



SDFI SECOND QUARTER OF 2016



PRODUCTION HIGH, BUT CASH FLOW STILL DOWN

Net cash flow from the State's Direct Financial Interest (SDFI) in oil and gas operations on the Norwegian continental shelf (NCS) came to NOK 38.7 billion in the first half of 2016, down by 29 per cent from last year. Total production was 3.5 per cent higher than in the same period in 2015

FINANCIAL RESULTS FOR THE FIRST HALF

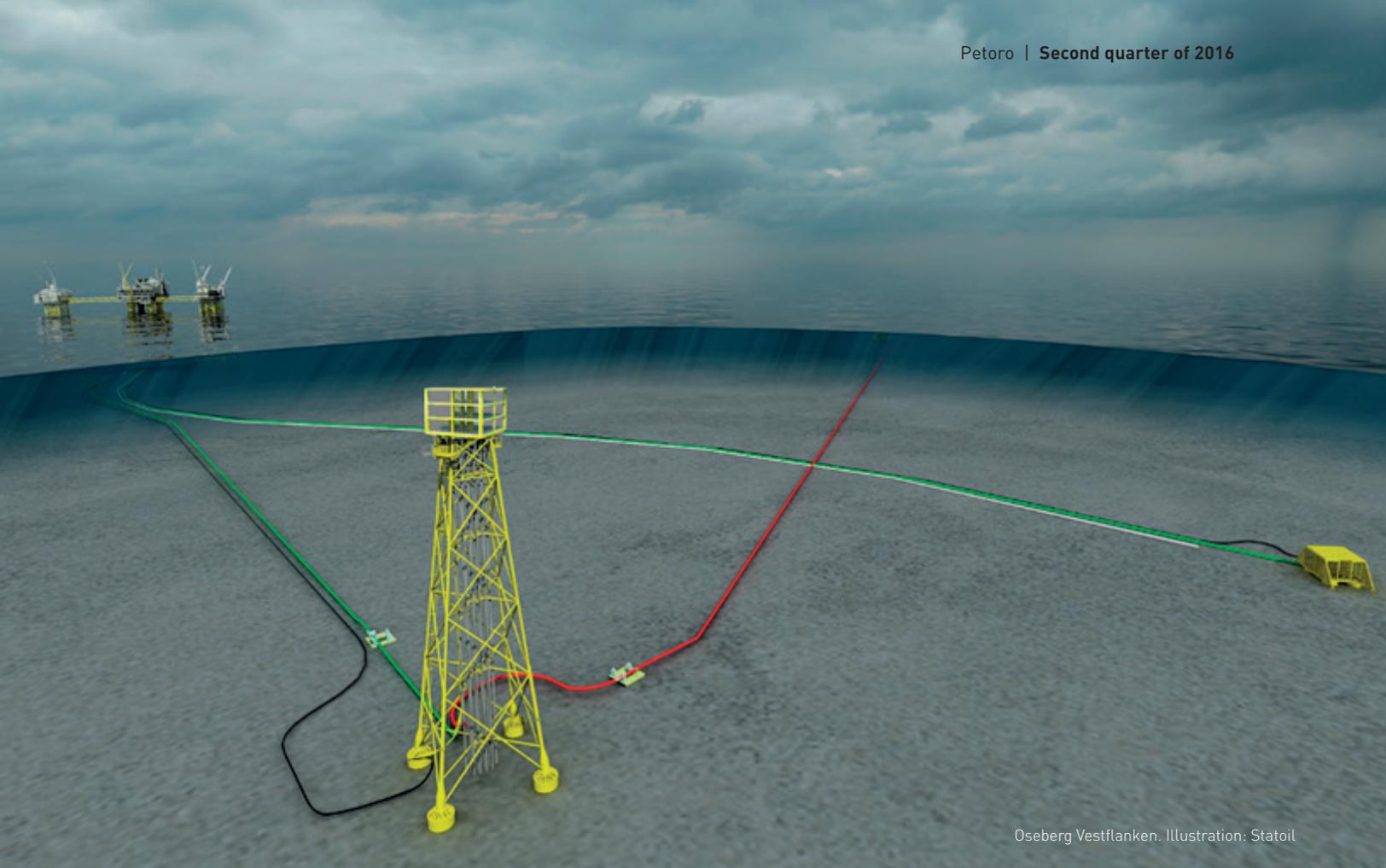
Income after financial items came to NOK 31.9 billion in the first half, down by about NOK 17 billion from the same period of 2015. Higher production partly offset lower oil and gas prices. Total oil and gas output to 30 June averaged 1 083 000 barrels of oil equivalent per day (boe/d).

