petoro

SDFI FIRST QUARTER OF 2013

PRODUCTION CHALLENGES – CASH FLOW DOWN

Income after financial items for the State's Direct Financial Interest (SDFI) on the Norwegian continental shelf (NCS) totalled NOK 36.2 billion in the first quarter of 2013. Net cash flow to the government was NOK 37.3 billion, down by NOK 5.6 billion from the same period of last year. The decline from 2012 largely reflects reduced production because of operational problems, and lower oil prices compared with the record set in 2012.

Operating income for the first quarter came to NOK 36.2 billion, compared with NOK 44.1 billion in the same period of 2012. Net cash flow was NOK 37.3 billion, as against NOK 42.9 billion in the first quarter of last year.

Total oil and gas production for the first quarter declined by 15 per cent to an average of 1 121 000 barrels of oil equivalent per day (boe/d), compared with 1 319 000 for the same period of 2012. Gas production was down by 19 per cent from the first quarter of last year. The most important reason for this change was operating problems on the Troll and Snøhvit gas fields. Production of oil and natural gas liquids (NGL) fell by 10 per cent, primarily because of delayed completion of wells on Troll and reduced output from mature fields.

FINANCIAL RESULTS

Operating revenue totalled NOK 51.6 billion for the first quarter, compared with NOK 58.7 billion in the same period of 2012. Income from oil sales declined by 15 per cent from the first quarter of last year as a result of both reduced production and lower prices. The average oil price for the first quarter was NOK 641 per barrel, compared with NOK 701 in 2012 – a nine per cent decline. Lower oil prices reflect

	FIRST QUARTER		**FULL YEAR**
(NOK mill)	**2013**	2012	2012
Operating revenue	**51 620**	58 708	213 885
Total operating expenses	**15 463**	14 633	61 167
Operating income	**36 157**	44 075	152 717
Net financial items	**30**	-1 028	-2 731
Income after financial items	**36 187**	43 046	149 986
Total investment	**6 940**	6 142	26 399
Net cash flow	**37 297**	42 871	146 930
Average oil price (USD/bbl)	**114,75**	121,60	113,27
NOK/USD exchange rate	**5,59**	5,77	5,80
Average oil price (NOK/bbl)	**641**	701	657
Average gas price (NOK/scm)	**2,27**	2,26	2,35
Oil/NGL production (1 000 b/d)	**412**	456	430
Gas production (mill scm/d)	**113**	137	112
Total production (1 000 boe/d)	**1 121**	1 319	1 132

Snorre A. Photo: Rune Johansen / Statoil

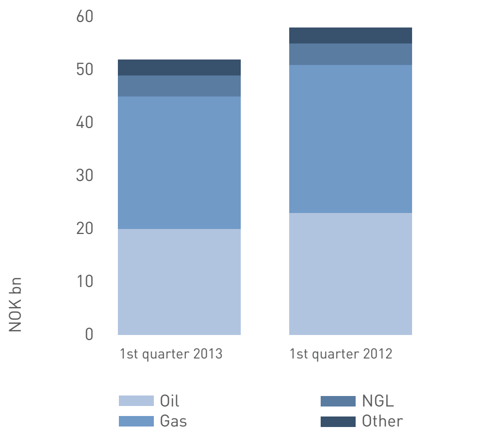
a weaker market in the first quarter of 2013, both because demand has declined in a number of countries owing to economic challenges and because reduced geopolitical unrest has strengthened the supply side.

Income from gas sales declined by 11 per cent in the first quarter compared with the same period of 2012 because the volume of sales was lower. Gas revenue for the first quarter totalled NOK 25.2 billion, compared with NOK 28.3 billion in the same period of last year. The volume of equity gas production sold during the first quarter was 10.1 billion standard cubic metres (scm) or 709 000 boe/d, compared with 861 000 boe/d in the corresponding period of 2012. The reduction in sales volume was a consequence of technical operating challenges on Troll and Snøhvit. Average gas prices remained on a par with last year.

