Press release

28 July 2015

2015 SECOND QUARTER RESULTS

Statoil delivered Adjusted earnings of NOK 22.4 billion and adjusted earnings after tax of NOK 7.2 billion in the second quarter. Statoil reported Net income in accordance with IFRS of NOK 10.1 billion, including gains from divestments.

“In the second quarter, Statoil delivered encouraging operational performance with good production growth and high regularity, whilst continuing to reduce cost. Our financial results were characterised by gains from divestments and lower prices. Also in the second quarter, we report a close to neutral free cash flow after dividend and proceeds", says president and CEO of Statoil ASA, Eldar Sætre.

Adjusted earnings were NOK 22.4 billion in the second quarter compared to NOK 32.3 billion in the same period in 2014. The reduction was primarily a consequence of lower oil prices in the second quarter of 2015 compared to the same period last year. Realised average liquids prices in the quarter were down 28% measured in NOK compared to the second quarter last year. Adjusted earnings after tax were NOK 7.2 billion, compared to NOK 9.9 billion in the same period last year.

Statoil’s net income according to IFRS for the second quarter was NOK 10.1 billion, compared to NOK 12.0 billion in the same period in 2014. The gain from the divestment of the Shah Deniz project and the South Caucasus Pipeline was NOK 12.3 billion, impacting the IFRS results. Earnings per share were NOK 3.15, down from NOK 3.75 in the same period last year.

“We continue to progress our effort to improve operational and capital efficiency, and reduce cost. Reduced underlying operational expenses both on the Norwegian Continental shelf (NCS) and in our international operations, as well as reduced capital expenditures, demonstrate that our initiatives are effective. In June we announced adjustments to the company’s structure and operating model to further strengthen our competitiveness,” says Sætre.

Despite divestments, Statoil delivered production of 1,873 mboe per day in the second quarter, up 4% compared to the same period in 2014. The underlying production growth, after adjusting for divestments, was 7% compared to the second quarter last year. The production from the NCS grew 7% in the second quarter of 2015 compared to last year. The increase was mainly due to ramp-up of production on various fields, higher gas sales from the NCS and lower maintenance compared to the second quarter of 2014. Expected natural decline and reduced ownership shares from divestments partially offset the increase. Equity production outside of Norway was 724 mboe per day and represented almost a 4% increase, adjusted for the Shah Deniz divestment.

In the quarter, Statoil made two discoveries on the NCS. In July, Statoil announced a discovery in the Julius prospect in the King Lear area in the North Sea. Three wells are on-going, one on the United Kingdom Continental Shelf, one in the Gulf of Mexico and one in Canada. In addition, Statoil has secured access to frontier acreages offshore Nicaragua and Myanmar. The adjusted exploration expense in the quarter was NOK 4.1 billion, up from NOK 2.7 billion in the second quarter of 2014.

Cash flow from operations amounted to NOK 48.0 billion in the first half of 2015. Statoil maintained a strong capital structure, and net debt to capital employed at the end of the quarter is reduced to 22.4%. Organic capital expenditure was USD 7.8 billion in the first half, and the guidance has been revised downwards to USD 17.5 billion for 2015 due to effects of the on-going efficiency program and the USD/NOK exchange rate.

With effect from first quarter of 2016, Statoil will change to USD as presentation currency. The change reflects the company’s underlying exposure to the USD as well as better alignment of its reporting to peers. As a consequence of the change in presentation currency, Statoil will also declare its quarterly dividend in USD. The change will be implemented from the second quarter of 2015 and Statoil is announcing the second quarter dividend in both USD and NOK, based on the exchange rate on 27 July 2015. The change in dividends policy implies that dividend will be announced in USD going forward.

The board of directors has decided to pay dividend of USD 0.2201 per ordinary share equivalent to NOK 1.80 for the second quarter and the Statoil share will trade ex-dividend on Oslo Børs 13 November 2015.

The serious incident frequency (SIF) for the 12 months period ending 30 June 2015 was 0.6, compared to 0.7 the same period last year.

	Quarters		Change			First half	
Q2 2015	Q1 2015	Q2 2014	Q2 on Q2		2015	2014	Change
31.5	(25.6)	32.0	(1%)	IFRS Net operating income (NOK billion)	**5.9**	83.4	(93%)
22.4	22.9	32.3	(31%)	Adjusted earnings (NOK billion) [5]	**45.2**	78.3	(42%)
10.1	(35.4)	12.0	(16%)	IFRS Net income (NOK billion)	**(25.4)**	35.7	>(100%)
7.2	7.0	9.9	(27%)	Adjusted earnings after tax (NOK billion) [5]	**14.2**	25.7	(45%)
1,873	2,056	1,799	4%	Total equity liquids and gas production (mboe per day) [4]	**1,964**	1,888	4%
426.7	364.5	596.7	(28%)	Group average liquids price (NOK/bbl) [1]	**394.9**	600.0	(34%)

Key events since first quarter 2015:

