

3rd quarter of 2008

2nd quarter of 2008

1st quarter of 2008

**THIRD QUARTER OF 2008 SDFI**

**NOK 114 195 000 000**

# SDFI result in first nine months better than full 2007

Net cash flow from the State's Direct Financial Interest (SDFI) on the Norwegian continental shelf for the first nine months of 2008 totalled NOK 118.9 billion, compared with NOK 83.6 billion for the same period of last year. This means that the result for January-September exceeds the whole of 2007. Income after financial items was NOK 114.2 billion, compared with NOK 80.9 billion for first nine months of last year. This strong increase reflects higher oil and gas prices.

Net cash flow for the third quarter was NOK 38.3 billion, compared with NOK 26.1 billion in the same period of 2007. Income after financial items was NOK 36.4 billion, compared with NOK 27.3 billion. Operating income came to NOK 35.6 billion for the third quarter and NOK 114.9 billion for the first nine months. These figures were up 27 and 39 per cent respectively from the same periods of 2007.

Total production for the first nine months averaged 1 107 000 barrels of oil equivalent per day (boe/d), down six per cent from the same period of last year. Gas production to 30 September was three per cent lower than in the first nine months of 2007. Oil output declined by eight per cent, primarily as a result of the general fall in production from several mature fields on the NCS.

## FINANCIAL RESULTS

Operating revenue totalled NOK 156.4 billion for the first nine months, an increase of NOK 37.4 billion or 31 per cent from the same period of last year. Oil and natural gas liquids accounted for 54 per cent of total operating revenue, a marginal decline from the first nine months of 2007. The proportion for gas was 35 per cent, up by two per cent from the same period of last year. Remaining revenues derived primarily from participation in pipelines and land-based plants where Gassled was the largest contributor.

Oil and NGL revenues for the first nine months came to NOK 92.6 billion from average daily sales of 599 000 barrels. Revenues in the same period of last year were NOK 70.9 billion. The quantities of oil and NGL sold declined by nine per cent compared with the same period of 2007.

## THIRD QUARTER

(ALL AMOUNTS IN NOK MILL)	THIRD QUARTER		FIRST NINE MONTHS		TOTAL
	2008	2007	2008	2007	2007
Operating revenue	49 851	39 854	156 359	118 954	167 724
Total operating expenses	14 268	11 737	41 431	36 271	53 231
Operating income	35 583	28 117	114 928	82 683	114 493
Net financial items	855	(886)	(733)	(1 785)	(1 852)
Income after financial items	36 438	27 231	114 195	80 898	112 641
Total investment	5 912	5 478	15 303	14 845	20 539
Net cash flow	38 333	26 137	118 913	83 560	112 281
Average oil price (USD/bbl)	120.55	73.76	112.66	65.92	71.44
NOK/USD exchange rate	5.17	5.84	5.20	6.02	5.85
Average oil price (NOK/bbl)	624	430	586	397	418
Oil/NGL production (1 000 b/d)	557	630	605	660	661
Gas production (mill scm/d)	62	79	80	82	86
Total production (1 000 boe/d)	947	1 125	1 107	1 178	1 202



01 | Petoro carried out its own reservoir and well assessments on Gullfaks, which demonstrated that extending tail production from existing wells would safeguard reserves and be very profitable despite a high water cut.  
Photo: Øyvind Hågen/Statoil-Hydro

The average realised oil price in Norwegian kroner was 48 per cent higher than in the first nine months of last year, at NOK 586 per barrel as against NOK 397. The oil price in US dollars was up by 71 per cent from the same period of 2007.

Revenues from dry gas sales totalled NOK 54.8 billion, up 38 per cent from the same period of 2007 as a result of higher prices. The volume of equity gas production sold during the first nine months was 21.9 billion standard cubic metres, a reduction of three per cent from last year.

