1ST QUARTER SDFI

09

1ST QUARTER 2009 / NOK 31 246 000 000

2ND QUARTER 2009

3RD QUARTER 2009

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petoro

NOK 33 BN TO THE GOVERNMENT – **DESPITE LOW PRICES**

Income after financial items from the State's Direct Financial Interest (SDFI) on the Norwegian continental shelf (NCS) for the first quarter of 2009 totalled NOK 31.2 billion. Net cash flow to the government was NOK 33.2 billion, down by NOK 6.7 billion from the same period of last year. This decline primarily reflects a 41 per cent fall in oil prices measured in Norwegian kroner.

Operating income for the first quarter came to NOK 32.6 billion, compared with NOK 42.4 billion in the same period of 2008. At NOK 33.2 billion, net cash flow compared with NOK 39.9 billion last year. But it is worth noting that cash flow for the first quarter was still higher than in the first quarter of 2007, when it was NOK 29.5 billion.

Total oil and gas production for the first quarter averaged 1 295 000 barrels of oil equivalent per day (boe/d), compared with 1 306 000 for the same period of 2008. Gas production to 31 March was three per cent higher than in the first three months of last year. The output of oil and natural gas liquids (NGL) declined by five per cent, primarily as a result of the general fall in production from mature fields on the NCS. Increased deliveries from new fields such as Ormen Lange and Snøhvit helped to counteract the overall production decline.

FINANCIAL RESULTS

Operating revenue totalled NOK 46.1 billion for the first quarter, compared with NOK 57.4 billion in the same period of last year. Income from oil sales declined by 47 per cent from the first quarter of 2008, reflecting the sharp fall in prices during the second half of last year. The average oil price was substantially lower in the first quarter than in 2008: USD 44.10 per barrel compared with USD 97.28. In Norwegian kroner, the price was 41 per cent down at NOK 307 per barrel as against NOK 520 in 2008.

Revenues from gas sales for the first quarter rose by 12 per cent from the same period of 2008, as a result both of higher prices and increased volume. The reason gas prices have remained relatively high is that these are related to oil prices, but with a time lag. Gas revenues for the first quarter totalled NOK 27.3 billion, compared

FIRST QUARTER

	1ST QUARTER		FULL YEAR
(All amounts in NOK mill)	2009	2008	2008
Operating revenue	46 138	57 438	214 585
Total operating expenses	13 539	15 056	56 742
Operating income	32 600	42 382	157 843
Net financial items	(1 354)	(968)	2 063
Income after financial items	31 246	41 413	159 906
Total investment	5 672	4 253	21 320
Net cash flow	33 230	39 866	155 420
Average oil price (USD/bbl)	44.10	97.28	97.99
NOK/USD exchange rate	6.96	5.35	5.39
Average oil price (NOK/bbl)	307	520	528
Oil/NGL production (1 000 b/d)	618	647	607
Gas production (mill scm/d)	108	105	86
Total production (1 000 boe/d)	**1 295**	**1 306**	**1 148**

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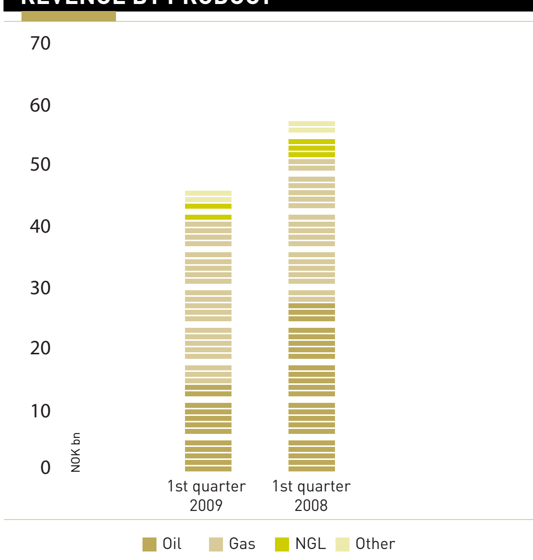
Development work on the Ormen Lange and Troll fields accounted for the biggest increase in investment spending compared with the first quarter of 2008.

with NOK 24.3 billion in the same period of last year. The volume of equity gas production sold during the first quarter was 9.7 billion standard cubic metres (scm) or 677 000 boe/d compared with 659 000 in 2008 – an increase of three per cent.

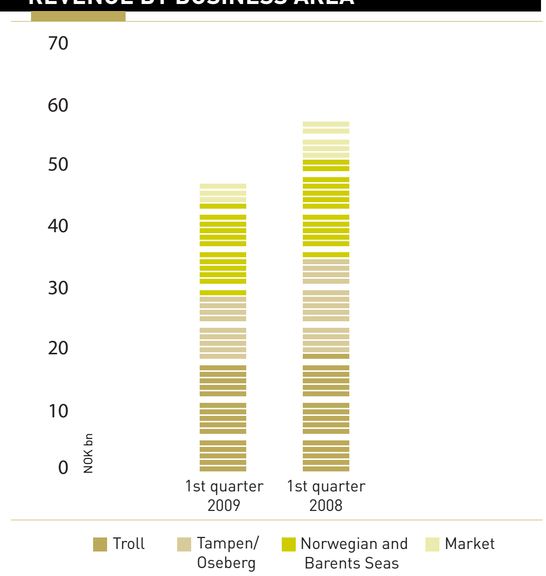
Operating expenses amounted to NOK 13.5 billion, compared with NOK 15.1 billion in the same quarter of 2008. The cost of buying gas for onward sale was substantially lower in the first quarter, reflecting reduced purchases of replacement gas for Snøhvit and of third-party gas in the US market. These costs were also reflected in revenues from gas purchased. Expenditure on operating fields and plants and for exploration were on a par with the first quarter of 2008.

