

# Resetting costs – capturing opportunities

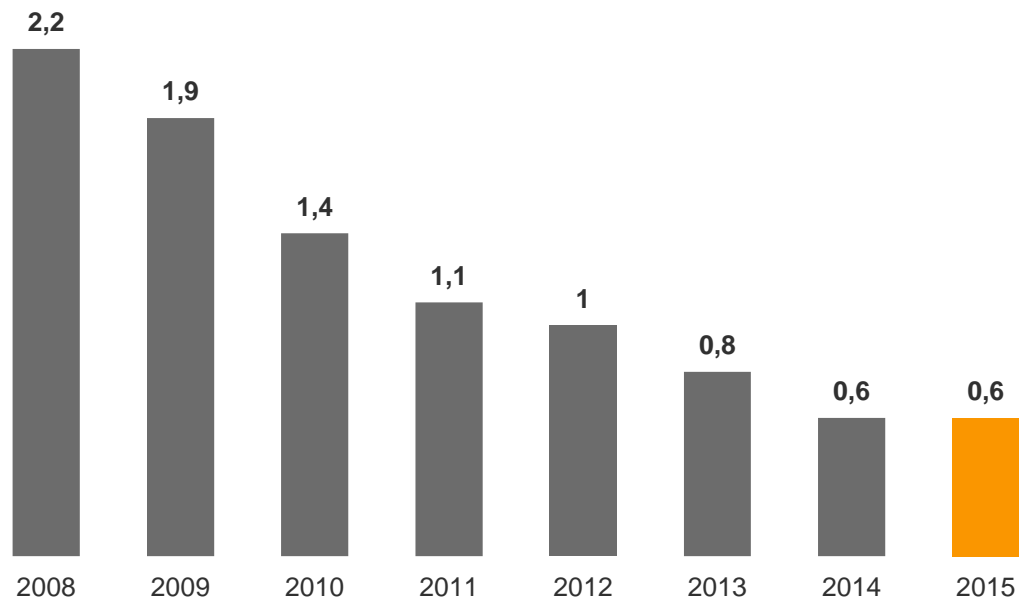
London, 4 February 2016

Eldar Sætre, President and CEO

# Safety first

## Serious incident frequency

Serious incidents per million work-hours



# Delivering on promises

## Efficiency

### Promised

“step up efficiency programme to **USD 1.7 billion in 2016**”

### Delivered

Delivered **USD 1.9 billion** in 2015

## Capex

“our investment programme for 2015 is reduced by **USD 2 billion**”

Reduced by more than **USD 5 billion**

## Production

“increase production by around **2% annually from 2014 to 2016**”

Organic production growth of **6%** in 2015

## Distribution

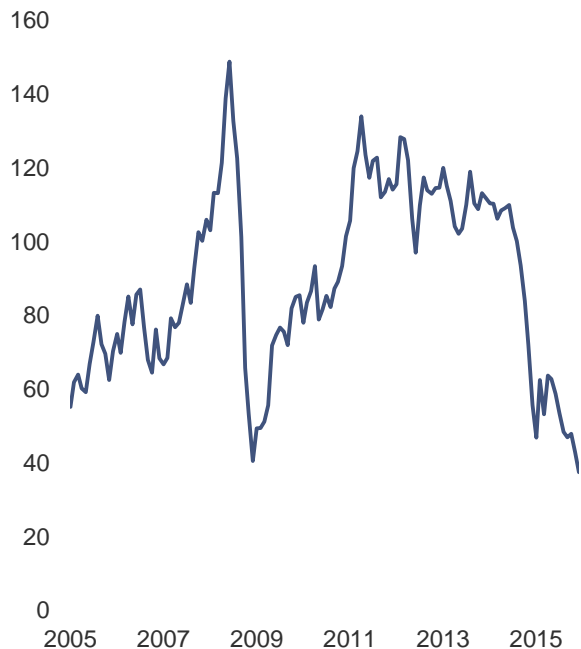
“commitment to **competitive capital distribution**”

Dividend maintained in 2015

# Industry responding to market forces

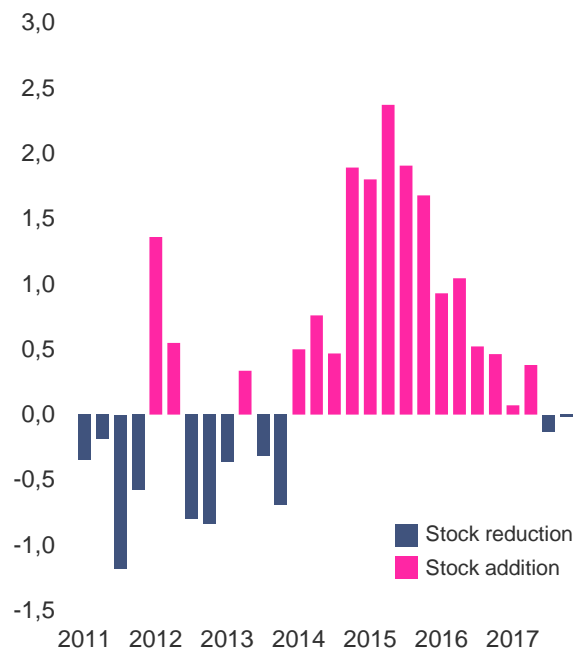
## The cyclical nature of oil

Brent, USD per barrel



## Rebalancing of markets

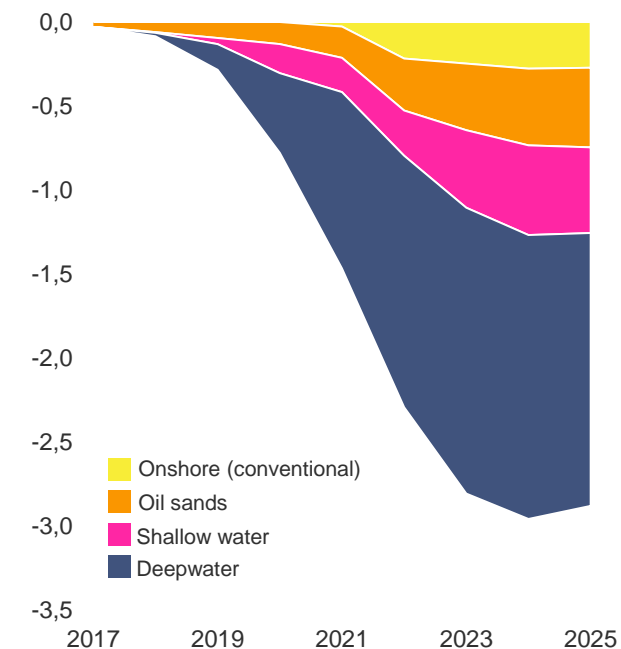
Million barrels per day



Source: EIA, Short-Term Energy Outlook, January 2016

## Production postponed

Pre-FID, million barrels per day



Source: Wood Mackenzie, Upstream Data Tool

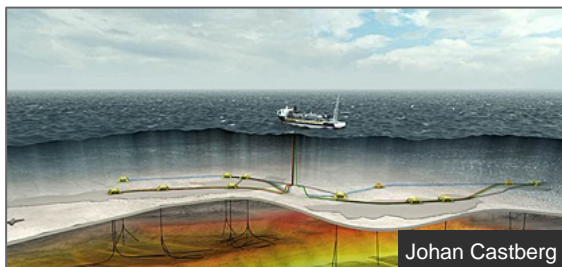
# Firm strategy to capture value in the upturn

