Press release

4 February 2016

2015 FOURTH QUARTER RESULTS

Statoil delivered adjusted earnings of NOK 15.2 billion and adjusted earnings after tax of NOK 1.6 billion in the fourth quarter 2015. For the full year 2015, adjusted earnings were NOK 77.0 billion and adjusted earnings after tax were NOK 19.5 billion. Statoil's net income in accordance with IFRS for the fourth quarter 2015 was negative NOK 9.2 billion, and for the full year 2015 it ended at negative NOK 37.3 billion, mainly as a result of lower short term price assumptions leading to impairment charges and provisions.

Today, Statoil presents its update to the capital markets, announcing a step-up in its improvement programme by 50% to USD 2.5 billion per year in 2016. One year ahead of plan, Statoil delivers annual cost improvements of USD 1.9 billion, compared to its 2016 target of USD 1.7 billion. Statoil is reducing organic capital expenditure from USD 14.7 billion in 2015 to around USD 13 billion in 2016, and has substantially improved its portfolio of non-sanctioned projects, with planned start-up by 2022, reducing the average break-even oil price from USD 70 per boe in 2013 to USD 41 per boe in 2016.

“The result in the fourth quarter is highly impacted by the weak commodity price. However, we continue to make strong progress on costs and efficiency. We are now further stepping up our improvement programme, and tightening our capital and exploration expenditures. These are key elements in navigating the business during a period of low oil prices”, says president and CEO of Statoil ASA, Eldar Sætre.

“Statoil is well positioned to capture value from an expected upturn in the market. We have substantially improved our non-sanctioned project portfolio. More than 80% of the operated projects, with start-up by 2022, have a break-even oil price below USD 50 per boe, says Sætre.

The Board of Directors will propose to the Annual general meeting (AGM) to maintain a dividend of USD 0.2201 per share fourth quarter 2015 and the introduction of a two-year scrip dividend programme starting from the fourth quarter 2015. The scrip programme will give shareholders the option to receive quarterly dividends in cash or in newly issued shares in Statoil, at a 5% discount for the fourth quarter 2015. The Norwegian Government, as majority shareholder, supports the proposal and will seek the Norwegian Parliament’s approval to vote in favour of the proposal at the Annual general meeting. The Norwegian government will match subscription of shares by minority shareholders, and thereby maintain its ownership share at 67% throughout the programme.

“We are firmly committed to maintain a competitive capital distribution, in line with our dividend policy. The proposal is to maintain the dividend, while offering shareholders an option to reinvest their dividend in newly issued shares. We are pleased to introduce the scrip programme as an additional tool, strengthening the company’s financial flexibility to invest in high-quality projects in a timely manner”, says Sætre.

Adjusted earnings in the fourth quarter of 2015 were NOK 15.2 billion, down 44% compared to NOK 26.9 billion in the fourth quarter of 2014. Realised average liquids prices in the quarter were down 29% measured in NOK compared to the fourth quarter last year. Adjusted earnings after tax were NOK 1.6 billion, compared to NOK 4.3 billion in the same period last year.

Statoil’s net operating income according to IFRS for the quarter was NOK 1.7 billion, compared to NOK 9.0 billion in the same period in 2014. Net impairment charges of NOK 10.1 billion related to impairment of various assets, provisions of NOK 4.8 billion and gain on sale of assets of NOK 3.2 billion impacted the IFRS results. Earnings per share in the period were negative NOK 2.89 compared to negative NOK 2.81 in the same period last year.

Statoil delivered equity production of 2,046 mboe per day in the fourth quarter, a reduction of 3% compared to the same period in 2014. Adjusting for divestments, the underlying production was at the same level as in the fourth quarter last year.

Statoil reported cash flow from operations in 2015 of NOK 165.8 billion before taxes paid and working capital items. At year-end, Statoil’s net debt to capital employed was 26.8%. Organic capital expenditure was USD 14.7 billion in 2015.

Statoil completed 39 exploration wells during 2015, with three wells on-going at year-end. Adjusted exploration expenses in the quarter were NOK 4.2 billion, down from NOK 7.5 billion in the fourth quarter of 2014, mainly as a result of lower drilling activity and less expensive wells being drilled.

