

2ND QUARTER
SDFI

09

2ND QUARTER 2009 / NOK 55 110 000 000

1ST QUARTER 2009 / NOK 31 246 000 000



Q2



Q1

STRONG FIRST-HALF RESULTS

UNCERTAINTY OVER FUTURE PROJECTS

Income after financial items from the State's Direct Financial Interest (SDFI) on the Norwegian continental shelf for the first half of 2009 totalled NOK 55.1 billion. Net cash flow to the government was NOK 57.1 billion, down by NOK 23.5 billion from the same period of 2008 – which was a record year. This decline primarily reflects lower prices. During the second quarter, Petoro participated as a licensee in six new discoveries in mature areas. Their location permits a quick start to production and contributes to efficient area utilisation on the NCS. On the negative side, a fatal accident occurred in May.

Operating income for the second quarter came to NOK 24.4 billion, compared with NOK 37 billion in the same period of 2008. Net cash flow for the quarter was NOK 23.9 billion as against NOK 40.7 billion last year.

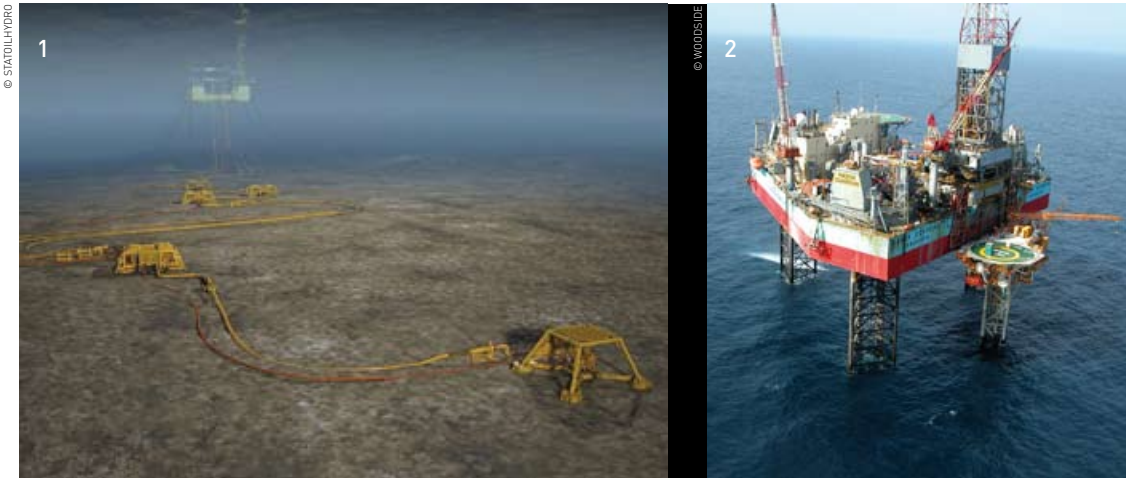
Total oil and gas production for the second quarter averaged 1 004 000 barrels of oil equivalent per day (boe/d), compared with 1 069 000 for the same period of 2008. Gas production during the quarter was three per cent higher than in the second three months of last year. The output of oil and natural gas liquids (NGL) fell by 13 per cent, primarily as a result of the decline in production from mature fields in the SDFI portfolio. Increased deliveries from new fields such as Ormen Lange and Snøhvit counteracted the overall reduction in production.

The board regrets the fatal accident suffered on the Oseberg field on 7 May. Where health, safety and the environment (HSE) are concerned, a condensate leak occurred at Kollsnes and an injection ship collided with an Ekofisk platform. Both incidents had the potential to become major accidents. A number of dropped objects were recorded during the first half along with undesirable incidents related to crane lifts. Petoro follows up HSE incidents in the licences, and will be paying special attention to their causes and to the implementation of measures to avoid such events.

FINANCIAL RESULTS

Operating revenue totalled NOK 83.7 billion for the first half, compared with NOK 106.5 billion in the same period of last year.