## Faster and deeper cost reductions



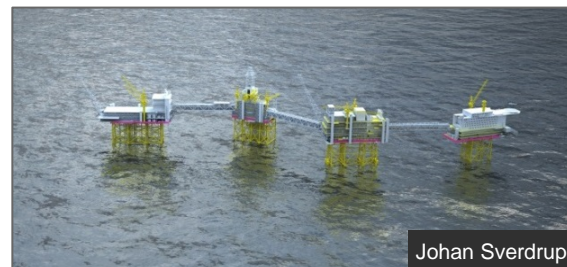
- Efficiency improvements and market effects
- Strict financial discipline

## Preparing to invest in next-generation portfolio



- Radically improved break-evens
- Maintaining dividend, introducing scrip option

## Capturing the upturn in oil and gas prices

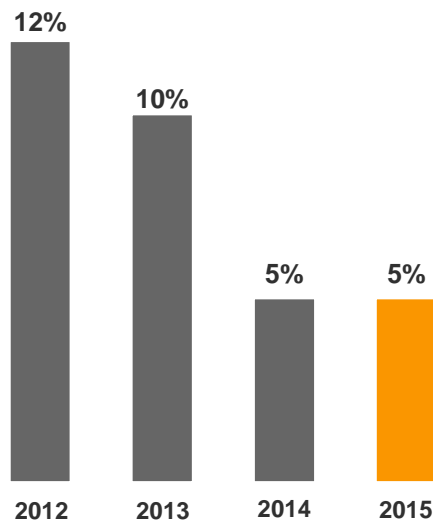


- Sustained efficiency gains
- Significant new volumes 2018-2022

# Measures to improve cash flow

## Improved regularity<sup>1)</sup>

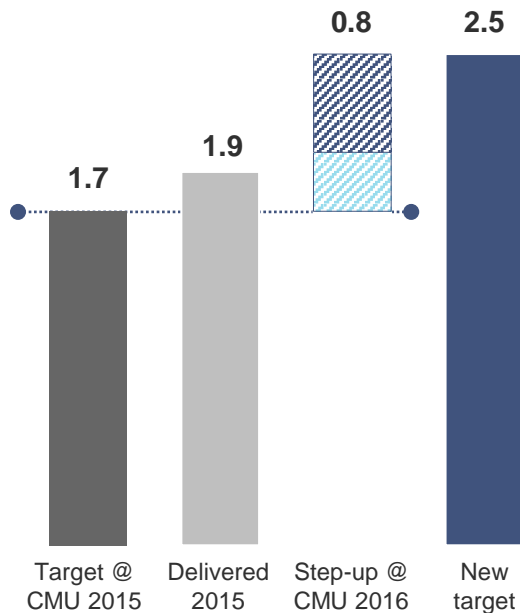
Unplanned losses as percent of production



## Stepping up efficiency

USD billion

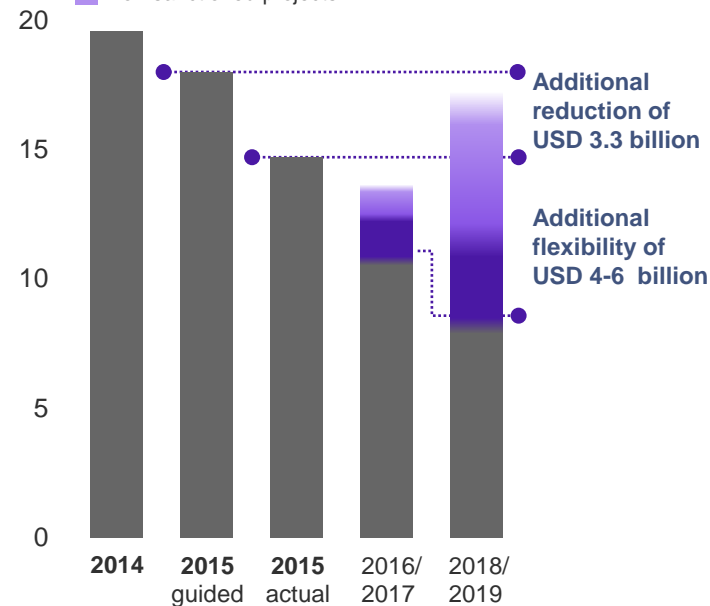
Capital expenditure  
Operating expenses



## Significant capex flexibility

USD billion

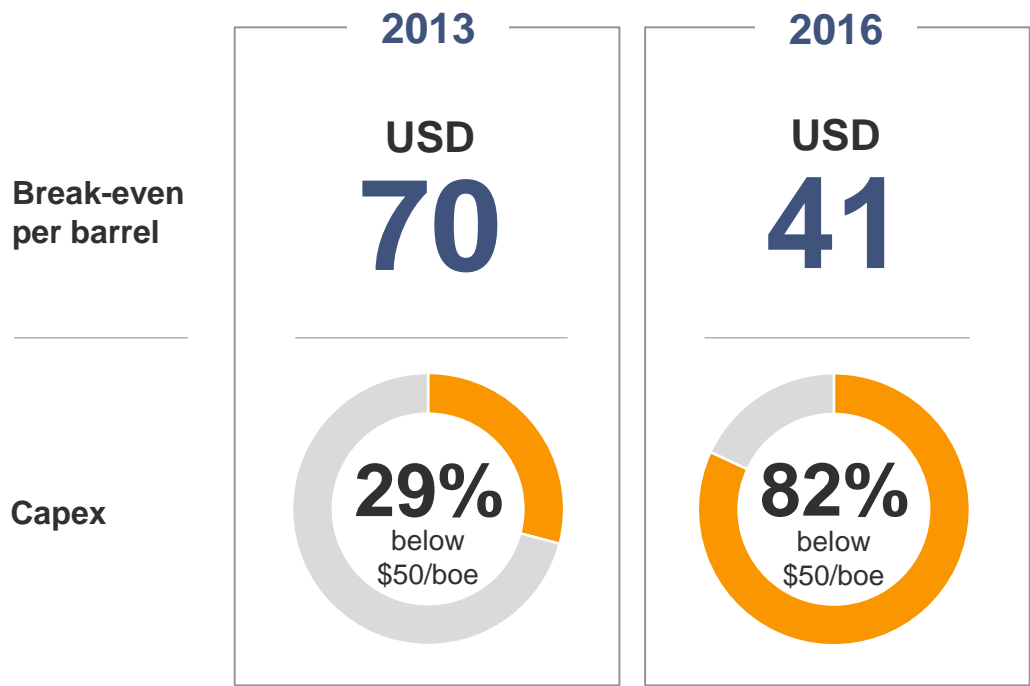
Sanctioned projects  
US onshore & capitalised exploration  
Non-sanctioned projects