Statoil experienced three contractor fatalities related to our activities in the fourth quarter; one on the NCS and two in our US onshore operations.

“These fatalities are clear reminders that the safety and security of our people, and the integrity of our operations, must remain our top priority”, says CEO Eldar Sætre.

The Serious Incident Frequency (SIF) was 0.6 in 2015.

Capital Markets Update

Today, Statoil presents its strategy to the capital market, focusing on three priorities:

- Delivering faster and deeper cost reductions: Stepping up the improvement programme by 50% to USD 2.5 billion annually in 2016
- Preparing to invest in the next generation portfolio: Investing in a radically improved project portfolio, with an average break-even of USD 41 per boe
- Capturing the upturn in oil and gas prices: Sustaining the efficiency gains and investing in attractive projects to benefit from the expected price recovery

“Resetting costs – capturing opportunities, that’s the core of our strategy. As an early mover on cost efficiency, we are now shaping our next generation portfolio. Statoil is positioned for value creation in a low price environment, and well placed to capture the gains when the oil price recovers”, says Eldar Sætre

Furthermore, Statoil announces its updated outlook for 2016-2019:

- Statoil will invest around USD 13 billion in 2016
- From 2014 to 2017, Statoil estimates an annual organic production growth of around 1% from a rebased equity production level. From 2017 to 2019 Statoil expects 2–4% organic annual production growth
- The exploration spend in 2016 will be around USD 2 billion

	Quarters		Change			Full year	
Q4 2015	Q3 2015	Q4 2014	Q4 on Q4		2015	2014	Change
1.7	7.3	9.0	(81%)	IFRS Net operating income (NOK billion)	**14.9**	109.5	(86%)
15.2	16.7	26.9	(44%)	Adjusted earnings (NOK billion) [5]	**77.0**	136.1	(43%)
(9.2)	(2.8)	(8.9)	N/A	IFRS Net income (NOK billion)	**(37.3)**	22.0	N/A
1.6	3.7	4.3	(63%)	Adjusted earnings after tax (NOK billion) [5]	**19.5**	39.1	(50%)
2,046	1,909	2,103	(3%)	Total equity liquids and gas production (mboe per day) [4]	**1,971**	1,927	2%
327.7	357.5	458.9	(29%)	Group average liquids price (NOK/bbl) [1]	**370.7**	558.4	(34%)

Key events since third quarter 2015:

- The plan for development and operation (PDO) of the North Sea Oseberg Vestflanken 2 was submitted to the authorities
- Gas production started from the Corrib field off the northwest coast of Ireland
- To optimise its exploration portfolio Statoil decided to exit Alaska following recent exploration results in neighbouring leases
- Statoil was awarded interest in 24 licences on the NCS in the 2015 APA round
- Statoil entered into a transaction on the UK shelf, where Statoil acquired First Oil’s 24% share in the UK licence for the Alfa Sentral field
- The 20% interest in Trans Adriatic Pipeline AG was divested to the Italian gas infrastructure company Snam SpA for a total consideration of EUR 208 million
- Statoil and Repsol entered into transactions that saw Statoil farming down a 15% interest in the Gudrun field on the NCS to Repsol, in return for a 13% interest and operatorship in Eagle Ford and operatorship of the BM-C-33 licence in Brazil
- In November, Statoil made the final investment decision to build Hywind pilot park in Scotland, the world’s first floating wind farm
- In January Statoil acquired 11.93% of Lundin Petroleum, increasing the company’s exposure to core field development projects and growth assets on NCS, including Johan Sverdrup and Edvard Grieg

FOURTH QUARTER 2015 GROUP REVIEW

The fourth quarter results continue to be severely influenced by low prices. Encouraging operational performance, solid results from marketing and trading and a positive underlying cost development impacted the results.

Total equity liquids and gas production [4] was 2,046 mboe per day, down 3% from 2,103 mboe per day in the fourth quarter of 2014, mainly due to expected natural decline on mature fields and lower ownership shares from redetermination and divestments. The decrease was partially offset by ramp-up on various fields, production from new fields on stream and stronger operational performance.

