



NOK 80 900 000 000

SDFI output up in third quarter from the year before

Income after financial items for the State's Direct Financial Interest (SDFI) for the third quarter was NOK 27.2 billion, compared with NOK 30.2 billion in the same period of 2006. It was NOK 80.9 billion for the first nine months of 2007, with a net cash flow of NOK 83.6 billion. Comparable figures for January-September last year were NOK 97 billion and NOK 98.6 billion respectively. Total production in the third quarter was up by 27 000 barrels of oil equivalent per day (boe/d) from the same quarter of 2006.

Operating income was NOK 28.1 billion for the third quarter, compared with NOK 30 billion in the same period of 2006, and NOK 82.7 billion as against NOK 97.8 billion for the first nine months.

Total production for the third quarter averaged 1 125 000 boe/d compared with 1 098 000 boe/d in the same period of last year. The corresponding figure for the first nine months came to 1 178 000 boe/d, which was on a par with January-September 2006. Gas output rose by 12 per cent in the first nine months compared with the same period of 2006. The increase in gas sales derived largely from Troll, where Petoro manages a participatory interest of 56 per cent. Oil production fell by nine per cent,

largely because of a shutdown on Kvitebjørn and the general decline in output from a number of mature fields on the Norwegian continental shelf (NCS). This trend was partly offset by increased volumes from Åsgard and Kristin.

Financial results

Operating revenue totalled NOK 119 billion for the first nine months, a reduction of nine per cent from NOK 130.8 billion in the same period of last year. Oil and natural gas liquids accounted for 60 per cent of total operating revenue, compared with 62 per cent in January-September 2006. The proportion for gas was 33 per cent, unchanged from the first nine months of last year. Remaining revenues derived from par-

ticipation in pipelines and land-based plants, with the SDFI's interest in Gassled as the largest contributor.

Oil and NGL revenues in the first nine months came to NOK 70.9 billion from average daily sales of 668 000 barrels. Revenues in the same period of last year were NOK 80.6 billion. The quantities of oil and NGL sold declined by nine per cent compared with the first nine months of 2006.

The average realised oil price in Norwegian kroner was six per cent lower than in the first nine months of last year, at NOK 397 per barrel as against NOK 423. The average oil price in US dollars was unchanged from the same period of 2006.

THIRD QUARTER

(All amounts in NOK mill)	Third quarter		First nine months		Full year
	2007	2006	2007	2006	2006
Operating revenue	39 854	40 440	118 954	130 849	174 979
Total operating expenses	11 737	10 485	36 271	33 036	45 146
Operating income	28 117	29 956	82 683	97 813	129 833
Net financial items	(886)	200	(1 785)	(803)	(1 365)
Income after financial items	27 231	30 156	80 898	97 009	128 467
Total investment	5 478	6 125	14 845	17 216	22 022
Net cash flow	26 137	30 371	83 560	98 605	126 213
Average oil price (USD/bbl)	73.76	70.78	65.92	66.36	64.50
NOK/USD exchange rate	5,84	6,14	6,02	6,38	6,38
Average oil price (NOK/bbl)	430	434	397	423	412
Oil/NGL production (1 000 b/d)	630	708	660	727	723
Gas production (mill scm/d)	79	62	82	73	75
Total production (1 000 boe/d)	1 125	1 098	1 178	1 183	1 198



