Press release

30 April 2015

2015 FIRST QUARTER RESULTS

Despite challenging oil and gas prices in the quarter, Statoil delivered Adjusted earnings of NOK 22.9 billion and NOK 7.0 billion after tax. Statoil reports a negative IFRS Net income of NOK 35.4 billion due to impairments.

“Statoil’s first quarter reported figures are significantly impacted by impairment charges. Our adjusted earnings and cash flows were affected by the reduced price levels. We continue to deliver strong underlying operational performance and solid results from marketing and trading. The free cash flows after dividend were positive in the first quarter”, says president and CEO of Statoil ASA, Eldar Sætre.

Adjusted earnings for the first quarter of 2015 were NOK 22.9 billion compared to NOK 46.0 billion in the first quarter of 2014. The reduction was mainly a result of the significant drop in the liquids prices, lower European gas prices and increased depreciation and operating costs. The increase in depreciation and operating cost was largely a result of starting and ramping up production, and was impacted by the strong USD/NOK exchange rate. Adjusted earnings after tax were NOK 7.0 billion, compared to NOK 15.8 billion in the same period last year.

Statoil’s net operating income in the first quarter of 2015 was negatively impacted by significant accounting charges related to asset impairments of NOK 46.1 billion, most of which are related to the US onshore unconventional assets. The impairments were a result of a revision of Statoil’s long term economic planning assumptions.

“We take a more cautious view due to the uncertainty in the commodity markets. It is important to maintain a solid foundation for our decisions. The underlying quality of the assets and the operational performance remains unchanged”, says Sætre.

Statoil’s equity production in the first quarter was 2,056 mboe per day, compared to 1,978 mboe per day in the same period in 2014. The production increase was a result of start-up and ramp-up of production on various fields as well as higher gas sales from the Norwegian continental shelf (NCS) compared to the first quarter of 2014. The equity production outside of Norway was 759 mboe per day.

“We continue to see progress from our cost and capital efficiency programmes and our systematic effort to improve safety continues. I am pleased to see reduced field and modification costs on the NCS, reduced international operating expenses per barrel measured in dollar, in addition to improved drilling and well performance. Our financial position remains robust. The board of directors has decided to pay NOK 1.80 per share in dividend for the quarter,” says Sætre.

In the first three months of 2015 Statoil reported cash flows from operations of NOK 29.1 billion compared to NOK 55.0 billion in the first quarter of 2014. The decrease was a result of falling prices, partially offset by lower taxes paid in the first quarter of 2015. The free cash flows, after investments, proceeds from transactions and dividend payments were positive in the first quarter of 2015. At the end of the quarter, Statoil’s adjusted net debt to capital employed increased to 24 % impacted by impairments as well as currency changes.

Statoil’s success on exploration activities continues to perform in the first quarter of 2015, and has resulted in four discoveries. Discoveries in Tanzania, the Gulf of Mexico as well as in Norway underline Statoil’s position as a global top explorer. The adjusted exploration expenses amounted to NOK 2.7 billion, down from NOK 3.3 billion in the first quarter of 2014 as a higher portion of current exploration expenditures was capitalised in the first quarter this year.

The serious incident frequency (SIF) was 0.7 in the first quarter of 2015 compared to 0.6 in the first quarter of 2014.

The Statoil share will trade ex-dividend on Oslo Stock Exchange (Norway) 14 August 2015.

	Q1 2015	Quarters Q4 2014	Q1 2014	Change Q1 on Q1
IFRS Net operating income (NOK billion)	**(25.6)**	9.0	51.4	>(100%)
Adjusted earnings (NOK billion) [5]	**22.9**	26.9	46.0	(50%)
IFRS Net income (NOK billion)	**(35.4)**	(8.9)	23.7	>(100%)
Adjusted earnings after tax (NOK billion) [5]	**7.0**	4.3	15.8	(56%)
Total equity liquids and gas production (mboe per day) [4]	**2,056**	2,103	1,978	4%
Group average liquids price (NOK/bbl) [1]	**364.5**	458.9	604.4	(40%)