- The construction of the Johan Sverdrup began and so far contracts worth more than NOK 40 billion have been awarded
- Statoil made two discoveries on the NCS in the quarter. In July, Statoil announced a discovery in the Julius prospect in the King Lear area in the North Sea. In addition, Statoil announced an oil discovery in the Yeti prospect in the Gulf of Mexico and gained access to acreage offshore Nicaragua and Myanmar
- Statoil announced changes in corporate structure and top management team. Torgrim Reitan has been appointed EVP for Development & Production USA (DPUSA) and Hans Jakob Hegge has been appointed new EVP and CFO. Irene Rummelhoff has been appointed EVP for New Energy Solutions (NES) and Jens Økland has been appointed new EVP for Marketing, Midstream & Processing (MMP)
- In June, Øystein Løseth was elected as the new chairman and Roy Franklin was elected as a new member and deputy chair of Statoil's board of directors

SECOND QUARTER 2015 GROUP REVIEW

The second quarter results continued to be influenced by lower prices and foreign exchange rate developments. In the second quarter there was high operational quality and the cost improvement program is on track. The lower liquids and gas prices were partially offset by strong refining margins and increased production. Net operating income was impacted by gains from divestments and net impairment charges.

Total equity liquids and gas production [4] was 1,873 mboe per day, up 4% from 1,799 mboe per day in the second 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 maintenance compared to the second quarter of 2014. Expected natural decline and reduced ownership shares as a result of divestments, partially offset the increase.

Total entitlement liquids and gas production [3] was 1,709 mboe per day, up 8% from 1,588 mboe per day in the second 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 decline in oil prices.

Net operating income (IFRS) was NOK 31.5 billion in the second quarter, compared to NOK 32.0 billion in the second quarter of 2014, impacted by gains from sale of assets of NOK 13.8 billion mainly related to the divestment of the Shah Deniz project and net impairments charges of NOK 3.1 billion. In the second quarter of 2014, net operating income was positively impacted by gains from sale of assets of NOK 3.7 billion and negatively impacted by impairment charges of NOK 4.3 billion.

Adjusted earnings [5] were NOK 22.4 billion in the second quarter, down 31% compared to the second quarter of 2014 mainly as a result of the significant drop in liquids prices and increased depreciation and exploration costs. Stronger refining margins and better trading results partially offset the decrease.

Adjusted operating and administrative expenses were NOK 20.8 billion in the second quarter of 2015, at the same level as in the second quarter of 2014. The positive development in underlying expenses as a result of the on-going cost initiatives was offset by the USD/NOK exchange rate development.

The 19% increase in adjusted depreciation compared to the second quarter of 2014 was mainly due the USD/NOK exchange rate development and the start-up and ramp-up of several fields. In addition, previously recorded negative revisions of proved reserves for certain assets led to increased depreciation costs compared to the second quarter of 2014.

Adjusted exploration expenses increased by NOK 1.4 billion to NOK 4.1 billion in the second quarter of 2015, mainly due to higher drilling costs because of the USD/NOK exchange rate development and a higher average equity share in wells drilled. A lower portion of current exploration expenditures being capitalised, added to the increase.

	Quarters		Change	Adjusted earnings		First half	
Q2 2015	Q1 2015	Q2 2014	Q2 on Q2	(in NOK billion)	2015	2014	Change
125.1	121.5	142.3	(12%)	Adjusted total revenues and other income	**246.6**	311.9	(21%)
(57.5)	(51.2)	(69.6)	(17%)	Adjusted purchases [6]	**(108.7)**	(152.9)	(29%)
(20.8)	(23.2)	(20.6)	1%	Adjusted operating and administrative expenses	**(44.0)**	(41.4)	6%
(20.4)	(21.5)	(17.1)	19%	Adjusted depreciation	**(41.9)**	(33.3)	26%
(4.1)	(2.7)	(2.7)	51%	Adjusted exploration expenses	**(6.8)**	(6.0)	13%
22.4	22.9	32.3	(31%)	Adjusted earnings [5]	**45.2**	78.3	(42%)
7.2	7.0	9.9	(27%)	Adjusted earnings after tax [5]	**14.2**	25.7	(45%)

Adjusted earnings after tax were NOK 7.2 billion in the second quarter of 2015, which reflects an effective tax rate on adjusted earnings of 67.8%, compared to 69.3% in the second quarter of 2014. The tax rate decreased mainly due to low tax rates on adjusted earnings from the Development and Production Norway segment in the second quarter of 2015 because of a higher effect from deduction of uplift. Also, low tax rates on adjusted earnings from the Marketing, Processing & Renewable Energy segment mainly caused by relatively higher adjusted earnings from tax regimes with lower than average tax rates, added to the decrease.

Cash flows provided by operating activities were NOK 18.9 billion in the second quarter of 2015 compared to NOK 18.1 billion in the second quarter of 2014. Excluding working capital movements and taxes paid, cash flows provided by operating activities were NOK 42.0 billion in the second quarter of 2015 compared to NOK 50.5 billion in the second quarter of 2014. The decrease of NOK 8.5 billion was mainly due to falling liquid prices.