# Capturing value from next-generation portfolio

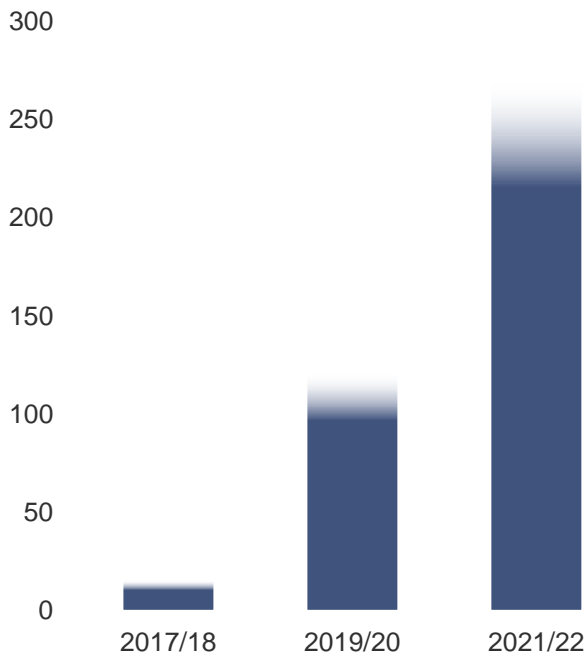
## Optimised portfolio

Operated non-sanctioned projects starting up by 2022, weighted by volume



## Production potential to 2022

Production from non-sanctioned<sup>1)</sup> projects<sup>2)</sup>, mboe/d



1) Non-sanctioned projects exclude exploration  
2) Includes partner-operated projects

# Commitment to shareholders

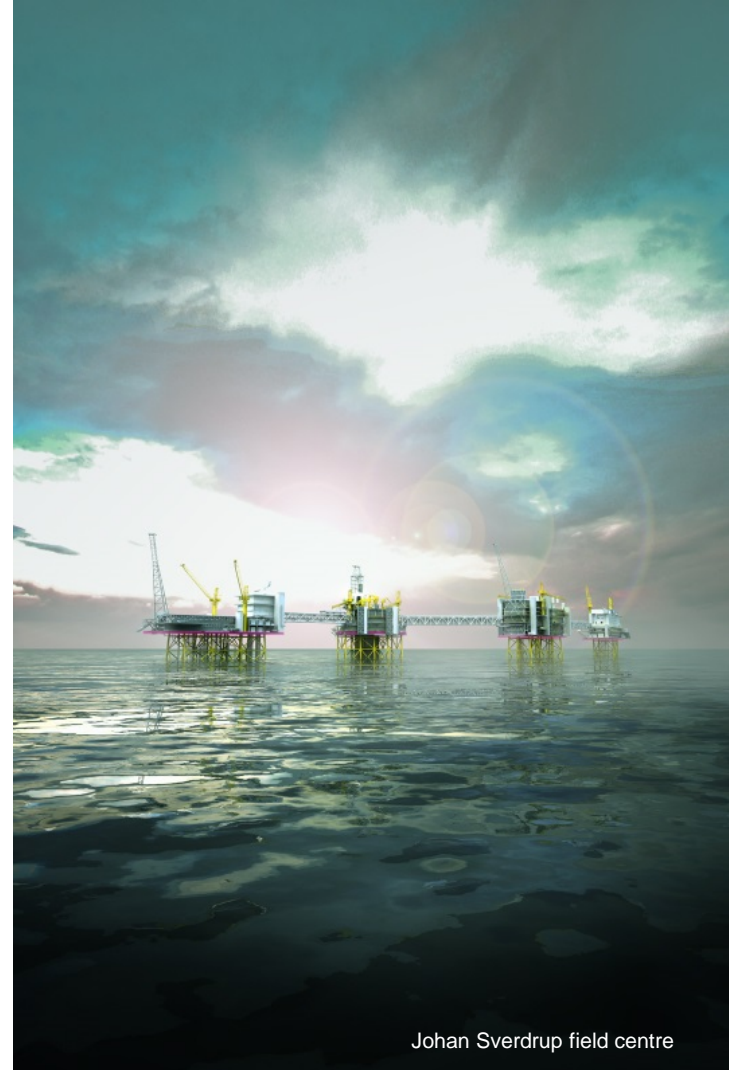
**4Q dividend maintained at USD 0.2201 per share <sup>1)</sup>**

## **Scrip dividend to be proposed to the AGM**

- Two-year window from 4Q 2015
- Discount of 5% for 4Q 2015
- Norwegian government support for the scrip dividend <sup>2)</sup>
- State ownership remains at 67%

## **Option to invest in a company with a high-quality portfolio**

## **Strengthening flexibility to invest in high-value projects**



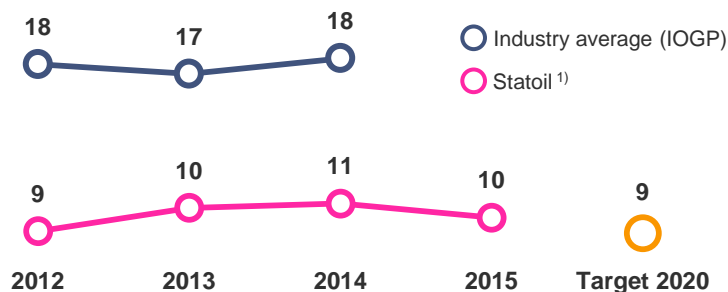
Johan Sverdrup field centre



# Providing energy for a low-carbon future

## Carbon-efficient oil and gas producer

CO<sub>2</sub> intensity (kg CO<sub>2</sub>/boe)



## Gradually building a new energy business

- Leveraging core competence
- Key focus on offshore wind – industrial approach
- Exploring other energy sources
- Established New Energy Solutions (NES)



# Resetting costs – capturing opportunities

- 1 Faster and deeper cost reductions
- 2 Preparing to invest in next-generation portfolio
- 3 Capturing the upturn in oil and gas prices



