petoro

SDFI SECOND QUARTER OF 2012

RECORD SDFI RESULT FOR THE FIRST HALF OF 2012

Income after financial items for the State's Direct Financial Interest (SDFI) on the Norwegian continental shelf (NCS) totalled NOK 81.5 billion for the first half of 2012. Net cash flow to the government was NOK 84.5 billion, up by NOK 16.6 billion from the same period of last year. This ranks as the best half-year result in the SDFI's history. Higher prices and sales volumes primarily explained the increase from 2011. The positive trend for HSE continued from last autumn.

Operating income for the second quarter came to NOK 38.3 billion, compared with NOK 31 billion in the same period of 2011. Net cash flow was NOK 41.6 billion, up by 23 per cent from the second quarter of last year.

Total oil and gas production for the second quarter averaged 1 004 000 barrels of oil equivalent per day (boe/d), compared with 845 000 for the same period of 2011. Gas production was up by 30 per cent from the second quarter of last year, mainly because of shut-downs for planned maintenance on several fields in 2011. Despite the strike in June, production of oil and natural gas liquids (NGL) increased by seven per cent. This was primarily because of increased output from Kvitebjørn and the return of volumes in 2011 in connection with the Heidrun redetermination.

FINANCIAL RESULTS

Operating revenue totalled NOK 110.2 billion for the first half, compared with NOK 92.8 billion in the same period of 2011. Income from oil sales increased by eight per cent from the first half of last year because of higher prices and a stronger US dollar. The average oil price for the first half rose by three per cent from the same period

	SECOND QUARTER		**FIRST HALF**		**FULL YEAR**
(NOK mill)	**2012**	2011	**2012**	2011	2011
Operating revenue	**51 540**	43 772	**110 248**	92 783	188 820
Total operating expenses	**13 271**	12 767	**27 904**	26 551	53 860
Operating income	**38 270**	31 005	**82 344**	66 232	134 959
Net financial items	**166**	-248	**-862**	-1 250	-1 239
Income after financial items	**38 436**	30 757	**81 482**	64 982	133 721
Total investment	**6 984**	5 837	**13 126**	10 924	19 053
Net cash flow	**41 625**	33 764	**84 496**	67 933	128 083
Average oil price (USD/bbl)	**110,32**	119,94	**115,98**	112,79	114,00
NOK/USD exchange rate	**5,80**	5,39	**5,79**	5,55	5,54
Average oil price (NOK/bbl)	**639**	647	**672**	626	632
Average gas price (NOK/scm)	**2,52**	2,22	**2,37**	2,08	2,15
Oil/NGL production (1 000 b/d)	**430**	403	**444**	437	440
Gas production (mill scm/d)	**91**	70	**114**	95	92
Total production (1 000 boe/d)	**1 004**	845	**1 161**	1 036	1 016

The Kvitebjørn field was a contributor to increased oil production in the second quarter.
(Photo: Øyvind Hagen, Statoil)

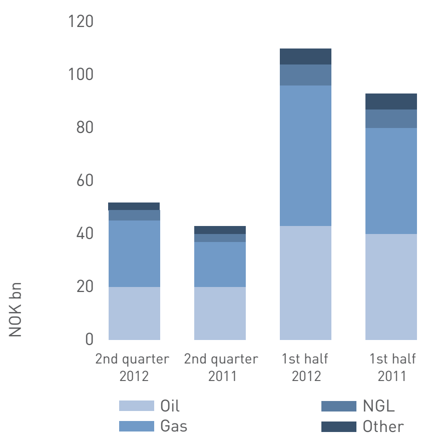
of 2011 to USD 116 per barrel. In Norwegian kroner, the average price rose by seven per cent, from NOK 626 per barrel in the first half of 2011 to NOK 672. High prices reflected a tighter balance between supply and demand and geopolitical unrest. Oil sales during the first half were on a par with 2011.

