Press release

May 4, 2017

First quarter 2017 results

Statoil reports adjusted earnings of USD 3.3 billion and an IFRS net operating income of USD 4.3 billion in the first quarter of 2017. The IFRS net income was USD 1.1 billion.

The first quarter results were characterised by:

- Solid earnings and strong cash flow from operations across all segments
- Solid operational performance, continued high regularity and good progress on improvement work
- Net debt ratio reduced from 35.6% to 30.0%

"Our solid financial result and strong cash flow across all segments was driven by higher prices, good operational performance and an organic production growth of 5%. Our production from the Norwegian Continental Shelf was at its highest level in five years, driven by high regularity and ramp-up of new fields. Our international portfolio delivered positive results and cash flow per barrel after tax on par with our Norwegian portfolio. We continue to capture efficiency gains and are on track to deliver an additional billion dollars in annual improvements in 2017", says Eldar Sætre, President and CEO of Statoil ASA.

"We delivered seven discoveries from nine exploration wells drilled during first quarter. Many of these can be quickly put into profitable production. We are also about to start our exploration programme in the Barents Sea, testing several new opportunities over the next six months. In the quarter, we received approval for three plans for development and submitted additional two projects for approval by Norwegian authorities, showing commitment to industrial development on the NCS," says Sætre.

Adjusted earnings were USD 3.313 billion in the first quarter, up from USD 0.857 billion in the same period in 2016. Adjusted earnings after tax were USD 1.114 billion in the first quarter, up from USD 0.122 billion in the same period last year. Higher prices for both oil and North American gas, solid operational performance with high production and continued progress on improvement initiatives contributed to the increase. The increased production resulted in higher royalty costs and production fees, contributing negatively to the results.

IFRS net operating income was USD 4.250 billion in the first quarter compared to USD 1.060 billion in the same period of 2016. IFRS net income was USD 1.064 billion, up from USD 0.611 billion in the same period last year.

Statoil delivered equity production of 2,146 mboe per day in the first quarter, an increase from 2,054 mboe per day in the same period in 2016. The increase was primarily due to ramp-up of new fields, increased gas offtake and solid operational performance. Excluding divestments, the underlying production growth was 5% compared to the first quarter last year.

Adjusted exploration expenses in the quarter were USD 202 million, down from USD 280 million in the first quarter of 2016.

Cash flows provided by operating activities amounted to USD 5.970 billion for the first quarter of 2017 compared to USD 2.205 billion for the same period last year. Organic capital expenditure was USD 2.2 billion in the first three months of 2017. End of quarter net debt to capital employed was reduced to 30.0%.

The board of directors has decided to maintain a dividend of USD 0.2201 per ordinary share for the first quarter, and, pending approval from the annual general meeting, continue the scrip programme this quarter giving shareholders the option to receive the dividend in cash or newly issued shares in Statoil at a 5% discount.

The twelve-month average Serious incident frequency (SIF) was 0.8 for the twelve months ended 31 March 2017, compared to 0.6 in the same period a year ago. Statoil continues its efforts to improve safety performance.

	Quarters			Change
	Q1 2017	Q4 2016	Q1 2016	Q1 on Q1
Net operating income (USD million)	**4,250**	(1,897)	1,060	>100%
Adjusted earnings (USD million) [5]	**3,313**	1,664	857	>100%
Net income (USD million)	**1,064**	(2,785)	611	74%
Adjusted earnings after tax (USD million) [5]	**1,114**	(40)	122	>100%
Total equity liquids and gas production (mboe per day) [4]	**2,146**	2,095	2,054	4%
Group average liquids price (USD/bbl) [1]	**49**	44	29	70%

FIRST QUARTER 2017 GROUP REVIEW

The significant increase in liquids prices was the main cause for the increased results in the first quarter compared to last year. Also, reduced operational costs, higher US gas prices and increased gas sales, gains on derivatives and higher refinery margins positively impacted the quarterly results.

Total equity liquids and gas production [4] was 2,146 mboe per day in the first quarter of 2017, up 4% compared to first quarter of 2016 mainly due to new production from start-up and ramp-up on various fields, effects from redetermination and stronger operational performance. The strong increase was partially offset by divestments and expected natural decline and cease of production on various fields.

Total entitlement liquids and gas production [3] was up by 5% to 2,007 mboe per day compared to 1,909 mboe per day in the first quarter of 2016 due to the increase in equity production as described above, and a slightly positive effect from production sharing agreements (PSA-effect). The PSA-effect was 97 mboe per day in the first quarter of 2017 compared to 100 mboe per day in the first quarter of 2016.

Condensed income statement under IFRS (unaudited, in USD million)	Q1 2017	Quarters Q4 2016	Q1 2016	Change Q1 on Q1
Total revenues and other income	**15,528**	12,756	10,115	54%
Purchases [net of inventory variation]	**(6,466)**	(6,290)	(4,170)	55%
Operating and administrative expenses	**(2,642)**	(2,667)	(2,495)	6%
Depreciation, amortisation and net impairment losses	**(1,943)**	(4,261)	(2,039)	(5%)
Exploration expenses	**(227)**	(1,435)	(351)	(35%)
Net operating income	**4,250**	(1,897)	1,060	>100%
Net income	**1,064**	(2,785)	611	74%

Net operating income was USD 4,250 million in the first quarter of 2017, compared to net operating income of USD 1,060 million in the first quarter of 2016. The significant increase was primarily due to higher liquids prices. Reduced operational costs, increased gas sales, increased North American gas prices, unrealised gains on derivatives and higher refinery margins added to the increase.

