from Ormen Lange in the Norwegian Sea due to begin in October 2007. The pipeline can supply 20 per cent of the UK's gas requirements.

Statoil has been responsible for design and installation of Langeled on behalf of operator Norsk Hydro. Gassco took over the Langeled operatorship on 1 September. The project has cost NOK 17 billion – NOK 3 billion below budget. The SDFI's share of this spending is 32.7 per cent.

Stavanger, October 2006
The board of directors of Petoro AS

petoro

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