Key events since fourth quarter 2014:

- **Progressing Johan Sverdrup:** Plan for Development and Operation (PDO) was submitted to the authorities in February, and contracts for more than NOK 16 billion were awarded in the quarter.
- **New projects on stream:** The Valemon field came on stream and production commenced from Oseberg Delta 2 in the North Sea.
- **Developing new projects:** Statoil together with its partner submitted development plan for the Peregrino Phase II.
- **Optimising projects:** The partners in the Johan Castberg and Snorre 2040 licences decided to spend more time to mature the projects.
- **Top tier exploration results:** A small oil discovery and a gas discovery on the NCS and the eighth discovery in Block 2 offshore Tanzania. In April Statoil announced an oil discovery in the Yeti prospect in the Gulf of Mexico (GoM).
- **Debt capital market transactions:** EUR 3.75 billion secured in February.
- **Changes to the board of directors:** Grace Reksten Skaugen and Catherine Hughes have resigned from the board of directors, and Rebekka Glasser Herlofsen was elected as new shareholder representative.

FIRST QUARTER 2015 GROUP REVIEW

The quarterly results were influenced by lower prices and foreign exchange movements. Lower liquids and gas prices impacted adjusted earnings and impairment charges contributed to the negative net operating income. Strong results from the Marketing, Processing and Renewable Energy segment, combined with increased production partially offset the decrease.

Total equity liquids and gas production [4] was 2,056 mboe per day, up 4% from 1,978 mboe per day in the first quarter of 2014. The increase was mainly due to start-up and ramp-up of production on various fields, higher gas sales from the NCS and lower operational effects compared to the first quarter of 2014. Expected natural decline and reduced ownership shares from divestments partially offset the increase.

Total entitlement liquids and gas production [3] was 1,878 mboe per day, up 6% from 1,770 mboe per day in the first quarter of 2014, impacted by the increase in equity production and a lower negative effect from production sharing agreements (PSA effect) mainly as a result of the lower prices.

Net operating income (IFRS) was negative NOK 25.6 billion in the first quarter, compared to positive NOK 51.4 billion in the first quarter of 2014.

In the first quarter of 2015, net operating income was negatively impacted by impairment losses of NOK 46.1 billion. In the first quarter of 2014, net operating income was positively impacted by an award payment related to a commercial dispute of NOK 2.8 billion and gains from sale of assets of NOK 1.8 billion.

Adjusted earnings [5] were NOK 22.9 billion in the first quarter, down 50% compared to the first quarter of 2014 mainly a result of the significant drop in liquids prices, lower European gas prices and increased depreciation and operating costs. Higher refining margins and increased marketing and trading results partially offset the decrease in adjusted earnings.

Adjusted operating and administrative expenses increased by 11% compared to the first quarter of 2014, mainly driven by a strong USD/NOK exchange rate in combination with higher transportation and storage cost, new fields coming on stream, idle rigs and increased well plug estimates. The increase was partially offset by lower royalties caused by lower liquids and gas prices and a positive development in operating and administrative expenses as a result of the on-going cost initiatives.

The 33% increase in adjusted depreciation was mainly due to start-up and ramp-up production and the USD/NOK exchange rate development. In addition, negative revisions of proved reserves for certain assets led to increased depreciation costs compared to the first quarter of 2014.

Adjusted exploration expenses decreased by 18%, mainly due to a higher portion of current exploration expenditures being capitalised because of successful drilling in the first quarter compared to the first quarter of 2014.