In the first quarter of 2017, net operating income was positively affected by gains from changes in fair value of derivatives and inventory hedge contracts totalling USD 832 million, and reversal of impairments of USD 439 million. Loss on sale of assets of USD 384 million, primarily related to divestment of the oil sands activities in Canada, negatively impacted net operating income in the quarter.

In the first quarter of 2016, net operating income was positively affected by net impairment reversals of USD 308 million, mainly due to improved production profiles and lower operating and capital expenditures on both conventional and un-conventional assets.

Adjusted operating and administrative expenses decreased by 5% to USD 2,274 million in the first quarter of 2017. The reduction was primarily due to divestment of assets and reduced estimates for asset retirement obligations. The reduction was partially offset by increased transportation expenses and higher royalties due to the increase in prices and volumes.

Adjusted depreciation expenses decreased by 2% to USD 2,382 million in the first quarter of 2017, mainly because of increased proved reserves estimates and lower depreciation basis due to impairments of assets in 2016. The reduction in depreciation was partially offset by production start-up and ramp-up of new fields.

Adjusted exploration expenses decreased by USD 78 million to USD 202 million in the first quarter of 2017 mainly due to a lower portion of capitalised expenditures from earlier years being expensed this quarter. Lower exploration activity in the first quarter of 2017 added to the reduction in adjusted exploration costs.

After total adjustments of net USD 938 million to net operating income, **Adjusted earnings** [5] were USD 3,313 million in the first quarter of 2017, up from USD 857 million in the first quarter of 2016.

Adjusted earnings (in USD million)	Q1 2017	Quarters Q4 2016	Q1 2016	Change Q1 on Q1
Adjusted total revenues and other income	**14,571**	13,562	10,179	43%
Adjusted purchases [6]	**(6,400)**	(6,193)	(4,223)	52%
Adjusted operating and administrative expenses	**(2,274)**	(2,317)	(2,400)	(5%)
Adjusted depreciation expenses	**(2,382)**	(2,781)	(2,418)	(2%)
Adjusted exploration expenses	**(202)**	(607)	(280)	(28%)
Adjusted earnings [5]	**3,313**	1,664	857	>100%
Adjusted earnings after tax [5]	**1,114**	(40)	122	>100%

Adjusted earnings after tax [5] were USD 1,114 million in the first quarter of 2017, which reflects an effective tax rate on adjusted earnings of 66.4%, compared to 85.8% in the first quarter of 2016. The effective tax rate decreased mainly due to relatively lower losses in entities with lower than average tax rates or entities without recognised deferred tax asset.

Total cash flows increased by USD 2,390 million compared to the first quarter of 2016.

Cash flows provided by operating activities were increased by USD 3,765 million compared to the first quarter of 2016. The increase was mainly due to increased liquids and gas prices and a reduction in working capital in the current period compared to an increase in the first quarter of last year.

Cash flows used in investing activities were increased by USD 1,582 million compared to the first quarter of 2016. The increase was mainly due to financial investments made in the first quarter, partially offset by lower capital expenditures and increased proceeds from sale of assets mainly related to the divestment of the Kai Kos Dehseh (KKD) oil sands projects.

Cash flows used in financing activities were decreased by USD 208 million compared to the first quarter of 2016. The decrease is mainly due to no dividend payment in the quarter (dividend for the third quarter of 2016 was paid in April 2017) and decreased cash flow from collateral received related to derivatives.

Free cash flow [5] in the first quarter of 2017 was USD 3,562 million, an increase of USD 4,944 million compared to the first quarter of 2016 mainly due to increased liquids and gas prices, decreased capital expenditures, increased proceeds from sale of assets and no dividend payments being made in the quarter.

OUTLOOK

- **Organic capital expenditures** [5] for 2017 (i.e. excluding acquisitions, capital leases and other investments with significant different cash flow pattern) are estimated at around USD 11 billion
- Statoil intends to continue to mature its large portfolio of exploration assets and estimates a total **exploration activity** level of around USD 1.5 billion for 2017, excluding signature bonuses
- Statoil expects to achieve an additional USD 1 billion in **efficiency improvements** in 2017 with a total of USD 4.2 billion
- Statoil's ambition is to keep the **unit of production cost** in the top quartile of its peer group
- For the period 2016 - 2020, **organic production growth** [7] is expected to come from new projects resulting in around 3% CAGR (Compound Annual Growth Rate)
- The **equity production** for 2017 is estimated to be around 4-5% above the 2016 level
- **Scheduled maintenance activity** is estimated to reduce quarterly production by approximately 75 mboe per day in the second quarter of 2017. In total, maintenance is estimated to reduce equity production by around 30 mboe per day for the full fiscal year 2017
- **Indicative effects from Production Sharing Agreement (PSA-effect)** [4] **and US royalties** are estimated to be around 150 mboe per day in 2017 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
- **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 foregoing 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

Further information from:

Investor relations

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

Morten Sven Johannessen, vice president Investor Relations North America tel +12035702524 (mobile)

Press

Bård Glad Pedersen, vice president Media relations, +47 918 01 791 (mobile)