petoro

SDFI THIRD QUARTER 2016

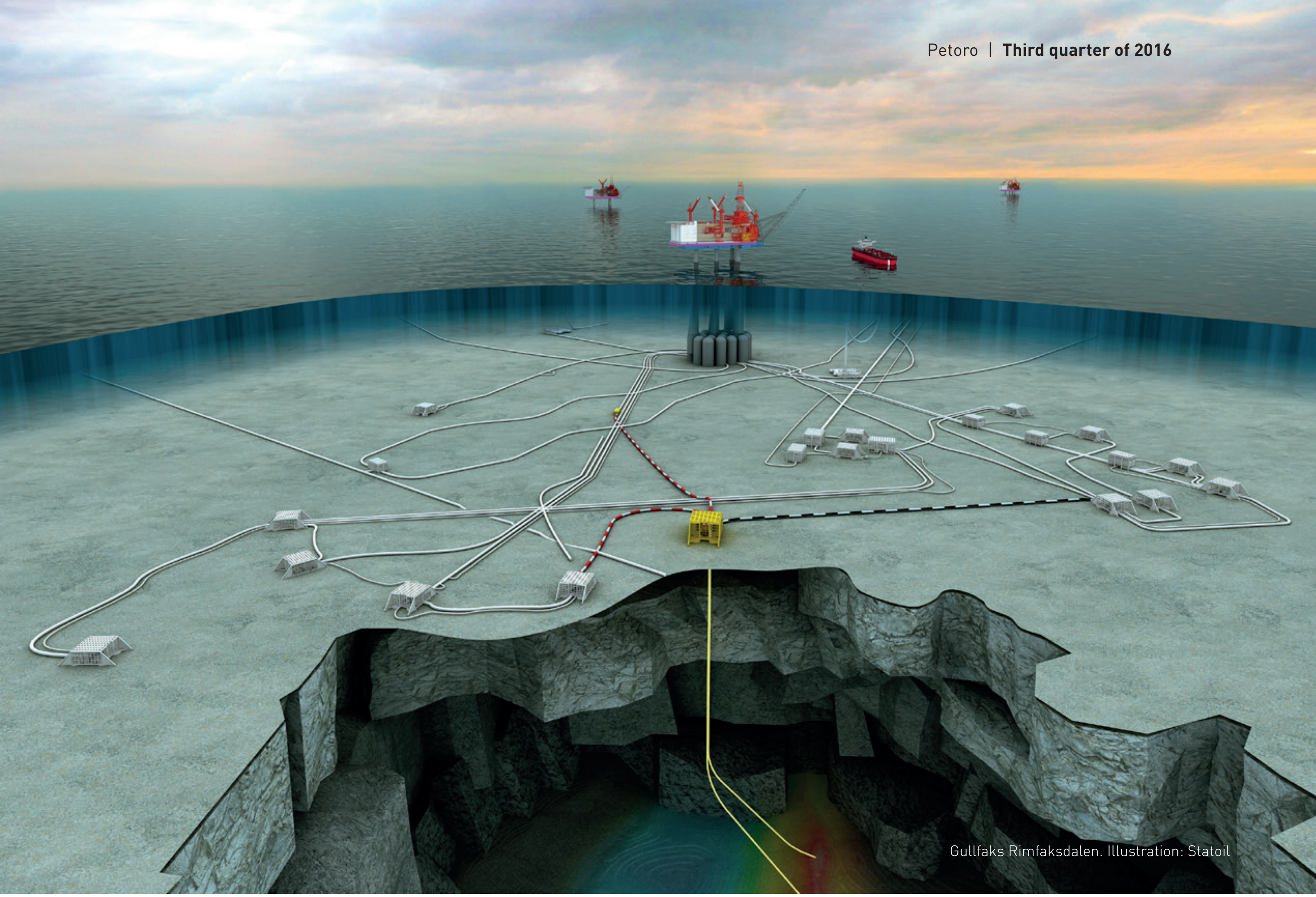
CASH FLOW IMPACTED BY LOWER PRICES AND DEFERRED GAS PRODUCTION

Net cash flow from the State Direct Financial Interest (SDFI) in Norway's oil and gas activities was NOK 50.7 billion as of the third quarter, a decline of 30 per cent compared with last year. Total production was four per cent lower than in the same period in 2015.