Thank you





# 4<sup>th</sup> Quarter and Full Year 2015

London, 4 February 2016

Hans Jakob Hegge, Executive Vice President and CFO

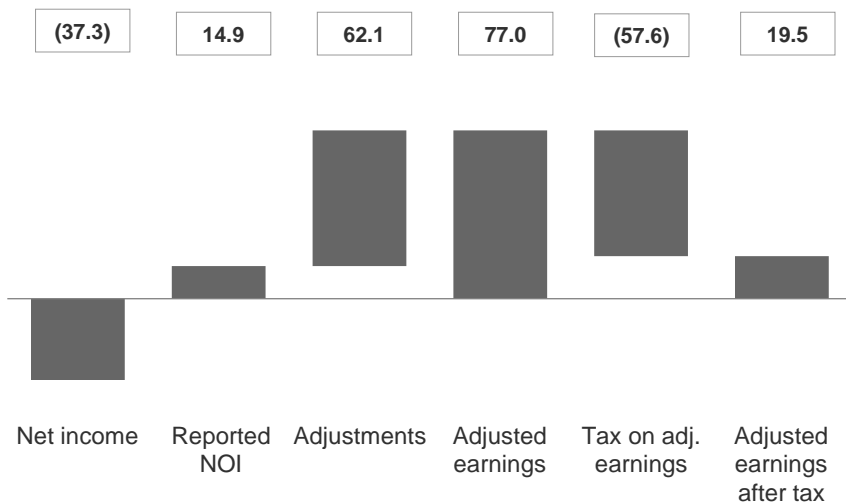
# 2015 | Continued operational progress

<b>Earnings</b>	Adjusted earnings of NOK 77.0 billion, negatively impacted by prices
<b>Production</b>	6% YoY organic growth, driven by ramp-ups, efficiency and gas optimisation
<b>Costs</b>	Adjusted opex and SG&A down 13% YoY <sup>1)</sup> , continued downward trend
<b>Organic capex</b>	USD 14.7 billion
<b>Reserves</b>	88% organic RRR
<b>Resources</b>	265 million boe added from exploration
<b>Projects</b>	Sanctioning of Johan Sverdrup. Material improvement in opportunity set
<b>Dividend</b>	NOK 1.80 per share for 1Q, USD 0.2201 per share for each of 2Q, 3Q & 4Q <sup>2)</sup>

# Financial results impacted by lower prices

## Full year 2015

NOK billion



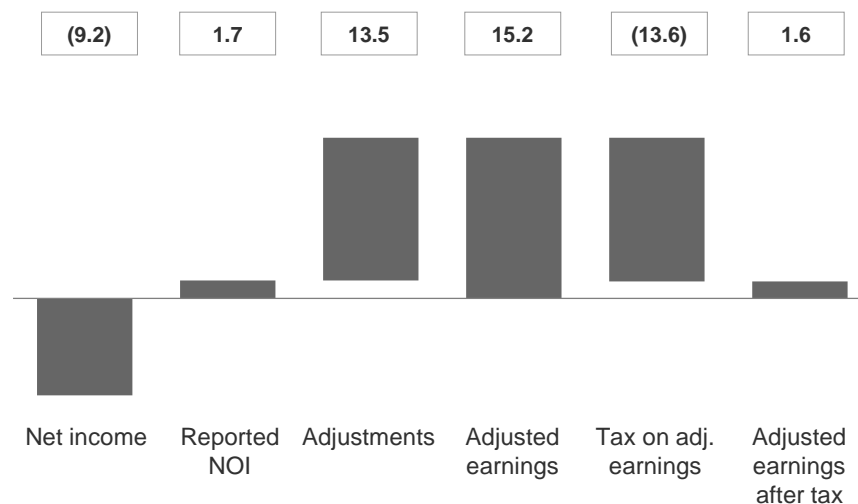
## Full year 2014

NOK billion



## Fourth quarter 2015

NOK billion



## Fourth quarter 2014

NOK billion



# Reduced costs across the business

## D&P Norway

- Strong operational performance with production efficiency >90%
- 17% reduction in adjusted opex and SG&A per boe
- DD&A per boe up 1% due to ramp up of new fields

## D&P International

- Low prices lead to negative adjusted earnings
- Growing liquids production
- 22% reduction in adjusted opex and SG&A per boe in USD
- DD&A per boe reduced by 15% in USD<sup>1)</sup>

## MMP

- Solid deliveries across the business
- Lower earnings in 4Q compared to very strong results in previous quarters
- Low tax rate on adjusted earnings

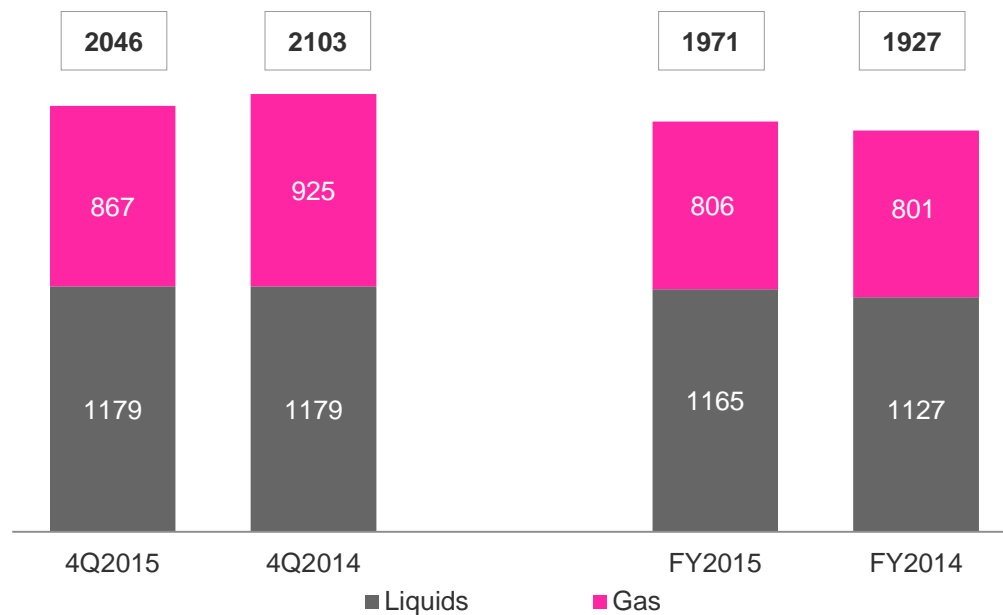
Adj. earnings, NOK billion	Pre tax	After tax	Pre tax	After tax	Pre tax	After tax
4Q'15	17.1	5.4	(5.7)	(6.1)	3.6	2.2
4Q'14	24.2	6.8	(2.8)	(5.0)	5.1	2.2
FY2015	69.4	21.6	(12.2)	(15.0)	21.8	14.1
FY2014	105.5	29.1	13.9	2.6	17.8	8.1

# Strong production growth

- 6% organic growth YoY
- Sustained strong regularity on the NCS
- Optimising gas offtake on the NCS
- Growing international liquids production

