INTERIM REPORT - MANAGEMENT OF THE SDFI

SECOND QUARTER OF 2011

INCREASED PRICES YIELDED GOOD RESULT IN FIRST HALF

OIL AND GAS PRODUCTION DOWN

Income after financial items from the State's Direct Financial Interest (SDFI) on the Norwegian continental shelf (NCS) for the first half of 2011 totalled NOK 65 billion. Net cash flow to the government was NOK 67.9 billion, up by NOK 11.9 billion from the same period of 2010. This increase primarily reflects higher oil and gas prices than last year.

Operating income for the second quarter came to NOK 31 billion, compared with NOK 24.8 billion in the same period of 2010. Net cash flow was NOK 33.8 billion, up by NOK 7.8 billion from the same period of last year.

Total oil and gas production for the second quarter averaged 845 000 barrels of oil equivalent per day (boe/d), compared with 1 060 000 for the same period of 2010. Gas production declined by 26 per cent from the second quarter of last year, primarily as a result of shutdowns on a number of fields in connection with planned maintenance. Shutdowns for major turnarounds this year were more extensive than in 2010. In addition, last year's turnaround shutdowns were spread between the second and third quarters.

Output of oil and natural gas liquids (NGL) fell by 13 per cent, which primarily reflected a decline in production from mature fields in the SDFI portfolio, operational challenges on Gullfaks and the return of volumes in connection with redetermination. Production from new fields such as Gjøa and Vega offset the overall decline in output.

Health, safety and the environment (HSE) remains an important area for Petoro. The serious incident frequency was on a par with the first half of last year. Great attention is still being paid to continuous improvement and to reducing the number of serious incidents, including those involving dropped objects.

SECOND QUARTER

	SECOND QUARTER		FIRST HALF		FULL YEAR
All amounts in NOK million	2011	2010	2011	2010	2010
Operating revenue	43 772	36 872	92 783	78 344	159 270
Total operating expenses	12 767	12 025	26 551	24 557	52 045
Operating income	31 005	24 847	66 232	53 787	107 225
Net financial items	-248	132	-1 250	-372	-1 846
Income after financial items	30 757	24 979	64 982	53 415	105 379
Total investment	5 837	5 398	10 924	9 894	19 533
Net cash flow	33 764	25 936	67 933	56 038	103 572
Average oil price (USD/bbl)	119,94	78,53	112,79	77,58	79,38
NOK/USD exchange rate	5,39	6,13	5,55	5,99	6,07
Average oil price (NOK/bbl)	647	481	626	465	482
Oil/NGL production (1 000 b/d)	403	466	437	498	470
Gas production (mill scm/d)	70	95	95	107	97
Total production (1 000 boe/d)	845	1 060	1 036	1 169	1 080

The Troll licensees have been working for some time to secure more rigs for the field. The potential for crude recovery in the Troll West oil province remains substantial, and the licence resolved during the second quarter on a long-term rig strategy involving the u se of four drilling units. (Photo: Øyvind Hagen)

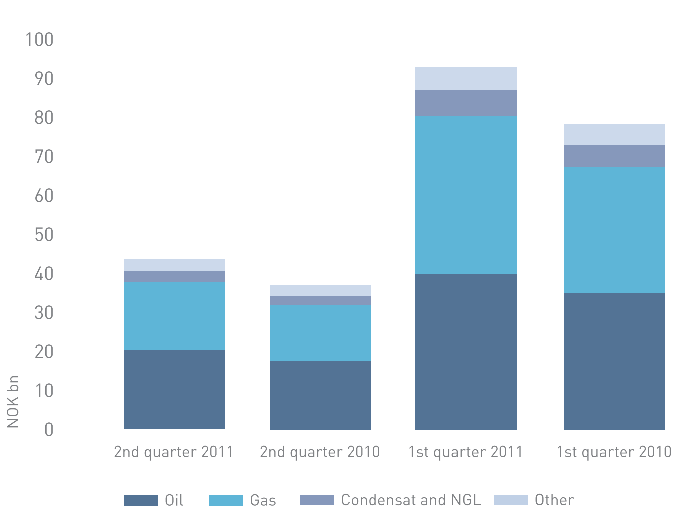
FINANCIAL RESULTS

Operating revenue totalled NOK 92.8 billion for the first half, compared with NOK 78.3 billion in the same period of 2010. Income from oil sales increased by 14 per cent from the first half of last year, reflecting higher prices. The average oil price in Norwegian kroner for the first half rose 35 per cent from 2010 to NOK 626 per barrel, compared with NOK 465 last year. The rise in oil prices reflected not only a strengthening in demand but also uncertainty on the supply side as a result of the unrest in north Africa and the Middle East.

