

CEO letter

Annual report 2015

Dear fellow shareholder,

In 2015 we achieved solid operational results. Production efficiency improved significantly and we exceeded the targets in our improvement programmes, while we continued to deliver good safety results. Regrettably, however, there were three fatalities among our contractor workforce in the fourth quarter. This is a clear reminder of the risks involved in our business. The safety of our operations and our people is, and will remain, our top priority. Our serious incident frequency, measured as incidents per million hours worked and including both Statoil employees and contractors, was 0.6 in 2015.

Statoil achieved organic production growth of 6% in 2015, to 1.97 million barrels of oil equivalent per day. The increase was driven by improved production regularity, the ramp-up and start-up of new fields and the pursuit of our value-over-volume strategy. We expect around 1% annual organic production growth from 2014-2017 and 2-4% annually from 2017-2019.

The profitability of our industry continues to be challenged and the overall result of the company is highly affected by the fall in commodity prices. We continue to make strong progress and are stepping up the corporate efficiency programme to address the fundamental cost challenge in the oil and gas industry. By the end of 2015 Statoil had delivered USD 1.9 billion in savings, already exceeding the USD 1.7 billion target set for 2016.

Statoil's capital expenditure was USD 14.7 billion in 2015, down from the original guiding of USD 18 billion and a reduction of more than USD 5 billion from 2014. The investment programme includes the Johan Sverdrup field development, which was sanctioned in early 2015. Our financial capacity and balance sheet are robust and we maintain a competitive shareholder capital distribution in line with our dividend policy.

Statoil continues to be among the top exploration companies in the industry. The organic reserve replacement ratio in 2015 was 88%, while the three-year average is 110%. We also continued to optimise our portfolio. In 2015, we announced divestments with net proceeds of NOK 33 billion in a challenging market environment. Through portfolio optimisation, we have secured operatorship of our full lease position in Eagle Ford in the US. We have also agreed to take over operatorship of the BMC-33 licence offshore Brazil.

We continue to take an active approach to sustainability. To Statoil, sustainability is a business matter where the need to remain highly competitive is strengthened by our efforts to accelerate the development of more carbon-efficient solutions to produce energy. Being a trusted company with a long-term social licence-to-operate will enhance future business opportunities. Our commitment to long-term sustainable value creation, in line with the principles of the UN Global Compact, is reflected in our sustainability reporting. We have an ambition to be the most carbon-efficient oil and gas producer. In addition we have established the New Energy Solutions business area, which will pursue profitable business opportunities within renewable energy, building on existing capabilities and our position in offshore wind.

We enter 2016 in a robust financial position, with strong operational performance and good progress on our improvement programmes. We are well prepared to deal with the volatility in our markets and the demanding situation for the industry and have the competency, capacity and leadership capabilities necessary to meet the challenges that lie ahead. I look forward to further strengthening Statoil in 2016, pursuing the priorities set out at our Capital Markets Update of resetting costs, investing in the next-generation portfolio, and preparing to capture the opportunities when the market turns towards the upside.

Eldar Sætre
President and Chief Executive Officer
Statoil ASA