## Equity production

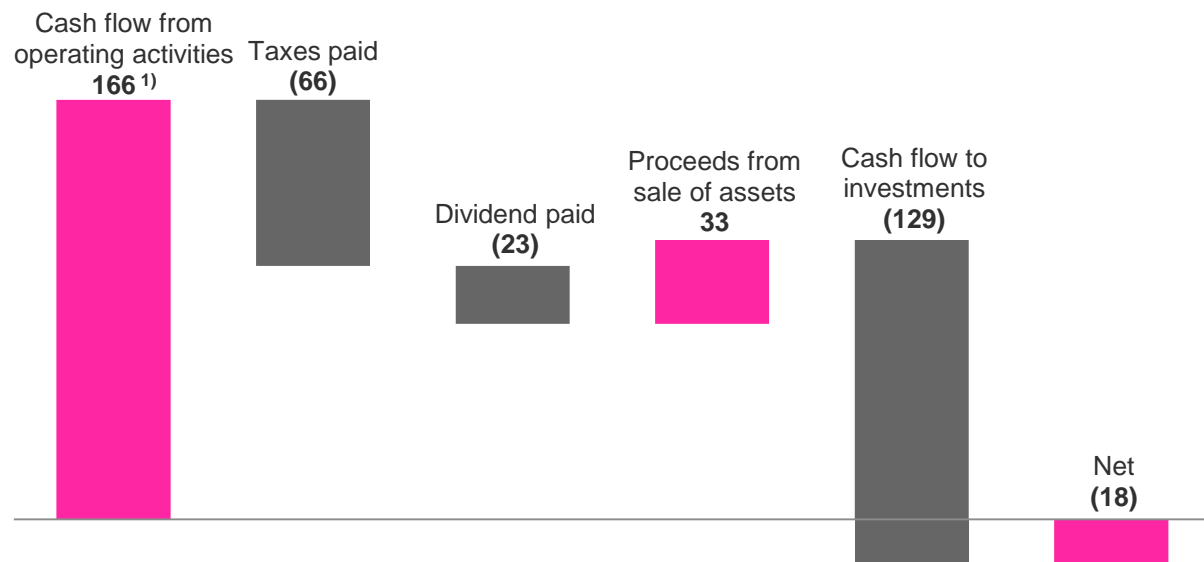
mboe/d





# Resilient cash flow at materially lower prices

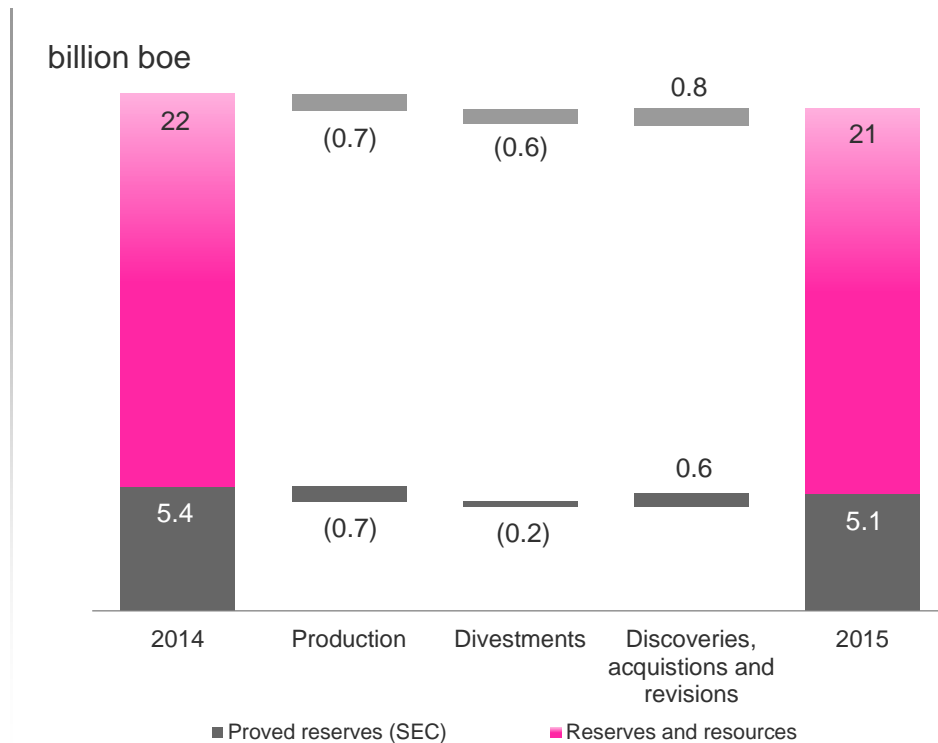
NOK billion



- Tax paid partly reflecting 2014 results
- Proceeds from value-enhancing transactions
- Organic investments reduced due to efficiency and prioritisation
- Net debt to capital employed at year-end of 27%

# Johan Sverdrup adds to new reserves

- 88% organic RRR, 55% total RRR
  - 5% increase in liquid reserves
- 110% three-year average organic RRR
- Johan Sverdrup main contributor for new proved reserves
- Negative impact from lower commodity prices on proved reserves
- Stable resource base





# Resetting costs - capturing opportunities

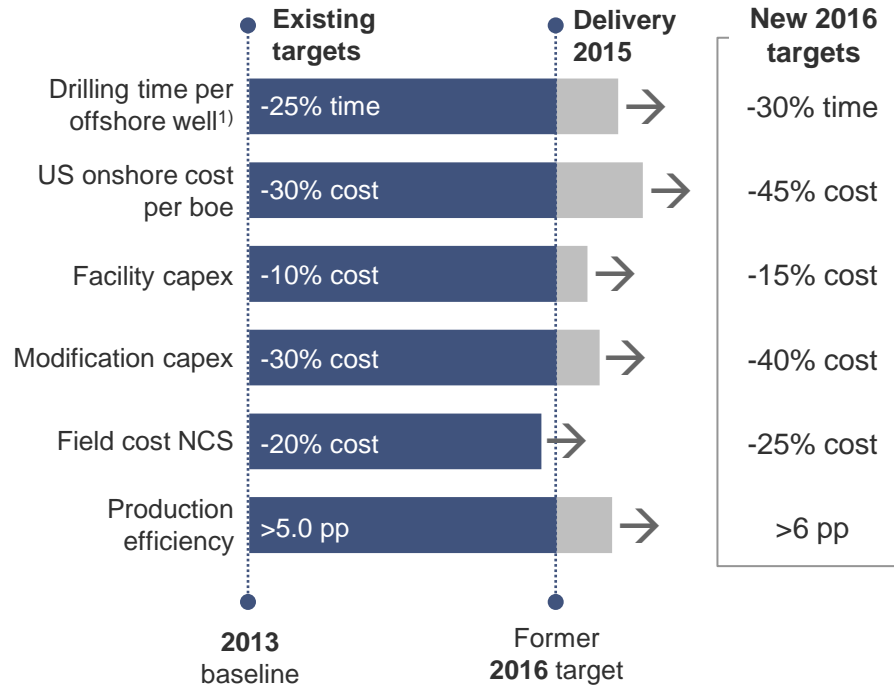
London, 4 February 2016

Hans Jakob Hegge, Executive Vice President and CFO

# Faster and deeper cost reductions

## We have delivered ahead of time...

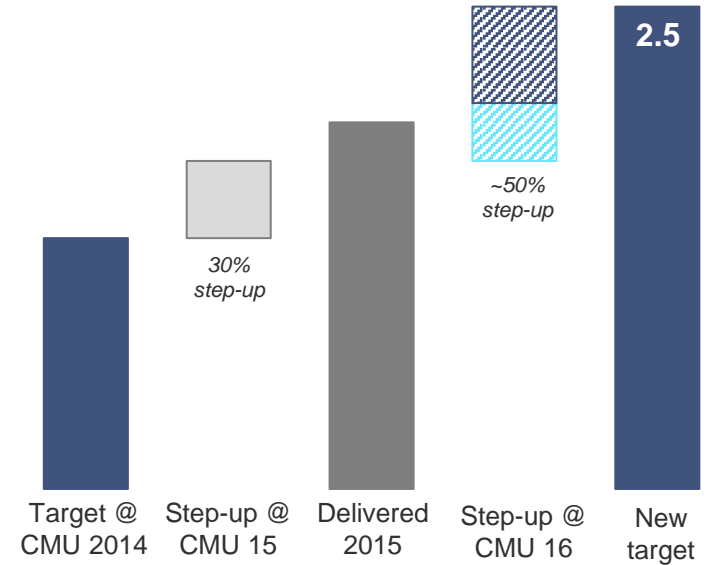
Percent improvement on selected activities



