petoro

SDFI THIRD QUARTER OF 2012

RECORD GAS SALES

Income after financial items for the State's Direct Financial Interest (SDFI) on the Norwegian continental shelf (NCS) totalled NOK 110.4 billion for the first nine months of 2012. Net cash flow to the government was NOK 115.1 billion, up by NOK 17.9 billion from the same period of last year. Higher gas sales and prices primarily explained the increase from 2011. A record 38.5 billion cubic metres of SDFI gas were sold during the 2011 gas year, which ended on 30 September 2012.

Operating income for the third quarter came to NOK 30 billion, compared with NOK 29.5 billion in the same period of 2011. Net cash flow was NOK 30.6 billion, up by four per cent from the third quarter of last year.

Total oil and gas production for the third quarter averaged 958 000 barrels of oil equivalent per day (boe/d), compared with 879 000 for the same period of 2011. Gas production for the third quarter was up by 22 per cent from July-September last year because of high demand and consequent high prices. Production of oil and natural gas liquids (NGL) declined by 23 000 barrels per day, primarily because of planned turnarounds on Troll and Kvitebjørn plus strikes and operational problems on Oseberg.

FINANCIAL RESULTS

Operating revenue totalled NOK 155.4 billion for the first nine months, compared with NOK 135.2 billion in the same period of 2011. Income from oil sales increased by two per cent from the first nine months of last year because of a stronger US dollar. The average oil price for the first nine months was USD 114 per barrel, unchanged from the same period of 2011. In Norwegian kroner, the average price rose by six per cent, from NOK 627 per barrel in the first nine months of 2011 to NOK 666. Oil sales during the first

	THIRD QUARTER		**FIRST NINE MONTHS**		**FULL YEAR**
(all amounts in NOK mill)	**2012**	2011	**2012**	2011	2011
Operating revenue	**45 165**	42 404	**155 414**	135 187	188 820
Total operating expenses	**15 182**	12 946	**43 087**	39 497	53 860
Operating income	**29 983**	29 458	**112 327**	95 690	134 959
Net financial items	**(1 018)**	107	**(1 880)**	(1 143)	(1 239)
Income after financial items	**28 965**	29 565	**110 447**	94 547	133 721
Total investment	**6 653**	4 840	**19 779**	15 764	19 053
Net cash flow	**30 631**	29 330	**115 127**	97 263	128 083
Average oil price (USD/bbl)	**109.76**	116.89	**114.07**	114.18	114.00
NOK/USD exchange rate	**5.95**	5.39	**5.84**	5.50	5.54
Average oil price (NOK/bbl)	**653**	630	**666**	627	632
Average gas price (NOK/scm)	**2.24**	2.05	**2.33**	2.07	2.15
Oil/NGL production (1 000 b/d)	**398**	421	**429**	432	440
Gas production (mill scm/d)	**89**	73	**106**	88	92
Total production (1 000 boe/d)	**958**	879	**1 093**	983	1 016

Support shaft on Troll A.
(Photo: Harald Pettersen, Statoil)

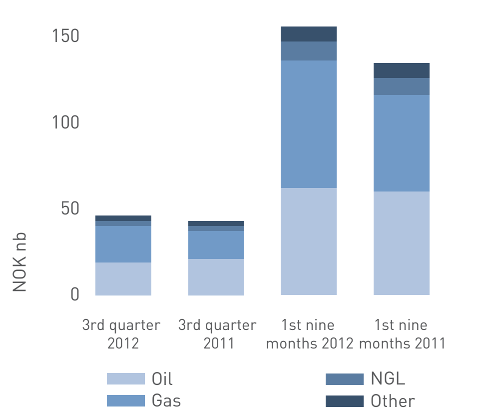
nine months were four per cent down from 2011.