Operating revenue totalled NOK 60.3 billion for the first half, compared with NOK 81.8

billion in the same period of last year. The fall in oil and gas prices was the primary reason for the decline. Volumes produced and sold were higher than the first half of 2015.

Gas income came to NOK 31.8 billion for the first half, down by NOK 10.2 billion from the same period of last year. This reduction reflected a decline in gas prices as a result of a weaker market for this commodity. The volume sold was up by 1.2 billion standard

	SECOND QUARTER		FIRST HALF		FULL YEAR
(NOK mill)	2016	2015	2016	2015	2015
Operating revenue	27 796	37 172	60 331	81 833	157 753
Total operating expenses	13 206	15 308	27 232	32 332	67 762
Operating income	14 590	21 864	33 099	49 501	89 990
Net financial items	(455)	(615)	(1 150)	(882)	(991)
Income after financial items	14 135	21 249	31 949	48 619	88 999
Total investment	8 363	8 324	14 640	15 161	27 961
Net cash flow transferred to government	16 239	23 854	38 735	54 935	93 639
Average oil price (USD/bbl)	45.4	62.0	38.9	58.7	52.7
NOK/USD exchange rate	8.2	7.8	8.5	7.7	8.0
Average oil price (NOK/bbl)	374	481	329	451	420
Average gas price (NOK/scm)	1.46	2.12	1.62	2.23	2.14
Oil/NGL production (1 000 b/d)	406	407	414	413	411
Gas production (mill scm/d)	93	83	106	101	105
Total production (1 000 boe/d)	990	926	1 083	1 046	1 068



Oseberg Vestflanken. Illustration: Statoil

cubic metres (scm) from the first half of 2015.

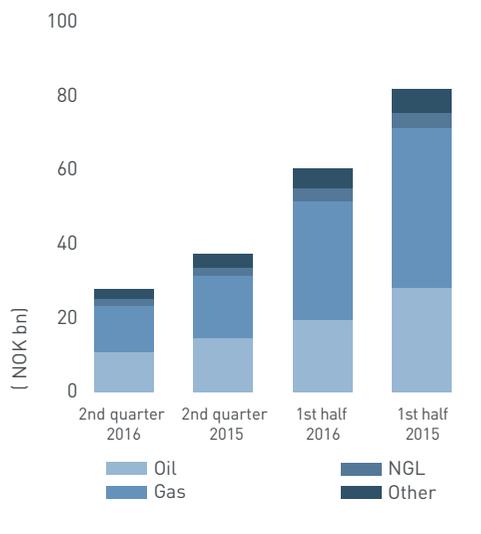
Income from oil sales was down by 31 per cent from the same period of 2015 as a result of the continued decline in crude prices.

Lower oil prices in US dollars were offset to some extent by a higher dollar exchange rate against Norwegian kroner compared with the first half of 2015.

A reduction in operating expenses for the first half primarily reflected lower operating costs for fields on stream, reduced depreciation for removal and a decline in the cost of purchasing third-party gas owing to lower gas prices. Costs for operating the fields in the portfolio were down by about NOK 500 million in the first half compared with the same period of 2015.

Total investment in the first half was NOK 14.6 billion, down by three per cent from the same period of 2015.

REVENUE PER PRODUCT



EVENTS IN THE SECOND QUARTER

Thirteen people died in a helicopter crash on 29 April off Turøy in Hordaland county while flying from Gullfaks B to Bergen. This incident again served as a reminder to the whole oil industry how crucial it is to maintain the high level of safety on the NCS.

The plan for operation and development (PDO) for the Oseberg Vestflanken 2 project was approved by the government in April. The development solution is a fixed unstaffed wellhead platform, which represents a new concept on the NCS. A new gas pipeline terminal opened at Emden in Germany in May to replace the Norsesea Gas Terminal, in operation since 1977. Production from Varg ceased in June after 18 years. The field had then produced three times the amount estimated when it came on stream. Work on removing the platform has begun.

A valuation conducted by Rystad Energy on behalf of the Ministry of Petroleum and Energy found that the SDFI was worth NOK 810 billion at 1 January 2016. Expectations

of future oil and gas prices exerted a big influence on the valuation, and the prospect of lower gas prices was the biggest single reason for its reduction from NOK 1 234 billion in 2014.

Brian Bjordal was elected as a new director of Petoro in June. His earlier appointments include CEO of Gassco.

Stavanger, August 2016
The board of directors of Petoro AS