## ...and continue to raise the bar

USD billion

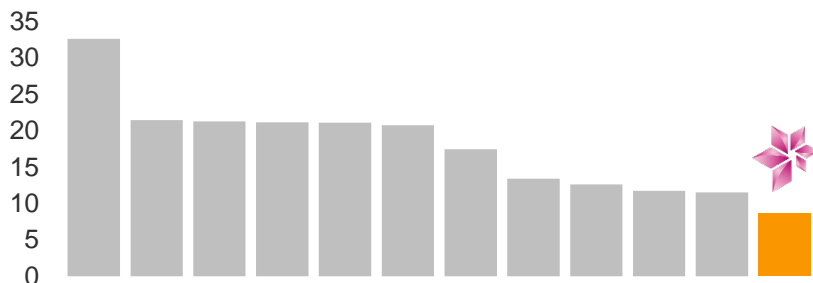
Capital expenditure  
Operating expenses



# Turning efficiency improvement into money

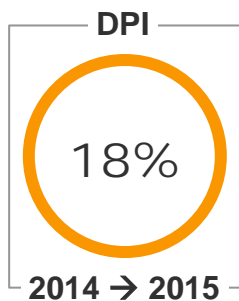
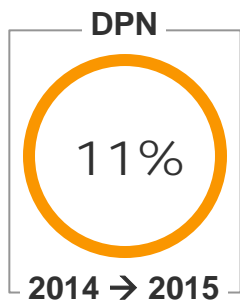
## Unit production costs - ahead of peers

USD per barrel



## Adjusted upstream operating cost and SG&A

Percentage improvement – per barrel in underlying currency



## Further actions

- Renegotiating supplier contracts
- Implementing new actions to reduce upstream opex
- Stepping up organisational efficiency

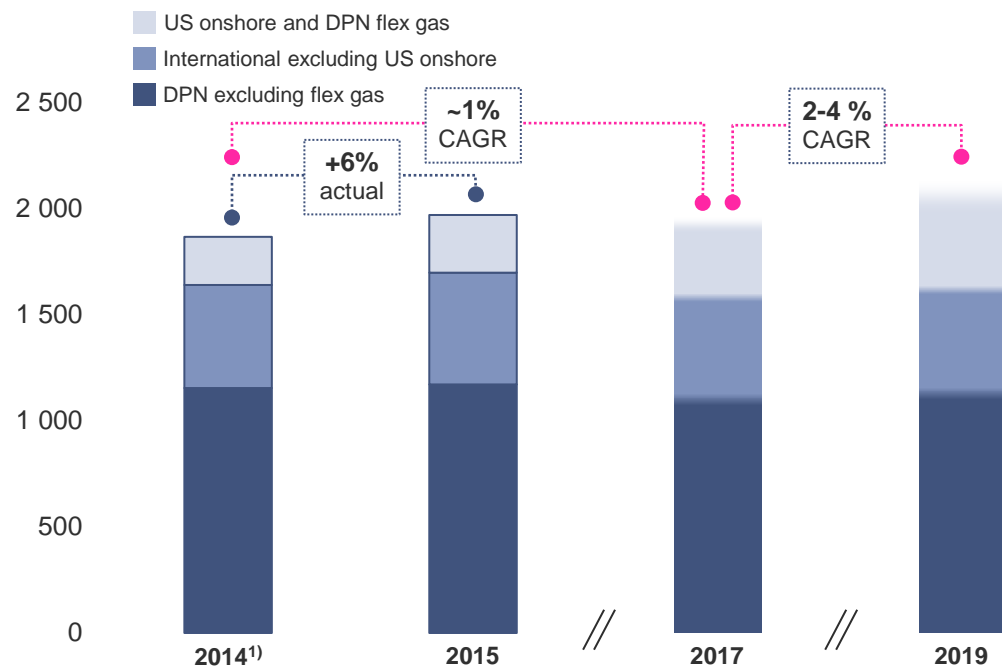
## Cost competitive new production

- Johan Sverdrup ~30 NOK/boe<sup>1)</sup>
- Aasta Hansteen ~30 NOK/boe<sup>1)</sup>