Income from gas sales rose by 32 per cent in the first nine months compared with the same period of 2011 as a result of higher prices and increased sales volumes. Big demand for liquefied natural gas (LNG) in the Asian market contributed to reduced supplies in Europe, and thereby strengthened European gas prices. The average gas price for the SDFI in the first nine months was up 12 per cent from the same period of 2011, at NOK 2.33 per standard cubic metre (scm) compared with NOK 2.07. Gas revenue for the first nine months totalled NOK 74.1 billion, compared with NOK 56 billion in the same period of last year. The volume of equity gas production sold during the first nine months was 28.9 billion scm or 664 000 boe/d, compared with 551 000 boe/d in the corresponding period of 2011 – an increase of 21 per cent.

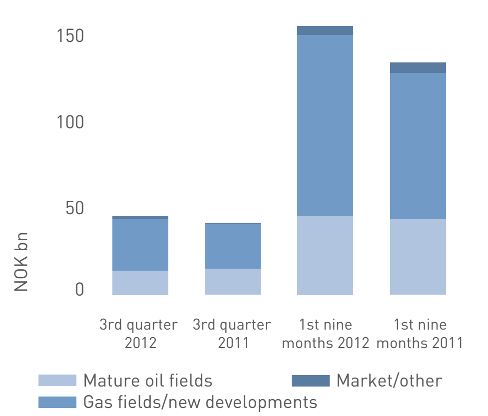
Operating expenses for the first nine months totalled NOK 43.1 billion, compared with NOK 39.5 billion in the same period of 2011. This growth primarily reflected increased depreciation as a result of the increased sales volume as well as higher operating costs for fields and plants. The rise was partly offset by the lower cost of buying gas for onward sale. Operating costs for fields and plants were up by eight per cent from the same period of last year, reflecting increased well maintenance.

Total investment in the first nine months rose by about 25 per cent from the same period of last year to NOK 19.8 billion. A significant part of this rise reflected increased production drilling on Gullfaks as well as a high level of development activity related to projects on Troll, Stjerne, Skuld and Valemon.

REVENUE BY PRODUCT



REVENUE BY BUSINESS AREA



ACTIVITIES IN THE THIRD QUARTER

GEITUNGEN – NEW DISCOVERY IN THE JOHAN SVERDRUP AREA

A substantial oil discovery was made in the Geitungen prospect on the Utsira High in the North Sea. This lies close to the Johan Sverdrup discovery, and well data indicate that the two finds are probably in communication. Estimates put the volume at 140-270 million recoverable boe. The Geitungen discovery will be included in future development work on Johan Sverdrup.

HALT TO CAPACITY EXPANSION FOR SNØHVIT FACILITY

On the recommendation of the operator, the Snøhvit licensees resolved to halt work on a possible expansion in capacity at the Hammerfest LNG plant. The licensees have concluded that today's resources, combined with the necessary investment, do not provide a basis for expanding capacity at this time. In the time to come, the Snøhvit licence will focus its efforts on optimising and upgrading the existing facility on Melkøya and continuing to develop Snøhvit through the development of Askeladd and a future compression solution. A possible fresh evaluation of expanding LNG or pipeline capacity at Melkøya will depend on the discovery of additional resources in the area.

NEED FOR PRODUCTION WELLS CONSIDERABLY GREATER THAN THOUGHT

Work done by Petoro shows that the need for production wells is substantially above the figures incorporated in existing plans for mature fields. Achieving such a number within the expected lifetime of these fields would mean drilling far more wells per year than would be possible with the use of existing facilities or through drilling subsea wells.

Petoro continued its efforts during the third quarter to come up with solutions to this challenge. One example is a further concretisation of work on a wellhead platform as part of the further development of Snorre. Petoro is also assessing the possibility of a wellhead platform on Heidrun as part of efforts to increase the drilling rate on that field. Calculations made by Petoro on a large mature field show that increasing the annual drilling rate from two to four production wells could yield up to 140 million boe over the next 30 years.

Together with Statoil, Petoro has helped to concretise the question of whether some licences with long-term drilling requirements should own rather than charter mobile rigs in order to drill production wells. This work became particularly relevant during the third quarter for Gullfaks and Oseberg.

Stavanger, October 2012
The board of directors of Petoro AS

Oseberg East platform.
(Photo: Øyvind Hagen/Statoil)

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