SECOND QUARTER					
	SECOND QUARTER		FIRST HALF		FULL YEAR
	2009	2008	2009	2008	2008
(All amounts in NOK mill)					
Operating revenue	37 522	49 070	83 660	106 508	214 585
Total operating expenses	13 083	12 107	26 621	27 163	56 742
Operating income	24 439	36 963	57 039	79 345	157 843
Net financial items	(575)	(619)	(1 929)	(1 588)	2 063
Income after financial items	23 865	36 344	55 110	77 757	159 906
Total investment	6 415	5 138	12 087	9 391	21 320
Net cash flow	23 876	40 714	57 106	80 580	155 420
Average oil price (USD/bbl)	57.68	122.17	50.48	109.28	97.99
NOK/USD exchange rate	6.52	5.11	6.73	5.22	539
Average oil price (NOK/bbl)	376	624	340	570	528
Oil/NGL production (1 000 b/d)	529	611	573	629	607
Gas production (mill scm/d)	75	73	91	89	86
Total production (1 000 boe/d)	1 004	1 069	1 149	1 188	1 148



1 | Petoro is concerned to ensure progress with new projects in order to secure continued development on the NCS after the completion of current activities such as Gjøa (pictured) and sanctioned projects like Skarv and Goliat.

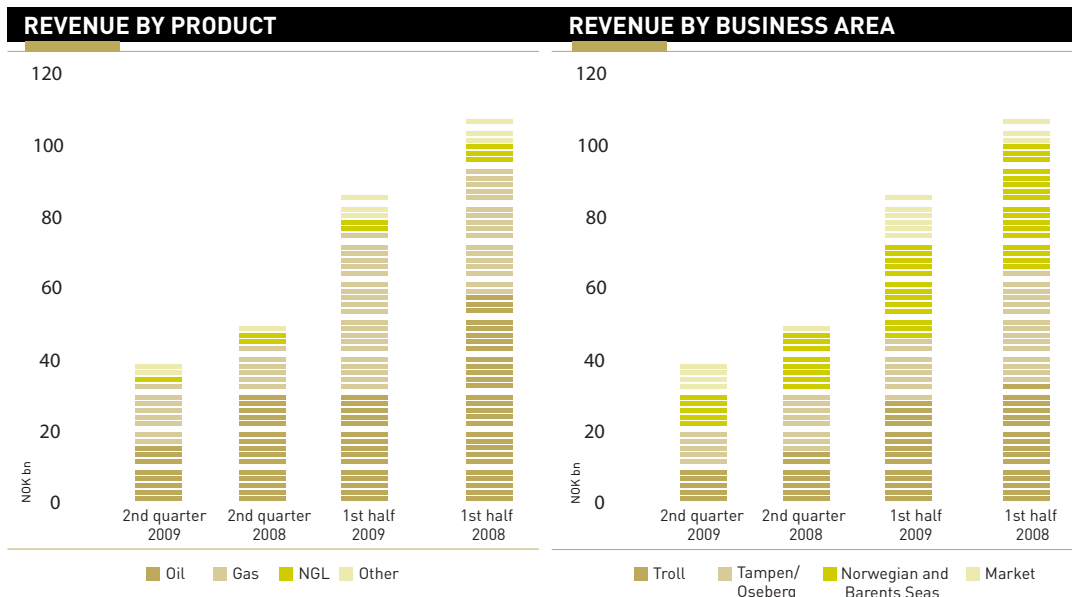
2 | One of the most important discoveries in which Petoro participated during the first half was made on the Grevling prospect close to the Varg field in the North Sea, both of which are operated by Talisman.

Income from oil sales declined by 47 per cent from the first half 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 half than in the same period of 2008: USD 50.5 per barrel compared with USD 109.3. In Norwegian kroner, the price was 40 per cent down at NOK 340 per barrel as against NOK 570 in 2008.

Revenues from gas sales for the first half rose by 18 per cent from the same period of 2008 as a result of higher prices, increased volume and an improved trading performance in 2009. Gas prices remained relatively high during the period because they are related to oil prices, but change with a time lag. Gas revenues for the first half totalled NOK 44.2 billion, compared with NOK 37.3 billion in the same period of last year. The volume of equity gas production sold during the first half was 16.6 billion standard cubic metres (scm) or 575 000 boe/d, compared with 559 000 in 2008 – an increase of three per cent.