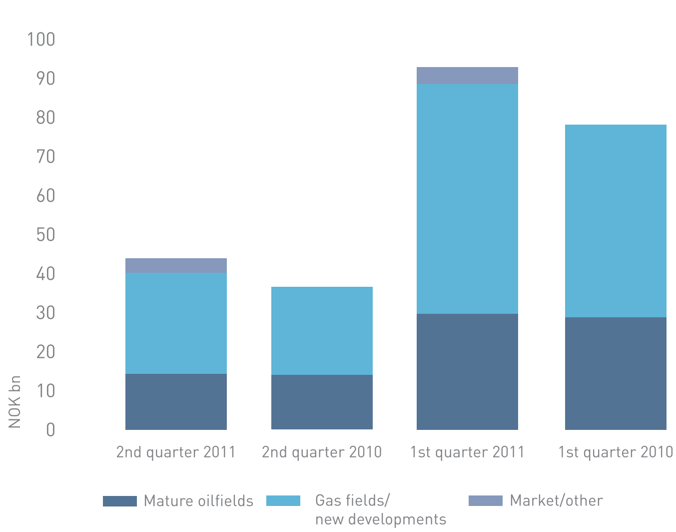
Income from gas sales rose by 25 per cent in the first half compared with the same period of 2010, primarily because of higher prices. Increased oil and coal prices as well as uncertainties over the balance between gas supply and demand in Europe helped to strengthen gas prices. Gas revenue for the first half totalled NOK 40.5 billion, compared with NOK 32.3 billion in the same period of last year. The volume of equity gas production sold during the first half was 17.2 billion standard cubic metres (scm) or 598 000 boe/d, compared with 671 000 boe/d in the corresponding period of 2010.

Operating expenses totalled NOK 26.6 billion, compared with NOK 24.6 billion for the first half of 2010. This rise primarily reflected the higher cost of buying gas for onward sale. Increased revenues from the sale of this gas are included in operating income. Operating costs for fields and plants were on a par with the same period of last year. Total investment in the first half rose by about 10 per cent from the same period of last year to NOK 10.9 billion. Production drilling on a number of fields, such as Heidrun, Troll and Åsgard, accounted for a substantial part of this increase.

REVENUE BY PRODUCT



REVENUE BY BUSINESS AREA



ACTIVITIES IN THE SECOND QUARTER

ÅSGARD – SUBSEA COMPRESSION TO IMPROVE RECOVERY

Åsgard subsea compression is one of the largest improved recovery projects in the SDFI portfolio, and the decision to install a seabed compression facility on this field was taken by the partnership in June. The Åsgard licence has invested substantial sums over a number of years in the technological development needed to achieve a subsea compression solution. Petoro has earlier carried out its own work, and played a key role in the selection of this approach rather than a platform-based installation. The project is costed at some NOK 14.5 billion, with the SDFI share being 35.69 per cent. It will add 79 million barrels of oil equivalent to the portfolio's reserves. Plans call for the compression facility to come on line in the first quarter of 2015.

TROLL – PACE OF OIL RECOVERY BOOSTED BY A FOUR-RIG STRATEGY

The Troll licensees have been working for some time to secure more rigs for the field. The potential for crude recovery in the Troll West oil province remains substantial, and the licence resolved during the second quarter on a long-term rig strategy involving the use of four drilling units. It has secured two new specially built rigs for medium water depths on eight-year charters from 2014. This forms part of Petoro's strategic efforts to drill more wells on the NCS in order to enhance recovery even further.

PETROLEUM WHITE PAPER WITH THE MAIN FOCUS ON MATURE FIELDS

The government submitted its petroleum White Paper to the Storting during the second quarter. This identifies optimum management of mature fields and ensuring improved oil recovery (IOR) as a principal challenge. That accords with Petoro's analysis and strategy. The White Paper takes account of recommendations from the Åm expert committee which has assessed requirements for achieving IOR on the NCS. The White Paper describes the importance of the SDFI for the Norwegian economy, and the government specifies that the state will continue to take interests in new licences on the NCS. In addition, the White Paper says that the government will strengthen Petoro's expertise for following up mature fields.

BARENTS SEA GAS DISCOVERY NORTH OF SNØHVIT

A new gas discovery has been made in production licence 438 in the Barents Sea. The well was drilled about 25 kilometres north of Snøhvit. Preliminary estimates indicate that the discovery contains some 2.5 to eight billion scm of recoverable gas. This contributes to strengthening the resource base for a possible expansion of processing capacity at Melkøya.

Stavanger, August 2011
The board of directors of Petoro AS

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