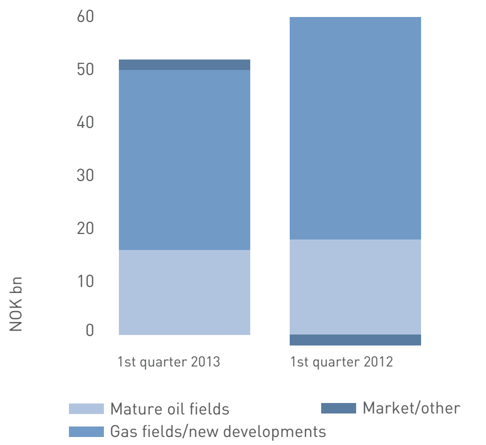
Operating expenses totalled NOK 15.5 billion, compared with NOK 14.6 billion for the first quarter of 2012. This six per cent rise reflected the higher cost of buying gas for onward sale and increased expenses for operating fields and plants, offset by lower depreciation. Higher costs for operating fields and plants primarily reflected cost accruals and expenditure related to the return of volumes on Heidrun. Increased revenues from returned volumes more than compensated for these costs.

Total investment in the first quarter rose by 13 per cent from the same period of last year to NOK 6.9 billion. The principal reason was an increased level of development activity related to Stjerne, Gullfaks South/Statfjord IOR, Valemon and the replacement of gas export risers on Norne.

REVENUE BY PRODUCT



REVENUE BY BUSINESS AREA



ACTIVITIES IN THE FIRST QUARTER

NEW INTERESTS FOR THE SDFI

The Norwegian government reserved interests for the state in 17 new licences allocated from the awards in predefined areas (APA) for 2012. Petoro thereby became a licensees in 11 new licences in the North Sea, four in the Norwegian Sea and two in the Barents Sea. In addition, Petoro Iceland AS became a partner in two licences in the sea areas between Iceland and Jan Mayen in connection with the second licensing round on the Icelandic continental shelf. The new licences could lay the basis for additional volumes from both mature and frontier areas.

JOHAN SVERDRUP

The partners in the Johan Sverdrup project reached agreement in February on which elements in the development are to be studied up to a final choice of concept on 1 October this year. These conceptual studies are being conducted by AkerKværner, and an optimisation and review of the development elements is now under way. On the exploration side, a discovery made in PL502 documented that the Johan Sverdrup discovery also extends into that production licence. Work is now under way to determine how PL502 is to be incorporated in the Johan Sverdrup pre-unit. A plan for development and operation (PDO) is due to ready by the end of 2014/early 2015.

LANDING OIL IN THE FAR NORTH – NEW ERA

The primary concept for developing the Johan Castberg discovery (formerly Skrugard and Havis) was approved by the licensees in PL532/608 in February 2013. Output from this field will be tied back to a floating installation via a subsea production system located in about 380 metres of water. Daily production is estimated at 200 000 boe. Oil will be piped about 280 kilometres to Veidnes outside Honningsvåg in northern Norway. The chosen concept lays the basis for further exploration and additional value creation from possible future discoveries in the Barents Sea.

Licensees in PL532/608 are Statoil (operator, 50 per cent), Eni (30 per cent) and Petoro (20 per cent).

FIRST ROUND OF FAST-TRACK PROJECTS COMPLETED

Statoil completed the first five of its fast-track developments between November 2012 and March 2013. Petoro participates in four of these, which will yield an output of roughly 50 000 barrels per day in 2014 and 2015. The projects have been completed to budget despite a substantial increase in costs in the market during the period. An average execution time of three years was achieved, compared with a target of 2.5 years for fast-track projects. Various measures are being considered in order to reach this goal in future developments.

RIG DELAYS CHALLENGE PRODUCTION TARGETS AND EXPLORATION ACTIVITY

A number of delays occurred with rigs for both production and exploration drilling during the first quarter. The main reasons were the scope of post-delivery commissioning and preparations for working on the NCS.

Stavanger, May 2013
The board of directors of Petoro AS

Troll B platform
Photo: Øyvind Hagen / Statoil

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