Total entitlement liquids and gas production [3] was slightly down by 1% to 1,921 mboe per day compared to the fourth quarter of 2014, impacted by the decrease in equity production, partially offset by a beneficial effect from production sharing agreements (PSA effect) mainly as a result of the decline in oil prices.

Net operating income (IFRS) was NOK 1.7 billion in the fourth quarter of 2015, compared to NOK 9.0 billion in the fourth quarter of 2014. Impairment charges related to various assets of NOK 15.2 billion and provisions of NOK 4.8 billion negatively impacted net operating income. Reversal of impairment charges of NOK 5.1 billion mainly related to certain unconventional onshore assets in North America and gain on sale of assets of NOK 3.2 billion positively impacted net operating income.

In the fourth quarter of 2014, net operating income was negatively affected by net impairment charges related to certain assets of NOK 20.6 billion and the effect from cancellation of a rig contract of NOK 2.1 billion. Gains from sale of assets of NOK 6.2 billion and changes in pension plans of NOK 3.5 billion positively affected net operating income.

Adjusted earnings [5] were NOK 15.2 billion in the fourth quarter, down 44% from NOK 26.9 billion in the fourth quarter of 2014 primarily due to the significant drop in liquids prices, lower gas prices and the reduction in production described above.

Adjusted operating and administrative expenses decreased by 4% to NOK 20.5 billion in the fourth quarter of 2015, mainly due to reduced operational costs and lower maintenance, in addition to effects from on-going cost initiatives. Lower diluent expenses and royalties caused by reduced prices added to the decrease. The USD/NOK exchange rate development and higher transportation costs partially offset the reduction. Excluding the USD/NOK exchange rate development, adjusted operating and administrative expenses decreased by 15%.

The 5% increase in adjusted depreciation cost compared to the fourth quarter of 2014 was mainly due to the USD/NOK exchange rate development and start-up and ramp-up of production on several fields. Reduced depreciation because of net impairments of assets in both 2014 and 2015 partially offset the increase. Excluding the USD/NOK exchange rate development, adjusted depreciation cost decreased by 5%.

Adjusted exploration expenses decreased by NOK 3.3 billion to NOK 4.2 billion in the fourth quarter of 2015, mainly due to reduced drilling activity and less expensive wells being drilled. The portion of previously capitalised expenditures being expensed this quarter was also lower and added to the decrease.

	Quarters		Change	Adjusted earnings		Full year	
Q4 2015	Q3 2015	Q4 2014	Q4 on Q4	(in NOK billion)	2015	2014	Change
112.7	112.6	148.7	(24%)	Adjusted total revenues and other income	**472.0**	607.1	(22%)
(49.5)	(50.7)	(70.6)	(30%)	Adjusted purchases [6]	**(209.0)**	(296.1)	(29%)
(20.5)	(20.6)	(21.4)	(4%)	Adjusted operating and administrative expenses	**(85.2)**	(83.3)	2%
(23.3)	(21.2)	(22.3)	5%	Adjusted depreciation	**(86.5)**	(74.5)	16%
(4.2)	(3.4)	(7.5)	(44%)	Adjusted exploration expenses	**(14.3)**	(17.1)	(16%)
15.2	16.7	26.9	(44%)	Adjusted earnings [5]	**77.0**	136.1	(43%)
1.6	3.7	4.3	(63%)	Adjusted earnings after tax [5]	**19.5**	39.1	(50%)

Proved reserves at the end of 2015 were 5,060 mmboe, a decrease compared to 5,359 mmboe at the end of 2014. In 2015, a total of 598 mmboe were added through revisions, extensions, discoveries and acquisitions. The reductions in proved reserves were related to sale of reserves in place of 235 mmboe and entitlement production of 662 mmboe.