PHOTO: STATOILHYDRO

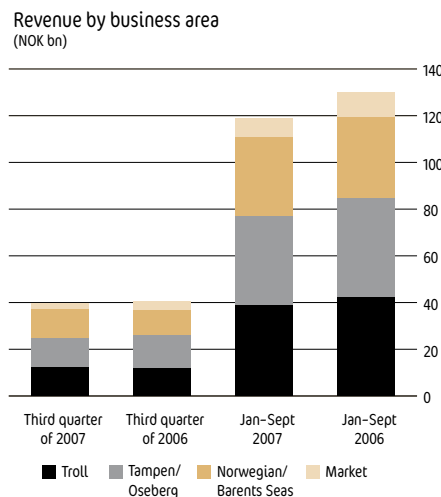
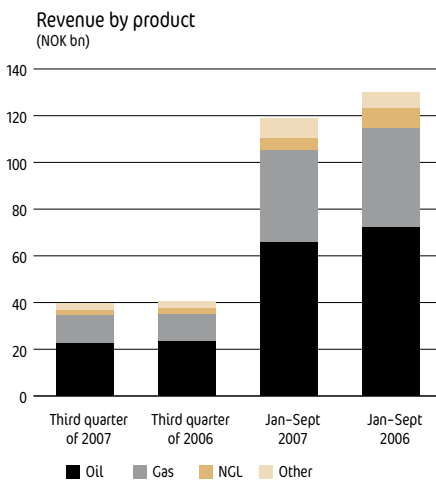
Third quarter saw gas from the two giant offshore fields Snøhvit and Ormen Lange flowing into processing facilities at Melkøya (left) outside the far northern city of Hammerfest and at Nyhamna (right) west of Molde city.

Gas sales for the first nine months were up by 12 per cent from the same period of last year. Revenues from dry gas totalled NOK 39.7 billion as against NOK 42.7 billion in the first nine months of 2006. This reduction reflected lower gas prices. The volume of equity gas production sold during the first nine months was 22.5 billion standard cubic metres (scm), or an average of 519 000 boe/d as against 456 000 in 2006.

Investment in the first nine months declined by 14 per cent from the same period of last year to NOK 14.8 billion. Lower spending in the final phase of the Snøhvit and Ormen Lange/Langeled developments was an important factor, partly offset by increased investment in new projects such as Gjøa/Vega.

Operating expenses amounted to NOK 36.3 billion for the first nine months as against NOK 33 billion in the same period of last year. This increase primarily reflects increased depreciation. Higher operating costs for fields and plants also contributed.

INCOME



Activities in the third quarter

Start-up of Ormen Lange and Snøhvit

Ormen Lange began exporting gas on 13 September, three weeks ahead of the date specified in the plan for development and operation (PDO). At 30 September, the installations were being run in with a slow increase in the rate of production to ensure stable operation. Snøhvit also began production of liquefied natural gas (LNG) on 13 September. This field's installations are now in the start-up phase, with stable production due to be achieved towards the end of 2007.

Snøhvit oil zone

It was resolved during the third quarter to cease work on producing the oil in Snøhvit. An appraisal well in the oil zone which aimed to expand the resource base demonstrated instead that the reserves are smaller than expected and insufficient for profitable development.

Production drilling – more volume for the money

Results from production drilling has been disappointing in recent years with regard to both costs and production volume. During 2007, Petoro's strategic project on production drilling – more volume for the money has found that establishing a risk-balanced drilling plan based on new work processes and associated tools could offer a value creation potential of several billion kroner. The company has developed such a method in cooperation with the Heidrun licence. Petoro also wants to improve efficiency in the drilling derricks on production platforms. Only 60 per cent of the time on such facilities is currently devoted to activities which yield increased volumes of petroleum.

Discoveries

Three new discoveries were made in the SDFI portfolio during the third quarter. These came in the Ragnarock prospect south of Grane in production licence 265 (Petoro: 30 per cent), in the Yttergryta prospect in Norwegian Sea production licence 062 (Petoro: 19.95 per cent), and on the north-west flank of Njord (Petoro: 7.5 per cent).

The Yttergryta discovery represents an important contribution to the further development of Åsgard, while the Ragnarock strike could provide new opportunities in an otherwise mature area.

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The board of directors of Petoro AS

Petoro

P O Box 300 Sentrum
NO-4002 Stavanger, Norway
Telephone: +47 51 50 20 00
Telefax: +47 51 50 20 01
E-mail: post@petoro.no
www.petoro.no