Operating expenses amounted to NOK 26.6 billion, compared with NOK 27.2 billion in the first half of 2008. The cost of buying gas for onward sale was lower in the first half, reflecting reduced purchases of replacement gas for Snøhvit and of third-party gas in the US market. Correspondingly, revenues from purchased gas are included in gas sales revenues. Operating costs for fields and plants rose by seven per cent from the first half of last year. This reflected increased expenditure on maintenance and well workovers. Exploration activity increased substantially from the same period of 2008 and resulted in 10 discoveries.

Investment in the first half rose by 29 per cent from the same period of last year to NOK 12.1 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 costs related to the Gjøa development.



ACTIVITIES IN THE SECOND QUARTER

INVESTMENT HIGH IN FIRST HALF, BUT IMPORTANT PROJECTS FAILING TO PROGRESS

Petoro's investment in the first half reached a record level despite the financial crisis and market unrest. That reflects commitments sanctioned in the autumn of 2008. However, uncertainty prevails about this autumn's investment decisions for 2010.

Lower prices, weaker results, greater pressure on liquidity and the need by the oil companies to secure financial flexibility are reflected on the NCS in a desire to postpone profitable projects. In such conditions, Petoro is particularly concerned to distinguish between postponements which aim to reduce costs and ensure quality, and those primarily intended to safeguard the financial flexibility of companies and the prioritisation of activities within and outside Norway. Petoro will seek to avoid a weakening of the SDFI portfolio through adjustments which might be rational for other companies.

The company involved itself during the first half in a number of projects where an issue of this kind has been relevant. In some cases, these efforts contributed to a decision in the licences to reject a delay.

Petoro has reviewed its own portfolio of projects and is working actively with operators and partners for the individual fields to push through profitable projects and ensure that decisions are taken at the right time. That applies not least in relation to StatoilHydro as the operator for 90 per cent of forthcoming projects with SDFI participation.

EXPLORATION RESULTS REMAIN POSITIVE

Good exploration progress continued during the second quarter, with interesting discov-

eries in six of eight completed exploration wells. All these finds are located in mature areas close to existing infrastructure, and can accordingly be brought on stream in the near future. Collectively, they represent additional resources of 40-80 million boe for the SDFI portfolio. Petoro secured interests in six new production licences from the 20th licensing round, including three in the deepwater Norwegian Sea and three in the Barents Sea. These holdings provide the basis for interesting further development in the far north, and could represent important replacement reserves for the SDFI in the long term.

COMMERCIAL OPERATION OF GAS STORAGE

Partial commercial operation has begun at the Aldbrough gas storage on the English east coast. This provides increased operational storage capacity and ensures additional value creation through opportunities to optimise deliveries to customers and in the market. The Aldbrough facility will initially contribute a total capacity of 60 million cubic metres in two caverns. The storage is operated by Scottish and Southern Energy, while StatoilHydro and the SDFI have rights to a third of the capacity. Plans call for development of the facility to be completed in 2012, when it will be the largest land-based gas storage in the UK and an important element in safeguarding gas supplies to the British market.

FURTHER DEVELOPMENT OF THE GULLFAKS AREA

The level of planning on Gullfaks is currently high in order to safeguard technical condition, reduce costs and increase the reserve base for production towards 2030. A number of the larger projects have been organised under the Gullfaks 2030 umbrella. One of these involves upgrading the drilling facilities on the A platform, with

the concept selected in April. The upgraded rig will be capable of extended reach drilling, and thereby make a positive contribution to Petoro's area-based development approach within a radius of 10 kilometres. This will help to ensure that resources outside the main Gullfaks reservoir are also recovered efficiently.

Acreage around the Gullfaks and Oseberg fields offers attractive exploration targets, and the partnerships updated the exploration strategy for these areas during the spring of 2009. A number of prospects have been linked together in clusters in order to facilitate faster and more efficient field development.

Stavanger, August 2009

The board of directors of Petoro AS