The reserve replacement ratio (RRR), which measures the proved reserves added to the reserve base (including the effects of sales and purchases) relative to the amount of oil and gas produced, was 55% in 2015 compared to 62% in 2014. The organic reserves replacement ratio was 88% compared to 96% in 2014 and the average three-year replacement ratio (including the effects of sales and purchases), was 81% at the end of 2015 compared to 97% in 2014. The decrease in reserves in 2015 was primarily due to high production on existing fields, reduced commodity prices and completion of the farm out on Shah Deniz. The 2015 SEC forward price for Brent Blend was 54 USD per boe compared to 101 USD per boe in 2014. The decrease was partially compensated for by sanctioning of Johan Sverdrup phase 1 and positive revisions on several of our producing fields due to good production performance and increased efficiency.

Based on adjusted earnings after tax and average capital employed, **adjusted return on average capital employed (ROACE)** was 4.0% for the 12 month period ended 31 December 2015 and 8.7% for the 12 month period ended 31 December 2014.

Organic capital expenditures (excluding acquisitions and capital leases) amounted to NOK 118.8 billion or USD 14.7 billion for the year ended 2015. Organic capital expenditures have been reduced by 18% measured in NOK compared to our original guidance for 2015. Gross investments amounted to NOK 125.5 billion.

Adjusted earnings after tax were NOK 1.6 billion in the fourth quarter of 2015, which reflects an effective tax rate on adjusted earnings of 89.5%, compared to 84.1% in the fourth quarter of 2014. The tax rate increased mainly due to losses (including exploration losses without tax deductions in the Development and Production International segment) and relatively higher adjusted earnings from the NCS in the fourth quarter of 2015. Adjusted earnings from the NCS are subject to higher than average tax rates. The increase was partially offset by low tax rates on adjusted earnings in the Marketing, Midstream and Processing segment.

Cash flows provided by operating activities were NOK 18.8 billion in the fourth quarter of 2015 compared to NOK 27.3 billion in the fourth quarter of 2014. Excluding working capital movements and taxes paid, cash flows provided by operating activities were NOK 35.0 billion in the fourth quarter of 2015 compared to NOK 40.9 billion in the fourth quarter of 2014. The decrease of NOK 5.9 billion was mainly due to reduced liquid prices and gas prices.

Cash flows used in investing activities were NOK 2.1 billion in the fourth quarter of 2015 compared to NOK 36.2 billion in the fourth quarter of 2014. The decrease of NOK 34.1 billion was mainly due to higher investments in deposits with more than three months to maturity of NOK 38.5 billion and lower proceeds from sale of assets and businesses of NOK 5.4 billion.

Cash flows used in financing activities were NOK 7.6 billion in the fourth quarter of 2015 compared to negative NOK 6.5 billion in the fourth quarter of 2014, an increase of NOK 14.1 billion mainly due issuance of new debt in the fourth quarter of 2014 of NOK 20.5 billion.

Full year 2015

Net operating income (IFRS) was NOK 14.9 billion for the full year of 2015 compared to NOK 109.5 billion for the full year of 2014. Net operating income for 2015 was negatively impacted by net impairment charges of NOK 63.3 billion and provisions of NOK 5.4 billion. Gain from sale of assets of NOK 17.6 billion, mainly related to the divestment of the Shah Deniz project impacted net operating income positively.

In 2014, net operating income was negatively affected by net impairment charges of total NOK 38.7 billion and the termination of a rig contract of NOK 2.1 billion. Gain on sale of assets of NOK 12.7 billion, an award payment related to a commercial dispute of NOK 2.8 billion and a gain of NOK 3.5 billion related to the implementation of new pension plans positively impacted net operating income in 2014.

Adjusted earnings were NOK 77.0 billion in the full year of 2015, down by 43% from NOK 136.1 billion in the full year of 2014. The decrease was mainly due to the reduction in both liquids and gas prices measured in NOK and the 16% increase in depreciation costs. Significantly stronger refinery margins in 2015 and higher volumes of both liquids and gas sold, partially offset the decrease.

The USD/NOK exchange rate development was the main contributor to the 2% increase in adjusted operating and administrative expenses in 2015. Lower operation and maintenance costs, lower royalties due to reduced liquids prices, lower transportation costs and portfolio changes in addition to positive effects from on-going cost initiatives, partially offset the increase.

