

NORSK HYDRO A S A  
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## **Statoil's first quarter 2007**

### **Highlights**

### **Disclaimer**

#### **FORWARD LOOKING STATEMENTS**

This Operating and Financial Review contains certain forward-looking statements that involve risks and uncertainties. All statements other than statements of historical facts, including, among others, statements such as those regarding Statoil's oil and gas production forecasts; production costs and other measures; targets with respect to participation in drilling and exploration activities; plans for future development and operation of projects; expected exploration and development activities or expenditures; expected start-up dates for projects and operatorships; expected gains from the sale of assets; expected acquisitions or dispositions of assets; expected receipt of regulatory and other approvals required for acquisitions and mergers and expected closings of transactions are forward-looking statements.

Forward-looking statements are sometimes, but not always, identified by such phrases as "will", "expects", "is expected to", "should", "may", "is likely to", "intends" and "believes". These forward-looking statements reflect current views with respect to future events and are, by their nature, subject to significant risks and uncertainties because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including levels of industry product supply, demand and pricing; currency exchange rates; political and economic policies of Norway and other oil-producing countries; general economic conditions; political stability and economic growth in relevant areas of the world; global political events and actions, including war, terrorism and sanctions; the timing of bringing new fields on stream; material differences from reserves estimates; inability to find and develop reserves; adverse changes in tax regimes; development and use of new technology; geological or technical difficulties; the actions of competitors; the actions of field partners; the actions of governments; relevant governmental approvals; industrial actions by workers; prolonged adverse weather conditions; natural disasters and other changes to business conditions. Additional information, including information on factors which may affect Statoil's business, is contained in Statoil's 2006 Annual Report on Form 20-F filed with the US Securities and Exchange Commission, which can be found on Statoil's web site at [www.statoil.com](http://www.statoil.com).

#### **Use and reconciliation of non-GAAP financial measures**

Statoil is subject to SEC regulations regarding the use of "non-GAAP financial measures" in public disclosures. Non-GAAP financial measures are defined as numerical measures that either exclude or include amounts that are not excluded or included in the comparable measures calculated and presented in accordance with GAAP. For more information on our use of non-GAAP financial measures, see Item 5 - Operating and Financial Review and Prospects - Use of Non-GAAP Financial Measures in Statoil's 2006 Annual Report on Form 20-F/A.

The following financial measures may be considered non-GAAP financial measures:

- Return on average capital employed (ROACE)
- Normalised production cost per barrel
- Net debt to capital employed ratio

## Growing our business

- Merger preparations ongoing
- Offer to acquire North American Oil Sands Corporation
- High level of exploration and project activity

## Solid results despite lower prices

| EPS | 1Q 06 | 1Q 07 | Change |
|-----|-------|-------|--------|
| NOK | 4.92  | 3.58  | -27%   |
| USD | 0.75  | 0.59  | -21%   |

All numbers according to IFRS

Net operating income down 28% from 1Q 2006

- Lower oil and gas prices
- Negative effect of NOK 2.7 bn from IAS 39 (derivatives)
- Deferred gains on inventories of NOK 0.8 bn
- Higher operating expenses

## High quarterly production

Production affected by

- Reduced volumes from Kvitebjørn
- Slower ramp-up of new fields
- Lower NCS gas off-take

## **Competitive ROACE of 24.3%**

12-month rolling ROACE based on reported results for 1Q 2007

Source: Morgan Stanley

\* Morgan Stanley estimates

## **Net operating income - E&P Norway**

Net operating income down 17% from 1Q 2006

- Oil price down 11% in NOK
- Gas lifting down 6%
- Unrealised and realised income from derivatives NOK 0.6 billion  
(vs NOK 1.6 billion in 1Q 2006)

## **Net operating income - International E&P**

Net operating income down 5% from 1Q 2006

- NOK 0.9 bn effect from lower realised oil and gas prices
- Oil and gas lifting up 32%

## **Net operating income – Natural Gas**

\* Internal margins down from NOK 0.76/scm in 1Q 2006 to NOK 0.36/scm in 1Q 2007

Net operating income down NOK 3.8 bn from 1Q 2006

- Realised gas price down 14% to NOK 1.74/scm, transfer price up 9%\*
- Unrealised negative effect from derivatives of NOK 1.2 bn (versus NOK 0.5 bn positive effect in 1Q 2006)

## **Net operating income**

### **Manufacturing & Marketing**

Net operating income down 27% from 1Q 2006

- Deferred gains on inventories of NOK 0.8 bn
- Continued high regularity and improvements in retail
- Improved margins and high methanol prices

## **Development in net debt to capital employed**

Net debt

**Net debt to capital employed\***

\*Debt to capital employed ratio = Net interest-bearing debt/capital employed

\*\* Adjusted for 50% of upcoming tax payment (due on April 1, 2007)

**Exploration drilling in first quarter**

## **Growing our business**

- Ermitrude - a promising oil discovery north east of Sleipner in the North Sea
- 100% Statoil licence awarded in 2003
- Sidetrack to evaluate further potential

## **Expanding our resource base**

- Offer to acquire North American Oil Sands Corporation
  - ◆ Access cost < USD 1 per barrel
  - ◆ Production post 2010
  - ◆ Estimated 2.2 bn barrels in recoverable reserves
- Further technology development and exploration
  - ◆ Upside resource potential
  - ◆ Seeking sustainable solutions

## **Shaping the new company**

- Integration on track
- Approval received from EU competition authorities
- Prospectus submitted to SEC
- EGM to be held in July

## Expected development 2Q 2007

- Completion of NAOSC acquisition
- Continued high exploration activity
- Production:
  - ◆ Planned maintenance schedule to affect production by 15 - 20 000 boe/d
  - ◆ Start-up: Enoch (Talisman), Huldra Tail End
  - ◆ In Salah – lower entitlement volumes due to PSA
  - ◆ Seasonal gas off-take
- Continued negotiations on Sincor

## 2007 forecasts

|                                  |                            |
|----------------------------------|----------------------------|
| Production (1 000 boepd)         | 1 150 – 1 200 <sup>1</sup> |
| Production cost (NOK/boe)        | > NOK 30 <sup>2</sup>      |
| Exploration expenditure (NOK bn) | approx 9 bn <sup>3</sup>   |
| Capex 2005-2007 (NOK bn)         | approx 120 <sup>4</sup>    |

1 Based on an average oil price of USD 60 per bbl

2 Normalised at NOK 6.00/USD and adjusted for PSA effects

3 Approx 40 wells

4 Excluding acquisitions

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