# Value over volume – flexible production growth

## Equity production

mboe/d



## Very strong production growth in 2015

- Impact future growth rates
- Utilised high prices

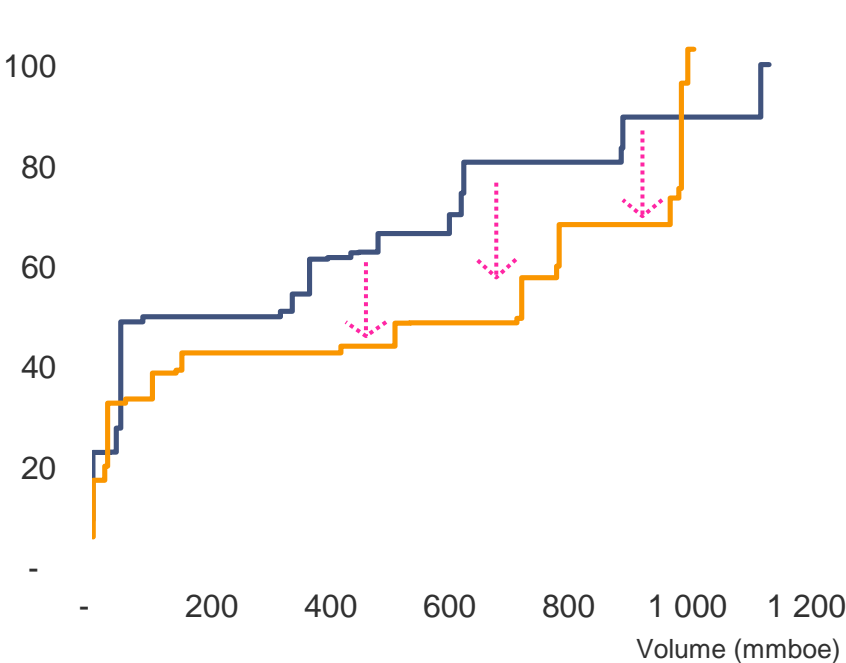
## Value over volume approach

## Several major start-ups in 2018/19

# Radical change in our project portfolio

## Non-sanctioned projects 2013 → 2016

Break-even oil price, USD/bbl  
120



## Improved break-even on operated portfolio

Assets starting up by 2022, USD/bbl, weighted by volume

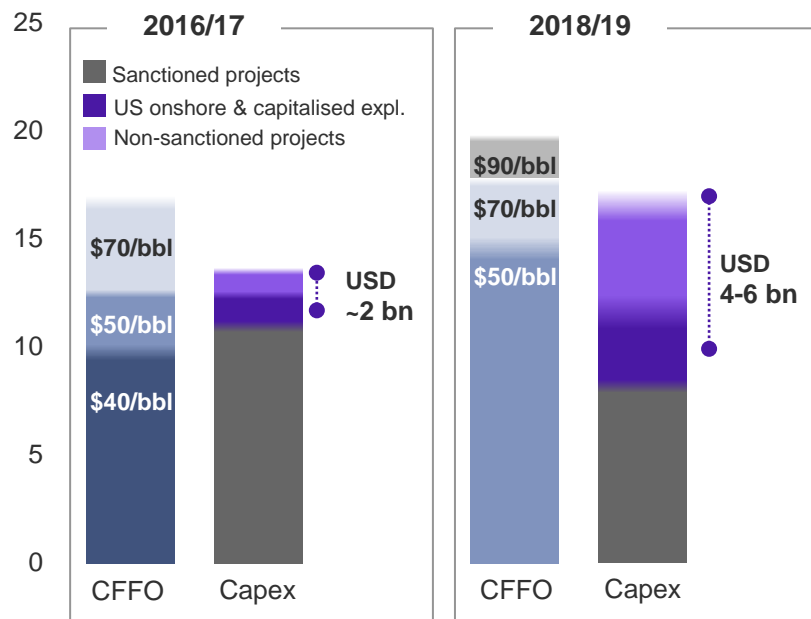


# Maintaining flexibility in an improved portfolio

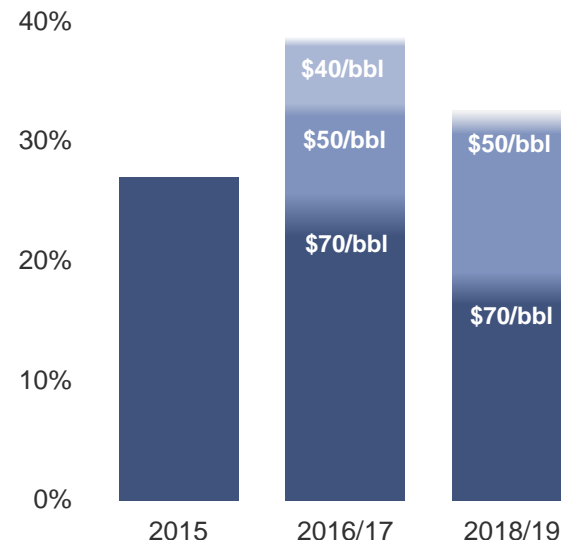
Net cash flow neutral at \$60/bbl in 2017 and \$50/bbl in 2018, excluding impact of scrip programme

## Well positioned to adapt to macro volatility

USD billion



## Net debt to capital employed<sup>1)</sup>





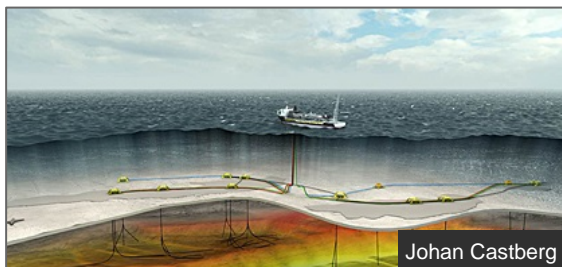
# Firm strategy to capture value in the upturn

## Faster and deeper cost reductions



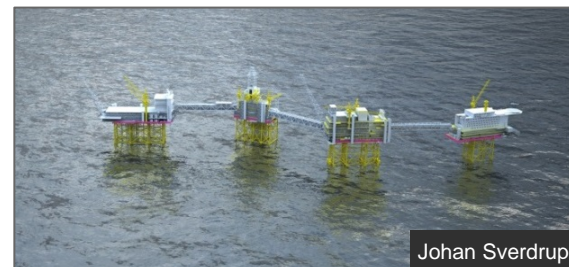
- Step up efficiency target to **USD 2.5 billion** in 2016

## Preparing to invest in next-generation portfolio



- Capex 2016: **USD ~13 billion**
- Average break-even of new portfolio at **USD 41** per barrel

## Capturing the upturn in oil and gas prices



- Organic growth: **~1% CAGR 2014-17**  
**~2-4% CAGR 2017-19**
- Exploration 2016: **USD ~2 billion**

Thank you



# Forward-looking statements

This presentation contains certain forward-looking statements that involve risks and uncertainties. In some cases, we use words such as "ambition", "continue", "could", "estimate", "expect", "focus", "likely", "may", "outlook", "plan", "strategy", "will", "guidance" and similar expressions to identify forward-looking statements. All statements other than statements of historical fact, including, among others, statements regarding future financial position, results of operations and cash flows; changes in the fair value of derivatives; future financial ratios and information; future financial or operational portfolio or performance; future market position and conditions; business strategy; growth strategy; future impact of accounting policy judgments; sales, trading and market strategies; research and development initiatives and strategy; projections and future impact related to efficiency programs, market outlook and future economic projections and assumptions; competitive position; projected regularity and performance levels; expectations related to our recent transactions and projects, completion and results of acquisitions, disposals and other contractual arrangements; reserve information; future margins; projected returns; future levels, timing or development of capacity, reserves or resources; future decline of mature fields; planned maintenance (and the effects thereof); oil and gas production forecasts and reporting; domestic and international growth, expectations and development of production, projects, pipelines or resources; estimates related to production and development levels and dates; operational expectations, estimates, schedules and costs; exploration and development activities, plans and expectations; projections and expectations for upstream and downstream activities; oil, gas, alternative fuel and energy prices; oil, gas, alternative fuel and energy supply and demand; natural gas contract prices; timing of gas off-take; technological innovation, implementation, position and expectations; projected operational costs or savings; projected unit of production cost; our ability to create or improve value; future sources of financing; exploration and project development expenditure; effectiveness of our internal policies and plans; our ability to manage our risk exposure; our liquidity levels and management; estimated or future liabilities, obligations or expenses and how such liabilities, obligations and expenses are structured; expected impact of currency and interest rate fluctuations; expectations related to contractual or financial counterparties; capital expenditure estimates and expectations; projected outcome, objectives of management for future operations; impact of PSA effects; projected impact or timing of administrative or governmental rules, standards, decisions, standards or laws (including taxation laws); estimated costs of removal and abandonment; estimated lease payments, gas transport commitments and future impact of legal proceedings are forward-looking statements. You should not place undue reliance on these forward-looking statements. Our actual results could differ materially from those anticipated in the forward-looking statements for many reasons.