Cash flows used in investing activities were NOK 16.7 billion in the second quarter of 2015 compared to NOK 50.5 billion in the second quarter of 2014. The decrease of NOK 33.8 billion was mainly due to lower investments in deposits with more than three months to maturity of NOK 19.6 billion and increased proceeds from sale of assets of NOK 14.0 billion.

Cash flows used in financing activities were NOK 17.1 billion in the second quarter of 2015 compared to NOK 24.1 billion in the second quarter of 2014, a decrease of NOK 7.0 billion, mainly due to payment of annual dividend in 2014 compared to quarterly dividend in 2015, offset by repayment of collateral liabilities.

Free cash flow [10] in the second quarter of 2015 was negative NOK 1.2 billion compared to negative NOK 31.4 billion in the second quarter of 2014. The change was mainly due to good financial performance in the current macro environment, lower taxes paid, higher proceeds from sale of assets and businesses, and lower dividend.

First half 2015

Net operating income (IFRS) was NOK 5.9 billion compared to NOK 83.4 billion in the first half of 2014. Net operating income in the first half of 2015, was negatively impacted by net impairment losses of NOK 49.1 billion and lower fair values of derivatives of NOK 3.0 billion. Gain from sale of assets of NOK 14.3 billion mainly related to the divestment of the Shah Deniz project impacted net operating income positively. In the first half of 2014, net operating income was positively impacted by gains from sale of assets of NOK 5.5 billion and an award payment related to a commercial dispute of NOK 2.8 billion. Net impairment losses of NOK 4.5 billion impacted net operating income negatively.

Adjusted earnings [5] were NOK 45.2 billion in the first half of 2015, down by 42% from NOK 78.3 billion in the first half of 2014. The decrease was mainly due to the lower prices measured in NOK and the increase in depreciation costs. Higher volumes of both liquids and gas sold and improved refinery margins, partially offset the decrease. Adjusted operating and administrative expenses was up 6% mainly as a result of the USD/NOK exchange rate development. A positive development in underlying expenses as a result of the on-going cost initiatives partly offset the increase. Adjusted depreciation increased by 26% in the first half of 2015 mainly due to the USD/NOK exchange rate development and the start-up and ramp-up of production of several fields. In addition, negative revisions of proved reserves for certain assets led to increased depreciation costs compared to the first half of 2014. Adjusted exploration expenses amounted to NOK 6.8 billion in the first half of 2015, up NOK 0.8 billion compared to the first half of 2014 mainly due to the USD/NOK exchange rate development, increased drilling costs due to higher well equity share and a lower capitalisation rate. Reduced exploration expenditures capitalised in previous periods being expensed in the first half of 2015 partially offset the increase. Adjusted earnings after tax were NOK 14.2 billion in the first half of 2015 compared to NOK 25.7 billion in the first half of 2014. The effective tax rate on adjusted earnings in the first half of 2015 was 68.6%, compared to an effective tax rate of 67.1% in the first half of 2014.

Cash flows provided by operating activities were NOK 48.0 billion in the first half of 2015 compared to NOK 73.1 billion in the first half of 2014. Excluding working capital movements and taxes paid, cash flows provided by operating activities were NOK 87.9 billion in the first half of 2015 compared to NOK 118.0 billion in the first half of 2014. The decrease of NOK 30.1 billion was mainly due to reduced liquid prices.

Cash flows used in investing activities were NOK 81.4 billion in the first half of 2015 compared to NOK 58.3 billion in the first half of 2014. The increase of NOK 23.1 billion was mainly due to increased investments in deposits with more than three months maturity of NOK 36.2 billion, partly offset by increased proceeds from sale of assets of NOK 15.0 billion.

Cash flows provided by financing activities were NOK 3.3 billion the first half of 2015 compared to negative NOK 22.9 billion in the first half of 2014, an increase of NOK 26.2 billion mainly due to issuance of new debt of NOK 32.1 billion in the first quarter of 2015.

Free cash flow [10] in the first half of 2015 was negative NOK 0.9 billion compared to negative NOK 7.7 billion in the first half of 2014. The change was mainly due to good financial performance in the current macro environment, lower taxes paid, higher proceeds from sale of assets and businesses, and lower dividend.

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 17.5 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 45 mboe per day in the third quarter of 2015, of which the majority is liquids. 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 effects from Production Sharing Agreement (PSA-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 [4]
- **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
- With effect from first quarter of 2016, Statoil will change to **USD as presentation currency**. As a consequence, Statoil will also declare its **quarterly dividend in USD**. The change will be implemented from the second quarter of 2015

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

Further information from:

Investor relations
Peter Hutton, Senior vice president Investor relations, +44 7881 918 792 (mobile)

Press
Jannik Lindbæk jr., Vice president Media relations, +47 977 55 622 (mobile)