Income from gas sales rose by 32 per cent in the first half compared with the same period of 2011 as a result of higher prices and increased sales volumes. Higher oil prices combined with reduced European imports of liquefied natural gas (LNG) helped to strengthen gas prices. Gas revenue for the first half totalled NOK 53.3 billion, compared with NOK 40.5 billion in the same period of last year. The volume of equity gas production sold during the first half was 20.74 billion standard cubic metres (scm) or 717 000 boe/d, compared with 598 000 boe/d in the corresponding period of 2011.

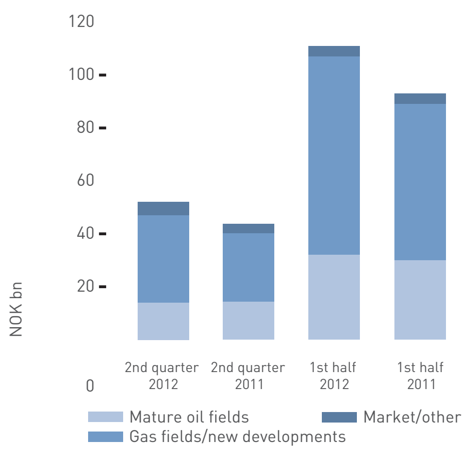
Operating expenses for the first half totalled NOK 27.9 billion, compared with NOK 26.6 billion in the same period of 2011. This rise primarily reflected higher depreciation as a result of the increased sales volume, partly offset by the lower cost of buying gas for onward sale. Operating costs for fields and plants were on a par with the same period of last year.

Total investment in the first half rose by about 20 per cent from the same period of last year to NOK 13.1 billion. A significant part of this increase reflected a high level of development activity related to Åsgard subsea compression, Skuld and Valemon as well as production drilling on Gullfaks.

REVENUE BY PRODUCT



REVENUE BY BUSINESS AREA



ACTIVITIES IN THE SECOND QUARTER

DEVELOPMENT OF SVALIN
The plan for development and operation (PDO) of the Svalin field was submitted to the Ministry of Petroleum and Energy in June.
A combined solution with drilling from Grane and a new template as a fast-track project provides accelerated production and flexibility for future opportunities in the area. Petoro has been concerned to secure rapid development in this part of the NCS in order to limit the decline in production from Grane and to facilitate possible future projects in the area.

GULLFAKS FIELD DEVELOPMENT
Together with the operator, Petoro has assessed various solutions for further field development in the Gullfaks area. The company has been concerned to establish a wellhead platform in the south-west as a genuine option in order to boost the pace of drilling. This was achieved, but studies have shown that such an installation would not be economically appropriate in this area. As a result, a new subsea template has been recommended along with an upgrading of existing facilities to safeguard drilling towards 2030.

SUPPORT FOR RIG OWNERSHIP BY LICENCES TO SECURE CAPACITY
Petoro has long been advocating the ownership of mobile rigs by licences as a possible measure to secure capacity and predictable low rates. That applies particularly in licences with a long-term work programme for drilling and completion of production wells, and will provide a renewal of the rig fleet as well as increasing opportunities for drilling smaller well targets and around the mature fields on the NCS. Petoro accordingly supports Statoil's acquisition plan to achieve this on Oseberg and Gullfaks.

VALUE UP FOR SDFI PORTFOLIO
According to Wood Mackenzie, the value of the SDFI portfolio increased from NOK 865 billion in January 2010 to NOK 1 140 billion in January 2012. This rise occurred despite the transfer of cash flows to the government in 2010 and 2011 totalling NOK 103 billion and NOK 128 billion respectively. Much of the value growth reflects increased price assumptions. However, a rise of NOK 72 billion in value with unchanged price assumptions is very positive and highlights the important work being done on both new and existing fields.

Stavanger, July 2012
The board of directors of Petoro AS

Gullfaks B
Photo: Ole Jørgen Bratland / Statoil

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