



# SDFI FIRST QUARTER 2015



# LOWER PRICES REDUCED CASH FLOW

Net cash flow from the State's Direct Financial Interest (SDFI) on the Norwegian continental shelf (NCS) came to NOK 31 billion in the first quarter, down roughly 20 per cent from the same period of 2014. High production and sales of oil and gas as well as a high USD/NOK exchange rate offset some of the effect of lower oil and gas prices. Investment amounted to NOK 6.8 billion, a decline of 28 per cent from the first quarter of last year.

Income after financial items for the first quarter was NOK 27.4 billion, down by about 28 per cent from the same period of 2014. Total oil and gas output averaged 1 167 000 barrels of oil equivalent per day (boe/d), up by five per cent from the first quarter of last year. Gas production was roughly 10 per cent higher than in the same period of 2014.

## FINANCIAL RESULTS FOR THE FIRST QUARTER

Operating revenue totalled NOK 44.7 billion for the first quarter of 2015, compared with NOK 53.2 billion in the same period of last year. The fall in oil prices was the primary reason for the decline.

	FIRST QUARTER		FULL YEAR
(NOK mill)	2015	2014	2014
Operating revenue	44 662	53 244	179 797
Total operating expenses	17 024	14 673	59 664
Operating income	27 638	38 571	120 133
Net financial items	(267)	(769)	(462)
Income after financial items	27 370	37 802	119 671
Total investment	6 837	9 553	35 742
Net cash flow	31 082	38 918	111 068
Average oil price (USD/bbl)	55.51	109.34	99.11
NOK/USD exchange rate	7.63	6.13	6.23
Average oil price (NOK/bbl)	424	670	617
Average gas price (NOK/scm)	2.31	2.57	2.23
Oil/NGL production (1 000 b/d)	419	428	407
Gas production (mill scm/d)	119	108	94
Total production (1 000 boe/d)	1 167	1 109	1 000



The Valemon field began production on 3 January 2015. Petoro is a partner with 30 per cent. Photo: Harald Pettersen/Statoil

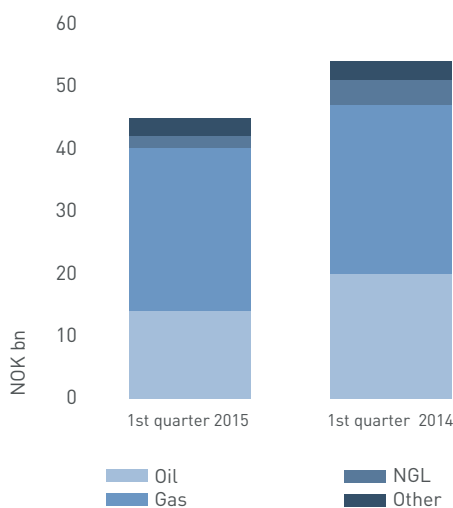
Income from oil sales fell by 31 per cent from the first quarter of 2014. The volume of oil sold was 8.5 per cent higher, but this increase was countered by a lower oil price in Norwegian kroner. That averaged NOK 424 per barrel, compared with NOK 670 in the same period of last year.

Income from gas sales came to NOK 26.3 billion in the first quarter of 2015, which was on a par with the same period of 2014. The average gas

price was down about 10 per cent from the first quarter of last year. That was offset by an increase of almost 10 per cent in the volume of sales (including purchases of third-party gas) over the same period.

Operating expenses for the first quarter totalled NOK 17 billion, compared with NOK 14.7 billion in the same period of 2014. This rise primarily reflected increased depreciation for removals and higher costs for the purchase of third-party gas as a result of a rise in gas prices. Operating costs for fields in production were reduced by seven per cent over the same period.

**REVENUE PER PRODUCT**



Total investment in the first quarter was NOK 6.8 billion, down by 28 per cent from the same period of 2014. This decline was in line with expectations, and primarily reflected reduced capital spending on development.

# ACTIVITIES IN THE FIRST QUARTER

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The dramatic price slump which began in the third quarter of 2014 has prompted stricter prioritisation of oil company investment funds and raised requirements for the profitability of new projects. A number of projects have been halted, postponed or continued with a reduced scope. That particularly affects investments in mature fields, which are marginal in nature. During the first quarter, low oil prices and capital restrictions prompted the postponement of projects. A decision on continuing Snorre 2040 has been put off by a year to the fourth quarter of 2016, and a choice of concept and decision on developing Johan Castberg have been postponed until the third quarter of 2016.

An important milestone was reached in the first quarter with the submission on 13 February of the plan for development and operation (PDO) of Johan Sverdrup phase I. The Ministry of Petroleum and Energy will determine the final division of interests. The PDO for Gullfaks Rimefaksdalen was approved by the government in the first quarter.

In April, the Office of the Auditor General presented the results of its investigation into the government's work on improved recovery from mature areas of the NCS. Submitted to the Storting (parliament) on 15 April, the Auditor General noted that Petoro's capacity could limit the company's opportunities to maximise the value of the SDFI.

## **SUMMATION**

Petoro observes that improvement efforts are yielding results. Field costs are in decline, while regularity and the reduction of maintenance backlogs show good progress. At the same time, the company sees that operators are less active than before in presenting and pushing forward new commercial opportunities. Great uncertainty over the future development of oil prices reduces the willingness of players to invest in new fields, and makes it more challenging to improve recovery from mature fields.

Stavanger, April 2015  
The board of directors of Petoro AS