FINANCIAL RESULTS FIRST NINE MONTHS
Profit after financial items in the first nine months of 2016 was NOK 44.8 billion, about NOK 25 billion lower than in the corresponding period last year. Deferred gas production combined with continued low oil and gas prices negatively impacted profit. Total oil and gas production year-to-date was 1 008 thousand barrels of oil equivalents per day (kboed).

Operating revenue in the first nine months of 2016 was NOK 87.3 billion, compared with NOK 119.5 billion for the same period last year. The price decline for oil and gas is the primary cause of this development. The

	THIRD QUARTER		**AS AT THIRD QUARTER**		**TOTAL**
(NOK mill)	**2016**	2015	**2016**	2015	2015
Operating revenue	**27 002**	37 646	**87 332**	119 480	157 753
Total operating expenses	**12 940**	16 031	**40 172**	48 363	67 762
Operating income	**14 062**	21 615	**47 161**	71 116	89 990
Net financial items	**-1 174**	41	**-2 324**	-841	-991
Income after financial items	**12 887**	21 656	**44 837**	70 276	88 999
Total investments	**6 631**	7 347	**21 271**	22 508	27 961
Net cash flow transferred to government	**11 965**	17 324	**50 700**	72 259	93 639
Average oil price (USD/bbl)	**45.0**	50.1	**40.9**	55.9	52.7
Exchange rate NOK/USD	**8.4**	8.1	**8.4**	7.8	8.0
Average oil price (NOK/bbl)	**379**	407	**345**	437	420
Average gas price (NOK/ scm)	**1.76**	2.13	**1.60**	2.20	2.14
Oil production + NGL (1 000 bbls per day)	**393**	403	**407**	409	411
Gas production (million scm per day)	**74**	103	**96**	101	105
Total production (1 000 bbls o.e. per day)	**859**	1 051	**1 008**	1 048	1 068

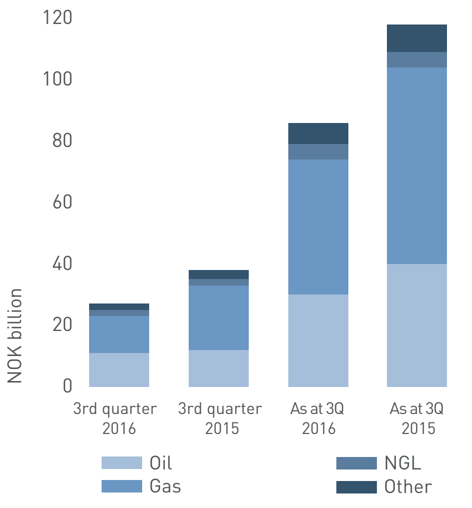


Gullfaks Rimfaksdalen. Illustration: Statoil

volume of gas produced and sold was 1.5 billion scm lower than in the same period of last year, while liquid production remained at approximately the same level. Gas revenues so far this year are 44.3 billion, 19.6 billion lower than the corresponding period in 2015. Revenues from oil sales are down 24 per cent compared with the same period last year, as a result of the continued decline in oil prices.

Reduced operating expenses so far this year are mainly due to lower operating costs from producing fields, reduced depreciation for removal and a decline in costs for purchase of third- party gas as a result of lower gas prices. Costs for producing fields were around NOK 700 million lower in the first nine months, compared with the same period in 2015.

REVENUES PER PRODUCT



THIRD QUARTER HIGHLIGHTS

Optimisation efforts on the Johan Sverdrup field have resulted in a 20 per cent reduction of the cost estimates for Phase 1 compared with the PDO, without adverse impact on recovery.

Production from Gullfaks Rimfaksdalen commenced 26 August, four months ahead of schedule and with an investment cost NOK 1.1 billion less than estimated in the PDO. The main reasons for the cost reduction are efficient drilling campaigns and marine operations, simpler well design and reduction of the scope of work on Gullfaks A.

Petoro has entered into a sales and purchase agreement with OMV concerning takeover of a 20 per cent ownership interest in the Dvalin licence (formerly Zidane). The transaction will be subject to governmental approval. The PDO for Dvalin was submitted on 3 October.

The Åsgard licensees received the NPD's IOR prize for their Åsgard subsea compression effort. Petoro has been a driving force behind this technology.

Several positive results from innovation and commitment to adaptation over the last two years have contributed to a stronger competitive position for the Norwegian Shelf. At the same time, continued focus on cost levels is required. This will be a comprehensive, resource-demanding effort.

Stavanger, October 2016
The board of directors at Petoro AS