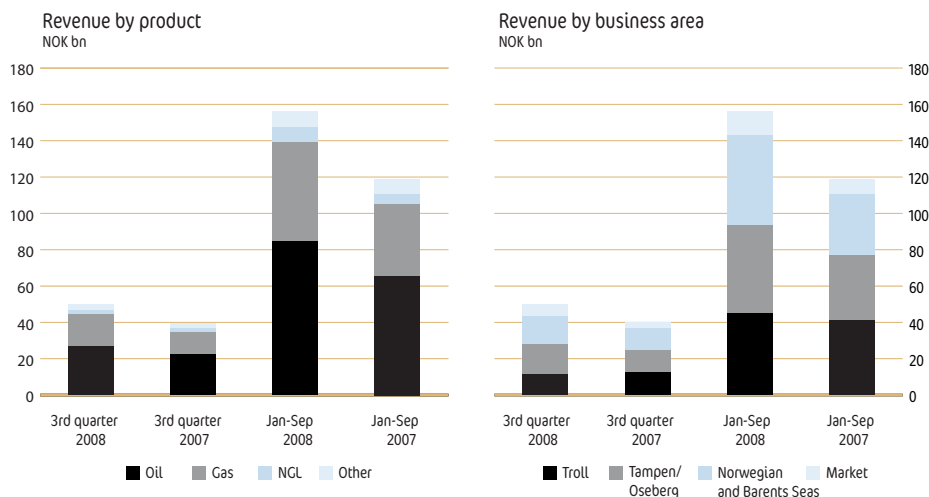
Operating expenses for the first nine months amounted to NOK 41.4 billion, up by 14 per cent from the same period of 2007. This rise primarily reflects higher costs for the purchase

of gas for onward sale. Income from that activity is reflected in gas revenues.

Investment in the first nine months rose by three per cent from the same period of last year to NOK 15.3 billion. Increased development activity on Gjøa and Vega made the biggest single contribution to this increase.

Oil prices declined sharply at the beginning of the fourth quarter, but this was partly offset by a higher US dollar exchange rate.

## REVENUE



# Activities in the third quarter

## RECORD INCOME

Income for the Norwegian government from oil and gas operations has been at a record high so far in 2008. The previous record profit for a full year was in 2006, when Petoro was able to transfer a net cash flow of just over NOK 126 billion to the government. At today's prices, that record will be exceeded during October. The high level of government income helps to make the Norwegian economy robust.

## ACTIVITY HIGH – CHALLENGING TO MEET PLANS

The level of activity on the NCS remains high. This has resulted in pressure on limited resources in the market, raising costs and making it more difficult to keep to timetables. These effects have been very noticeable in Petoro's large portfolio of fields and projects. Constantly increasing development costs and demanding execution could put some projects under threat. Fields already in operation are also noticing problems with maintaining schedules. Many revenue-generating activities, such as drilling and well work, are not being completed at the planned time. That in turn will delay SDFI revenues.

## GREAT EXPLORATION ACTIVITY BUT FEW DISCOVERIES FOR THE SDFI

The level of exploration activity on the NCS has been high during 2008, but results for the SDFI portfolio are disappointing. Of the seven most important exploration and appraisal wells drilled in the first nine months, only one resulted in a commercial discovery. To ensure positive further development of the government's portfolio, it is important to participate in both new discoveries and projects for improved recovery from mature fields.

## SNORRE NEGOTIATIONS

Petoro has led negotiations on behalf of the Snorre licence to secure further processing and storage after the existing agreement for the Statfjord A platform expires in 2011. These talks were concluded in the third quarter with a one-year extension of the agreement at reduced tariffs for Snorre's use of Statfjord A. This meant a substantial increase in the present value of the SDFI's holding in Snorre.

## GULLFAKS

Petoro carried out its own reservoir and well assessments on Gullfaks, which demonstrated that extending tail production from existing wells would safeguard reserves and be very profitable despite a high water cut. Without this work, the wells would have been plugged and used to reach other drilling targets. That would have resulted in a loss of reserves.

Stavanger, October 2008  
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](mailto:post@petoro.no)  
[www.petoro.no](http://www.petoro.no)