The increase in adjusted depreciation in 2015 was mainly due to the USD/NOK exchange rate development and start-up and ramp-up of production of several fields. Reduced depreciation because of net impairments of assets in both 2014 and 2015 partially offset the increase.

Adjusted exploration expenses decreased by NOK 2.7 billion to NOK 14.3 billion in 2015, mainly due to lower drilling activity, a higher capitalisation rate in 2015 and a lower portion of previously capitalised expenditures being expensed in 2015. The USD/NOK development partially offset the decrease.

Adjusted earnings after tax were NOK 19.5 billion in 2015 compared to NOK 39.1 billion in 2014. The effective tax rate on adjusted earnings was 74.7%, compared to an effective tax rate of 71.3% in 2014. The tax rate increased mainly due to losses (including exploration losses with no tax deductions in the Development and Production International segment) and relatively higher adjusted earnings from the NCS in 2015. Adjusted earnings from the NCS are subject to higher than average tax rates. The increase was partially offset by low tax rates on adjusted earnings primarily caused by lower tax rates on adjusted earnings in the Marketing, Midstream and Processing segment.

Cash flows provided by operating activities were NOK 109.0 billion for the full year of 2015 compared to NOK 126.5 billion for the full year of 2014. Excluding working capital movements and taxes paid, cash flows provided by operating activities were NOK 165.8 billion for the full year of 2015 compared to NOK 208.8 billion for the full year of 2014. The decrease of NOK 43.0 billion was mainly due to reduced liquids and gas prices.

Cash flows used in investing activities were NOK 115.1 billion for the full year of 2015 compared to NOK 112.0 billion for the full year of 2014.

Cash flows provided by financing activities were negative NOK 7.5 billion for the full year of 2015 compared to negative NOK 23.1 billion for the full year of 2014, an increase of NOK 15.6 billion mainly due to the issuance of new debt of NOK 32.1 billion in the first quarter of 2015 partially offset by lower dividend paid NOK 10.8 billion.

Free cash flow [12] for the full year of 2015 was negative NOK 18.0 billion compared to negative NOK 20.7 billion for the full year of 2014, mainly due to reduced liquids and gas prices, lower taxes paid, higher proceeds from sale of assets and businesses and a lower dividend.

OUTLOOK

- **Organic capital expenditures** for 2016 (i.e. excluding acquisitions, capital leases and other investments with significant different cash flow pattern) are estimated at around USD 13 billion
- Statoil intends to continue to mature the large portfolio of exploration assets and estimates a total **exploration activity** level of around USD 2 billion for 2016, excluding signature bonuses
- Statoil expects to deliver **efficiency improvements** with pre-tax cash flow effects of around USD 2.5 billion from 2016
- Statoil's ambition is to keep the **unit of production cost** in the top quartile of Statoil`s peer group
- For the period 2014 – 2017, **organic production growth** [7] is expected to come from new projects resulting in around 1% CAGR (Compound Annual Growth Rate) from a 2014 level rebased for divestments
- The **equity production** for 2016 is estimated to be somewhat lower than the 2015 level due to value over volume approach [7]
- **Scheduled maintenance activity** is estimated to reduce quarterly production by approximately 25 mboe per day in the first quarter of 2016 of which the majority is liquids internationally. In total, the maintenance is estimated to reduce equity production by around 60 mboe per day for the full fiscal year 2016, which is higher than 2015 impact
- **Indicative effects from Production Sharing Agreement (PSA-effect) and US royalties** are estimated to be around 135 mboe per day in 2016 based on an oil price of USD 40 per barrel and 165 mboe per day based on an oil price of USD 70 per barrel [4]
- **Deferral of 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
- The Board of Directors will propose to the Annual general meeting (AGM) to maintain a dividend of USD 0.2201 per share fourth quarter 2015 and the introduction of a two-year scrip dividend programme starting from the fourth quarter 2015.
- With effect from first quarter of 2016, Statoil will change to **USD as presentation currency**

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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