

SDFI
second
quarter of
2020:

Cash flow of NOK 34 billion from SDFI in the 1st half of 2020

The Covid-19 pandemic and low prices have had a significant impact on cash flow from the State's Direct Financial Interest (SDFI) in the 2nd quarter. Net cash flow from the oil and gas activities this quarter was the lowest since Petoro was established, at NOK 7 billion. This resulted in a cash flow for the first half of 2020 of NOK 34 billion, 43 per cent lower than the same period in 2019.

NOK million	First six months		Full year
	2020	2019	2019
Cash flow	33,766	58,929	96,184
Operating revenue	52,465	83,256	153,395
Operating expenses	30,116	30,321	56,346
Operating profit	22,348	52,935	97,236
Financial items	336	(1,188)	(1,304)
Net income	22,685	51,747	94,633
Investments	13,867	12,018	26,727
Average oil price (USD/bbl)	37.8	66.7	65.0
Exchange rate NOK/USD	9.41	8.60	8.80
Average oil price (NOK/bbl)	355.7	574.0	572.3
Average gas price (NOK/scm)	1.17	2.01	1.92
Production (thousand boe per day)	979	1,022	964
Oil, condensate and NGL (thousand boe per day)	378.6	344.6	349.2
Gas (million scm per day)	95.5	107.7	97.7
Sales (thousand boe per day)	1,004	1,046	978



Snorre A. Photo: Bo B. Randulff & Even Kleppa / Equinor

Financial results as of 1st half of 2020

Net income after financial items as of the 1st half of 2020 amounted to NOK 23 billion, 29 billion lower than the same period last year. This reduction was mainly caused by lower prices and sales volume, as well as impairment of fixed assets in the first quarter.

Total production amounted to 979 thousand barrels of oil equivalent per day (kboed), a decline of 43 kboed compared with the same period last year.

Gas production amounted to 95 million standard cubic metres (mill. scm) per day, a decline of 11 per cent compared with the same period last year. This reduction was primarily caused by the use of flexible gas extraction for price optimisation on Troll and Oseberg. The average realised gas price was NOK 1.17 per scm, compared with NOK 2.01 in the same period last year. Gas prices on the spot market declined considerably in the first half of 2020 due to an oversupplied market as a result of increased LNG imports early this year and historically high inventory levels. Demand was also reduced due to global infection control measures to prevent the spread of Covid-19.

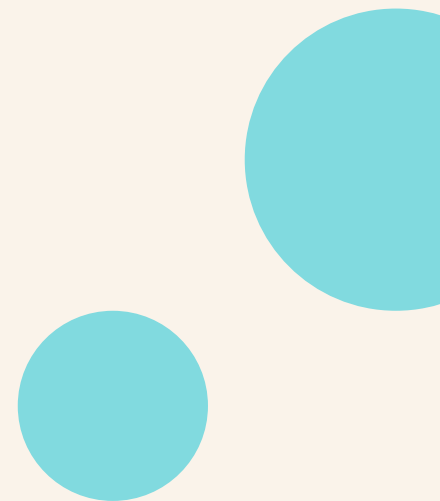
Liquids production amounted to 379 kboed, 34 kboed higher than the same period last year. The increase was caused by Johan

Sverdrup starting up in October 2019.

Excluding production from Johan Sverdrup, production declined by 35 kboed, mainly as a result of natural production decline on multiple fields, as well as further reductions in oil production in June for the fields included in the Government's revised production permits, which will be in force for the rest of the year. The average realised oil price was USD 38, compared with USD 67 per bbl. in the same period last year. The decline in oil price was generally caused by a loss of demand as a result of global infection control measures initiated to prevent the spread of Covid-19. However, the price drop in USD was somewhat offset by a weaker NOK, meaning that the achieved oil price measured in NOK was 356, compared with NOK 574 per barrel in the same period last year.

Total operating expenses amounted to NOK 30 billion, at the same level as the corresponding period last year.

Investments amounted to NOK 14 billion, just under NOK 2 billion higher than the same period last year. The increase was mainly caused by multiple projects with drilling activity, partly offset by completion of the development of Johan Sverdrup phase 1 in 2019.



Observations and incidents as of the 1st half of 2020

- Global measures to prevent further spread of Covid-19 have reduced economic activity. As a result, demand for both gas and oil decreased significantly during 1. half of 2020. High global production of oil at the beginning of the year has also had a negative impact on the oil prices. Additionally, gas prices in the spot market fell significantly in the same period resulting from increased LNG imports and historically high level of inventory. Following global production curtailments as well as gradual easing of global infection control measures, the oil price has increased in the last part of 1st half year. There is significant uncertainty what short-term and long-term effects the pandemic will have on the industry. Petoro expects relatively weak cash flow from the SDFI in the second half of 2020 as well.
- On 7 May, the Government imposed temporary curtailments to Norwegian oil production. The objective is to contribute toward more rapid stabilisation of the oil market. The production cuts were implemented by the Ministry of Petroleum and Energy issuing revised production permits for June and the period from 1 July 2020 through 31 December 2020. Petoro has ownership interests in 20 fields covered by the curtailments.
- On 19 June, the Storting passed temporary amendments to the Petroleum Tax Act in an effort to improve liquidity for the petroleum industry and facilitate realization of planned investments. Petoro expects this will create an incentive to mature as many profitable projects as possible in time to be comprised by these schemes.
- A recent valuation as of 1 January 2020 valued the State's Direct Financial Interest in petroleum activities (SDFI) at NOK 1,044 billion, a reduction of NOK 49 billion since the most recent valuation was calculated as of 2018. During the same period, the SDFI portfolio has delivered net cashflow of NOK 216 billion the last 2 years. The valuation was undertaken by Rystad Energy on assignment from the Ministry of Petroleum and Energy.