Adjusted earnings (in NOK billion)	**Q1 2015**	**Quarters Q4 2014**	**Q1 2014**	**Change Q1 on Q1**
Adjusted total revenues and other income	**121.5**	148.7	169.6	(28%)
Adjusted purchases [6]	**(51.2)**	(70.6)	(83.2)	(38%)
Adjusted operating and selling, general and administrative expenses	**(23.2)**	(21.4)	(20.8)	11%
Adjusted depreciation, amortisation and net impairment losses	**(21.5)**	(22.3)	(16.2)	33%
Adjusted exploration expenses	**(2.7)**	(7.5)	(3.3)	(18%)
Adjusted earnings [5]	**22.9**	26.9	46.0	(50%)
Adjusted earnings after tax [5]	**7.0**	4.3	15.8	(56%)

Adjusted earnings after tax were NOK 7.0 billion, which reflects an effective tax rate on adjusted earnings of 69.4%, compared to 65.6% in the first quarter of 2014. The tax rate increased mainly due to high tax rates on adjusted earnings, caused by relatively higher adjusted earnings from high tax regimes, and losses including exploration expenses with no tax deductions. The increased tax on adjusted earnings was also caused by relatively higher adjusted earnings from the NCS in the first quarter of 2015, which is subject to higher than average tax rates. This was partially offset by low tax rates on adjusted earnings from Marketing, Processing & Renewable Energy in the first quarter of 2015, mainly caused by relatively higher adjusted earnings from low tax regimes.

Cash flows provided by operating activities were NOK 29.1 billion in the first quarter of 2015 compared to NOK 55.0 billion in the first quarter of 2014. Excluding working capital movements, cash flows provided by operating activities were NOK 32.9 billion in the first quarter of 2015 compared to NOK 49.6 billion in the first quarter of 2014. The decrease of NOK 16.7 billion was mainly due to falling prices, partially offset by lower taxes paid in the first quarter of 2015.

Cash flows used in investing activities were NOK 64.7 billion in the first quarter of 2015 compared to NOK 7.8 billion in the first quarter of 2014, an increase of NOK 56.9 billion, mainly due to higher investments in deposits with more than three months to maturity. Capital expenditures were NOK 30.7 billion, an increase of NOK 1.4 billion. Proceeds from sale of assets in the first quarter of 2015 of NOK 3.7 billion were mainly related to the sale of interests in the Marcellus onshore play.

Cash flows provided by financing activities were NOK 20.4 billion mainly impacted by the issuance of new debt in the first quarter of 2015 of NOK 32.1 billion, partially offset by repayment of finance debt and payment of dividends in the quarter.

OUTLOOK

- **Organic capital expenditures** for 2015 (i.e. excluding acquisitions, capital leases and other investments with significant different cash flow pattern), are estimated at around USD 18 billion.
- Statoil intends to continue to mature the large portfolio of exploration assets and estimates a total **exploration activity** level at around USD 3.2 billion for 2015, excluding signature bonuses.
- Statoil expects to deliver **efficiency improvements** with pre-tax cash flow effects of around USD 1.7 billion from 2016.
- Statoil's ambition is to maintain **RoACE** (Return on Average Capital Employed) at the 2013 level adjusted for price and foreign exchange level, and to keep our **unit of production cost** in the top quartile of our peer group.
- For the period 2014 – 2016, **organic production growth** [7] is expected to come from new projects resulting in around 2% CAGR (Compound Annual Growth Rate) from a 2014 level rebased for divestments.
- The **equity production development** for 2015 is estimated to be around 2% CAGR from a 2014 level rebased for divestments [7].
- **Scheduled maintenance activity** is estimated to reduce quarterly production by approximately 95 mboe per day in the second quarter of 2015, of which the majority is gas on the NCS. In total, the maintenance is estimated to reduce equity production by around 45 mboe per day for the full fiscal year 2015, of which the majority is liquids.
- **Indicative PSA (Production Sharing Agreement) effect and US royalties** are estimated to be around 170 mboe per day in 2015 based on an oil price of USD 60 per barrel and 200 mboe per day based on an oil price of USD 100 per barrel.
- **Deferral of gas production** to create future value, gas off-take, timing of new capacity coming on stream and operational regularity represent the most significant risks related to the production guidance.

These forward-looking statements reflect current views about future events and are, by their nature, subject to significant risks and uncertainties because they relate to events and depend on circumstances that will occur in the future. For further information, see section *Forward-Looking Statements.*

References

To see end notes referenced in main table and text please download our complete report from our website - http://www.statoil.com/en/InvestorCentre/QuarterlyResults/Pages/default.aspx

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