Investment in the first quarter rose by 33 per cent from the same period of last year to NOK 5.7 billion. Continued field development on Ormen Lange and projects initiated on Troll Oil accounted for the biggest increases in capital spending. This was reinforced by development costs for the Gjøa field.

REVENUE BY PRODUCT



REVENUE BY BUSINESS AREA



ACTIVITIES IN THE FIRST QUARTER

GOOD EXPLORATION RESULTS

A high level of exploration activity is again planned for 2009. Results so far for the SDFI have been positive. Six wells have been completed, with four yielding discoveries. Preliminary assessments indicate that resources are higher than expected. The level of resources proven by new discoveries in the first quarter was almost twice the figure for the whole of 2008.

HIGH REGULARITY GIVE HIGH PRODUCTION

Utilisation of production capacity was higher than planned on a number of fields in the SDFI portfolio during the first quarter. This was particularly evident on fields such as Grane, Heidrun and Åsgard. Regularity was also high for the new field developments during the period. After a number of start-up problems, Snøhvit has reached a consistently higher level of regularity, and capacity in its facilities was fully utilised for brief periods. Ormen Lange also enjoyed very high regularity during the first quarter.

High regularity helped to ensure that production in the first quarter was greater than planned. Regularity has declined on the NCS in recent years. Utilising production capacity requires the quality of facilities to be maintained, attention to be paid and expertise to be applied at all levels. Petoro has long been concerned with integrated operation as an important tool for improving regularity, in part through appropriate maintenance and production optimisation. An ever-increasing proportion of investment by the SDFI is also being devoted to upgrading and modifying fields and land-based plants in order to ensure regularity and extend production life, most recently through decisions on higher capital spending at Kollsnes and Kårstø.

NO COMMERCIAL BASIS FOR SKANLED

Petoro reached agreement in the first quarter with three east Norwegian energy utilities on acquiring a 25 per cent share in the preliminary partnership for the Skanled pipeline project. In late April, the management committee for the partnership concluded that no commercial basis exists for Skanled. Petoro believes that the cost of this gas chain would be substantially higher than alternative ways of bringing Norwegian output to the relevant European markets which formed the basis for laying a pipeline to the Grenland area of south-eastern Norway. This conclusion has also been influenced by developments in the European gas market.

In accordance with the company's mandate, Petoro participated in the Skanled project to mature the commercial basis for the possible construction of a new pipeline from Kårstø to Grenland. Continuing to Sweden and Denmark, this facility would also have permitted the export of gas to Poland. A condition for a possible Petoro recommendation to invest in the project was that it would help to create the highest possible value for the government's petroleum portfolio.

NEW OPERATIONS MODEL WITH BIG POTENTIAL

StatoilHydro is in the process of implementing a new common operations model and shared work processes on all installations operated by the company on the NCS. The company has indicated that it will apply best practice and optimise overall use of resources to ensure secure and efficient operation. Petoro has expressed the view that this provides a good opportunity to implement integrated operation and pay increased attention to efficient production and improved work processes.

UNCERTAIN MARKET OUTLOOK

While oil prices hit a record high in the first half of 2008, the autumn was characterised by financial crisis and a dramatic fall in the cost of crude. The financial turbulence has turned into a global economic crisis. Uncertainty prevails about developments in the world economy and demand for oil and gas in the time to come. The oil companies have responded by adopting a wait-and-see attitude and displaying capital discipline, which could be very important for the level of activity, costs and employment on the NCS over the next few years. This could in turn have great significance for the value of the SDFI portfolio.

Petoro will concentrate its attention on the possible effects which developments in the world economy and the dispositions of other companies have on activity. No substantial impact has so far been seen on the level of investment for the present year, but uncertainty prevails about the willingness of the companies to mature and sanction new projects. That could mean substantial reductions in capital spending for 2010 and beyond. Petoro has surveyed its own portfolio of projects in the planning phase as part of efforts to focus attention on measures which can combat delays, push forward profitable projects and ensure that decisions are taken at the right time.

A lower level of activity could provide opportunities for reducing costs and improving project quality. That could increase the number of projects which can cope with oil prices at today's level or lower. Petoro wants to help the industry to maintain the balance between necessary short-term measures for normalising the level of activity/costs and the more long-term need to mature oil and gas reserves which can meet the sharp rise in demand likely to occur when the economic crisis ends. Attention should therefore be directed at such areas as project progress and continued development of forward-looking technology and expertise.

Stavanger, May 2009
The board of directors of Petoro AS