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. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including levels of industry product supply, demand and pricing; price and availability of alternative fuels; currency exchange rate and interest rate fluctuations; the political and economic policies of Norway and other oil-producing countries; EU directives; general economic conditions; political and social stability and economic growth in relevant areas of the world; the sovereign debt situation in Europe; global political events and actions, including war, terrorism and sanctions; security breaches; situation in Ukraine; changes or uncertainty in or non-compliance with laws and governmental regulations; the timing of bringing new fields on stream; an inability to exploit growth or investment opportunities; material differences from reserves estimates; unsuccessful drilling; an inability to find and develop reserves; ineffectiveness of crisis management systems; adverse changes in tax regimes; the development and use of new technology; geological or technical difficulties; operational problems; operator error; inadequate insurance coverage; the lack of necessary transportation infrastructure when a field is in a remote location and other transportation problems; the actions of competitors; the actions of field partners; the actions of governments (including the Norwegian state as majority shareholder); counterparty defaults; natural disasters and adverse weather conditions, climate change, and other changes to business conditions; an inability to attract and retain personnel; relevant governmental approvals; industrial actions by workers and other factors discussed elsewhere in this report. Additional information, including information on factors that may affect Statoil's business, is contained in Statoil's Annual Report on Form 20-F for the year ended December 31, 2014, filed with the U.S. Securities and Exchange Commission, which can be found on Statoil's website at [www.statoil.com](http://www.statoil.com).

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot assure you that our future results, level of activity, performance or achievements will meet these expectations. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. Unless we are required by law to update these statements, we will not necessarily update any of these statements after the date of this report, either to make them conform to actual results or changes in our expectations.

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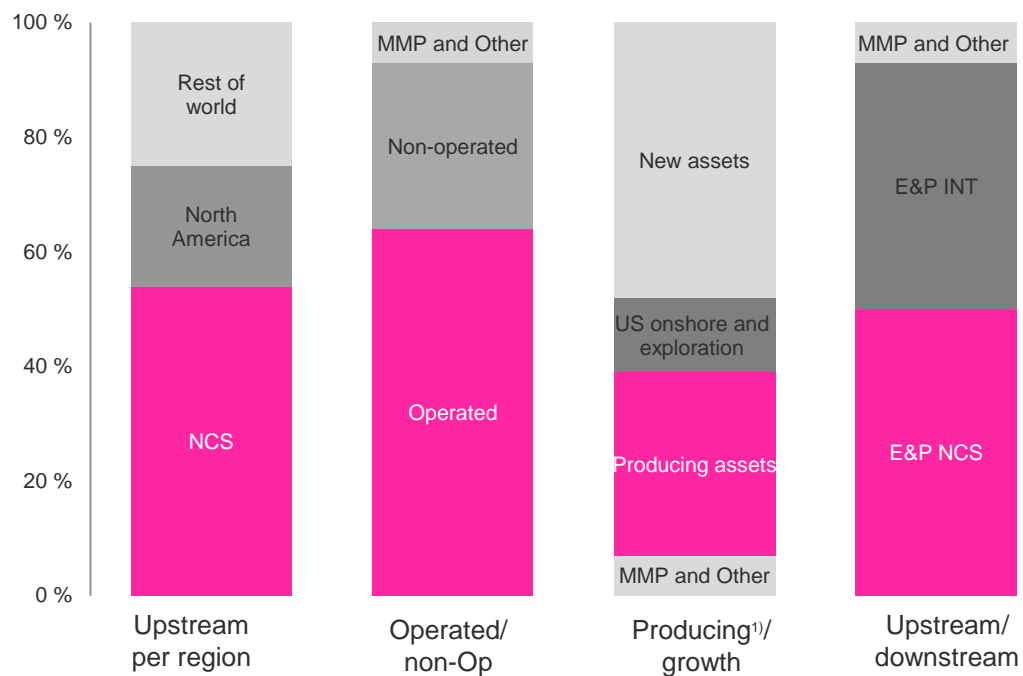
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# Supplementary Information

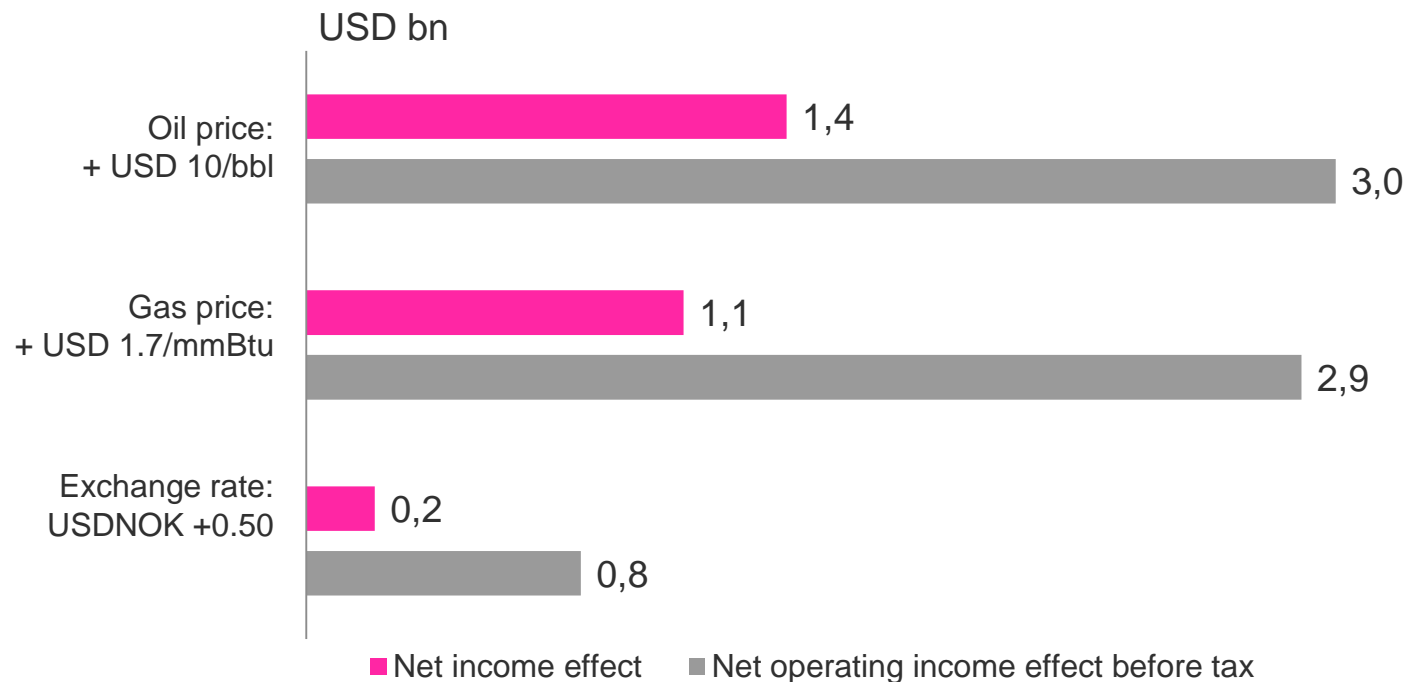
# Investing for profitable growth

## Investment profile 2016-17



- 55% in NCS
- 65% in operated assets
- 50% in new assets
- 90% upstream related

# Sensitivities<sup>1)</sup> - Indicative effects on 2016 results



# Long-term debt maturity profile

Redemption profile 31.12.2015

