



SDFI FIRST QUARTER OF 2014



INVESTMENT COSTS HIGH – PRODUCTION GOOD

Income after financial items for the State's Direct Financial Interest (SDFI) on the Norwegian continental shelf (NCS) totalled NOK 37.8 billion in the first quarter of 2014. Net cash flow to the government was NOK 38.9 billion, an increase of NOK 1.6 billion from the same period of 2013. This rise primarily reflects higher oil and gas prices in Norwegian kroner compared with last year.

Operating income for the first quarter came to NOK 38.6 billion, compared with NOK 36.2 billion in the same period of 2013. Net cash flow was NOK 38.9 billion, as against NOK 37.3 billion in the first quarter of last year.

Total oil and gas production for the first quarter averaged 1 109 000 barrels of oil equivalent per day (boe/d), roughly on a par with the same period of 2013. Liquid output rose by about four per cent, primarily as a result of improved regularity from such fields as Troll, Visund and Snøhvit. The return of volumes as a result of the Heidrun redetermination had a positive effect in

the first quarter of 2013. Gas production during the first three months of 2014 was down by 4.4 per cent from the same period of last year. The most important reason for this decline was reduced output from Oseberg and Ormen Lange.

FINANCIAL RESULTS

Operating revenue totalled NOK 53.2 billion, compared with NOK 51.6 billion in the same period of 2013. Income from oil sales was on a par with the first quarter of last year. The decline in the volume sold was countered by a higher oil price in Norwegian kroner, averaging NOK 670 per barrel, following an increase in the

	FIRST QUARTER		FULL YEAR
(NOK mill)	2014	2013	2013
Operating revenue	53 244	51 620	194 308
Total operating expenses	14 673	15 463	61 854
Operating income	38 571	36 157	132 455
Net financial items	(769)	30	362
Income after financial items	37 802	36 187	132 817
Total investment	9 553	6 940	35 444
Net cash flow transferred to the government	38 918	37 297	124 825
Average oil price (USD/bbl)	109.34	114.75	110.36
NOK/USD exchange rate	6.13	5.59	5.86
Average oil price (NOK/bbl)	670	641	647
Average gas price (NOK/scm)	2.57	2.25	2.31
Oil/NGL production (1 000 b/d)	428	412	413
Gas production (mill scm/d)	108	113	99
Total production (1 000 boe/d)	1 109	1 121	1 034



Melkøya. Photo: Harald Pettersen/Statoil

USD/NOK exchange rate from NOK 5.59 to NOK 6.13. Oil prices in US dollars declined by 4.7 per cent from the corresponding period of last year.

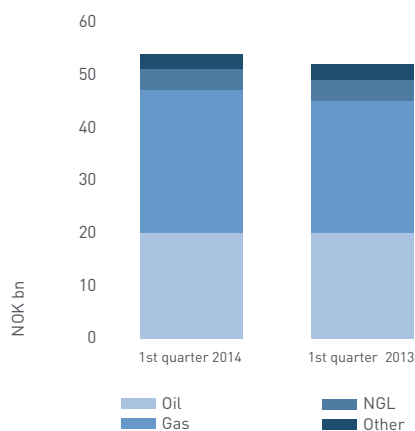
Income from gas sales rose by six per cent from the same period of 2013 because of an increase in the average gas price, and reached NOK 26.7 billion compared with NOK 25.2 billion in the same period of last year. The volume of equity gas production sold during the first quarter was 9.75 billion standard cubic metres (scm) or 682 000 boe/d, representing a reduction of about four per cent from last year.

Operating expenses totalled NOK 14.7 billion,

compared with NOK 15.5 billion for the first quarter of 2013. This five per cent decline primarily reflected reduced purchases of gas for onward sale.

Total investment in the first quarter rose by NOK 2.7 billion or 38 per cent from the same period of last year to NOK 9.6 billion. The high level of capital spending on development related in part to the purchase of partner-owned rigs for Oseberg and Gullfaks and projects on Gullfaks South and Gassled. An increase in production drilling was primarily attributable to Troll.

REVENUE PER PRODUCT



ACTIVITIES IN THE FIRST QUARTER

DEVELOPMENT CONCEPT FOR JOHAN SVERDRUP

The development concept for Johan Sverdrup was chosen by the partnership in February. Petoro is satisfied that the choice of concept and dimensioning of the power solution ensures that the field centre will be robust and flexible for future phases in line with the company's recommended solution.

INVESTMENT AND COSTS HIGH – ORMEN LANGE PROJECT POSTPONED

The high level of investment in 2013 persisted into the first quarter. Costs increased for major projects in the SDFI portfolio, such as Draugen, Martin Linge and Valemon. The rise in costs and a reduction in the resource base are the main reasons why plans to invest in a subsea compression solution on Ormen Lange have now been postponed. Petoro agreed that the existing project cannot be continued. The company is nevertheless unable to support the decision in the licence because both plans and resources for continued work with compression on Ormen Lange are inadequate.

HIGH EXPLORATION ACTIVITY AND SEVERAL DISCOVERIES

Seven exploration wells were completed during the first quarter, with discoveries in three North Sea wells. A gas/condensate and oil find on Valemon North increased the resource base and the value of the Valemon development through a possible new fast-track project.

NEW SDFI INTERESTS

The Norwegian government reserved holdings in 12 new licences for the state in connection with the 2014 awards in predefined areas (APA). Petoro Iceland AS also secured a new licence in the waters between Iceland and Jan Mayen in connection with a new licensing round on the Icelandic continental shelf.

Stavanger, May 2014
The board of directors of Petoro AS



Johan Sverdrup. Illustration/Statoil