

SDFI
FIRST
QUARTER
OF 2012

PRODUCTION UP AND PRICES STILL HIGH – A GOOD RESULT

Income after financial items for the State's Direct Financial Interest (SDFI) on the Norwegian continental shelf (NCS) totalled NOK 43 billion in the first quarter of 2012. Net cash flow to the government was NOK 42.9 billion, up by NOK 8.7 billion from the same period of last year. The rise from 2011 largely reflects increased production and higher oil and gas prices. It is also very positive that the favourable trend for health, safety and the environment (HSE) was maintained from 2011.

Operating income for the first quarter came to NOK 44.1 billion, compared with NOK 35.2 billion in the same period of 2011. Net cash flow was NOK 42.9 billion, up from NOK 34.2 billion in the first quarter of last year.

Total oil and gas production for the first quarter rose by seven per cent to an average of 1 319 000 barrels of oil equivalent per day (boe/d), compared with 1 228 000 for the same period of 2011. Gas production was up by 14 per cent from the first quarter of last year. The most important reason for this change was increased sales from Oseberg and Troll. Production of oil and natural gas liquids (NGL) declined

by three per cent, primarily because of reduced output from mature fields in the portfolio and riser problems on the Snorre B platform.

FINANCIAL RESULTS

Operating revenue totalled NOK 58.7 billion for the first quarter, compared with NOK 49 billion in the same period of 2011. Income from oil sales increased by 18 per cent from the first quarter of last year, primarily because of higher prices. The average oil price for the first quarter rose by 15 per cent from the same period of 2011 to USD 121.6 per barrel. In Norwegian kroner, the price averaged NOK 701 per barrel,

	FIRST QUARTER	FULL YEAR	
(NOK mill)	2012	2011	2011
Operating revenue	58 708	49 011	188 820
Total operating expenses	14 633	13 784	53 860
Operating income	44 075	35 227	134 959
Net financial items	-1 028	-1 002	-1 239
Income after financial items	43 046	34 225	133 721
Total investment	6 142	5 088	19 053
Net cash flow	42 871	34 169	128 083
Average oil price (USD/bbl)	121,60	105,91	114,00
NOK/USD exchange rate	5,77	5,73	5,54
Average oil price (NOK/bbl)	701	606	632
Average gas price (NOK/scm)	2,26	2,00	2,15
Oil/NGL production (1 000 b/d)	456	472	440
Gas production (mill scm/d)	137	120	92
Total production (1 000 boe/d)	1 319	1 228	1 016



Oseberg. Photo: Øyvind Hagen / Statoil

compared with NOK 606 in 2011. High prices reflect a tighter balance between supply and demand and geopolitical unrest.

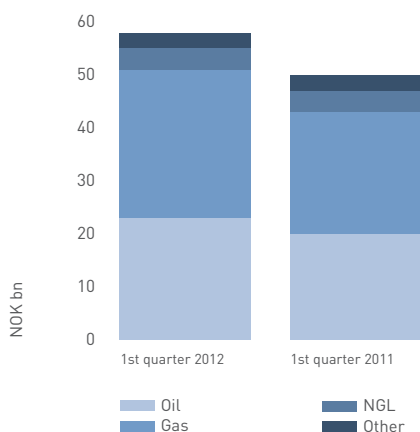
Income from gas sales rose by 23 per cent in the first quarter compared with the same period of 2011 as a result of increased volume sales and higher prices. Gas revenue for the first quarter totalled NOK 28.2 billion, compared with NOK 23 billion in the same period of last year. The volume of equity gas production sold during the first quarter was 12.4 billion standard cubic metres (scm) or 861 000 boe/d, compared with 756 000 boe/d in the corresponding period of 2011. The rise in sales volume reflects higher permitted output from Troll and increased demand in the market. Higher prices for oil, combined with continued uncertainty over gas deliveries to Europe, helped to strengthen gas

prices by 13 per cent from the first quarter of 2011.

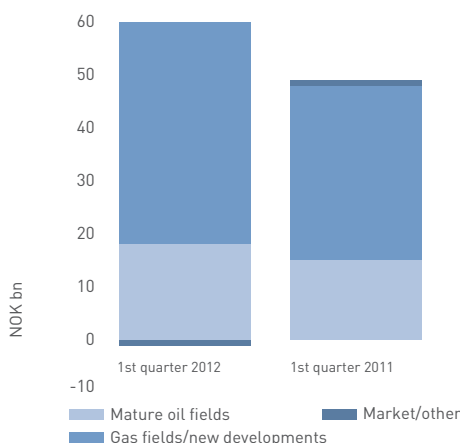
Operating expenses totalled NOK 14.6 billion, compared with NOK 13.8 billion for the first quarter of 2011. This six per cent rise reflected higher depreciation, partly offset by the lower cost of buying gas for onward sale. Operating costs for fields and plants rose by four per cent from the same period of last year, primarily because of increased costs for maintenance and well work. The cost of basic operation and maintenance was on a par with the first quarter of 2011.

Total investment in the first quarter rose by about 20 per cent from the same period of last year to NOK 6.1 billion. The principal reason was a high level of development activity related to Åsgard subsea compression and Skuld.

REVENUE BY PRODUCT



REVENUE BY BUSINESS AREA



ACTIVITIES IN THE FIRST QUARTER

LEVEL OF ACTIVITY ON THE NCS

Petoro has pointed out in various contexts over the past year that taking time-critical decisions will be very important for securing the substantial remaining assets in mature fields. The high level of activity has been used by others to question whether a reduced pace is required. Based on present knowledge, Petoro believes that the activities can be implemented but that the position must continue to be carefully monitored. The industry itself will normally establish a good balance if assessments related to own capacity, quality requirements and cost developments are made on a continuous basis. It is also necessary to note in this context that the industry draws on a large global capacity for part-deliveries. Nevertheless, the Petoro board believes that the high level of activity requires the company to devote great efforts to its strategy of securing value creation from the large mature fields. It is important that Petoro works for decisions on time-critical measures to be taken in the relevant licences on the NCS in order to maximise production and value creation from these fields.

COLLABORATION OVER JOHAN SVERDRUP

The board takes a very positive view of the collaboration which has now been established in the form of a pre-unit agreement between the licensees in production licences 265 and 501 covering the Johan Sverdrup discovery. This lays the basis for an effective coordination of continued work both on delineating the discovery and on planning its development.

RIG

A collaboration between Åsgard, Heidrun and Norne resulted during the first quarter in the chartering of a new, specially built rig for medium water depths. This charter runs for eight years from 2015. It forms part of Petoro's strategic efforts to drill more wells on the NCS in order to safeguard production and improve recovery even further.

Stavanger, May 2012

The board of directors of Petoro AS

