Press release

April 25, 2018

2018 first quarter results

Statoil reports adjusted earnings of USD 4.4 billion and USD 1.5 billion after tax in the first quarter of 2018. IFRS net operating income was USD 5.0 billion and the IFRS net income was USD 1.3 billion.

The first quarter was characterised by:

- Solid earnings across all segments
- Strong cash flow. Net debt ratio reduced from 29.0% to 25.1% [5]
- Strong operational performance with record high international production

"Following strong results from our improvement work we have a lower cost base, enabling us to capture high value from higher prices and deliver solid earnings across all segments. We continue our strong operational performance, and international production was record high. The cash flow from operating activities was very strong and above 7 billion dollars in the quarter. We have reduced our net debt ratio from 29.0% to 25.1% after paying for Martin Linge," says Eldar Sætre, President and CEO of Statoil ASA.

"In the quarter we have accessed attractive acreage in Brazil and the Gulf of Mexico, secured acreage for further developing our renewable business in Poland and taken over the operatorship for Martin Linge. This week, the world's largest spar platform, arrived at the Aasta Hansteen field in the Norwegian Sea. In addition, Johan Sverdrup and our project portfolio are progressing according to plan and we have delivered the development plan for the Askeladd project for approval," says Sætre.

"Reflecting our always safe, high value, low carbon strategy and our development as a broad energy company, the board of directors has proposed to the Annual General Meeting in May to change the name of the company to Equinor" says Sætre.

Adjusted earnings [5] were USD 4.4 billion in the first quarter, up from USD 3.3 billion in the same period in 2017. Adjusted earnings after tax [5] were USD 1.5 billion in the first quarter, up from USD 1.1 billion in the same period last year. Higher prices for both oil and gas, coupled with high production, contributed to the increase. The USD/NOK exchange rate development, increased transportation costs, and increased royalty expenses from higher prices, contributed to a cost increase. A change in depreciation basis for one of the fields on the Norwegian continental shelf increased adjusted depreciation expenses by more than USD 100 million. Excluding the effect of new fields coming on stream, underlying operating costs and administrative expenses per barrel are stable from the same quarter last year.

IFRS net operating income was USD 5.0 billion in the first quarter compared to USD 4.3 billion in the same period of 2017. The increase was partially offset by reduced value of derivatives. IFRS net income was USD 1.3 billion, up from USD 1.1 billion in the first quarter of 2017.

Statoil delivered equity production of 2,180 mboe per day in the first quarter, an increase from 2,146 mboe per day in the same period in 2017. The increase was primarily due to higher production in the US. The underlying production growth [7] was more than 2% compared to the first quarter of 2017.

As of first quarter 2018, Statoil had completed seven exploration wells with two commercial discoveries. Adjusted exploration expenses [5] in the quarter were USD 238 million, up from USD 202 million in the same quarter of 2017, mainly due to higher drilling activity.

Cash flows provided by operating activities before taxes paid and changes in working capital amounted to USD 7.1 billion for the first quarter of 2018 compared to USD 5.9 billion same period 2017. Organic capital expenditure [5] was USD 2.1 billion for the first three months of 2018. End of quarter, net debt to capital employed [5] was reduced from 29.0% to 25.1%, after value enhancing transactions.

The board of directors has decided on a dividend of USD 0.23 per share for the first quarter, on par with the boards proposal for increased dividend for the fourth quarter of 2017.

The twelve-month average Serious Incident Frequency (SIF) was 0.5 for the twelve months ended 31 March 2018, compared to 0.8 in the same period a year ago.

(in USD million, unless stated otherwise)	Q1 2018	Quarters Q4 2017	Q1 2017	Change Q1 on Q1
Net operating income	**4,960**	5,182	4,250	17%
Adjusted earnings [5]	**4,414**	3,956	3,313	33%
Net income	**1,285**	2,575	1,064	21%
Adjusted earnings after tax [5]	**1,473**	1,306	1,114	32%
Total equity liquids and gas production (mboe per day) [4]	**2,180**	2,134	2,146	2%
Group average liquids price (USD/bbl) [1]	**60.2**	56.0	48.9	23%

GROUP REVIEW

First quarter 2018

Total equity liquids and gas production [4] was 2,180 mboe per day in the first quarter of 2018, up 2% compared to 2,146 mboe per day in the first quarter of 2017 mainly due to start-up of new fields and additional wells coming on stream. Expected natural decline and divestments partially offset the increase.

Total entitlement liquids and gas production [3] was slightly down 1% to 1,993 mboe per day in the first quarter of 2018 compared to 2,007 mboe per day in the first quarter of 2017. Increased equity production as described above, was offset by negative effects from production sharing agreements (PSA) [4] and US royalties [4] due to higher prices in the first quarter 2018 and adjustments from previous quarters. The effects from PSA and US royalties were 186 mboe per day in total in the first quarter of 2018 compared to 138 mboe per day in the first quarter of 2017.

Condensed income statement under IFRS (unaudited, in USD million)	Q1 2018	Quarters Q4 2017	Q1 2017	Change Q1 on Q1
Total revenues and other income	**19,884**	17,114	15,528	28%
Purchases [net of inventory variation]	**(9,794)**	(8,414)	(6,466)	51%
Operating and administrative expenses	**(2,514)**	(2,433)	(2,642)	(5%)
Depreciation, amortisation and net impairment losses	**(2,368)**	(1,292)	(1,943)	22%
Exploration expenses	**(249)**	207 1)	(227)	10%
Net operating income/(loss)	**4,960**	5,182	4,250	17%
Net income/(loss)	**1,285**	2,575	1,064	21%

1) Positive exploration expenses in the fourth quarter 2017 due to impairment reversal.

Net operating income was USD 4,960 million in the first quarter of 2018, compared to USD 4,250 million in the first quarter of 2017. The 17% increase was primarily due to higher liquids and gas prices and increased volumes of liquids sold, partially offset by reduced value of derivatives, higher operational costs mainly due to new fields and wells on stream, and currency effects from the USD/NOK exchange rate development.

In the first quarter of 2018, net operating income was positively affected by an implementation effect of USD 287 million related to a change in accounting policy for lifting imbalances. 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, negatively impacted net operating income in the first quarter of 2017.

Adjusted earnings (in USD million)	Q1 2018	Quarters Q4 2017	Q1 2017	Change Q1 on Q1
Adjusted total revenues and other income	19,408	17,455	14,571	33%
Adjusted purchases [6]	(9,859)	(8,386)	(6,400)	54%
Adjusted operating and administrative expenses	(2,530)	(2,407)	(2,274)	11%
Adjusted depreciation expenses	(2,368)	(2,433)	(2,382)	(1%)
Adjusted exploration expenses	(238)	(274)	(202)	18%
Adjusted earnings [5]	4,414	3,956	3,313	33%
Adjusted earnings after tax [5]	1,473	1,306	1,114	32%

Adjusted operating and administrative expenses were USD 2,530 million in the first quarter of 2018, an increase of USD 256 million compared to the first quarter of 2017. The increase was mainly driven by the USD/NOK exchange rate development, increased activity from start-up of new fields and additional wells coming on stream in the US. Increased transportation costs because of higher gas volumes, increased royalty expenses as a result of the increase in prices and higher maintenance activity, added to the cost increase, partially offset by divestments of assets.

Adjusted depreciation expenses were stable at USD 2,368 million in the first quarter of 2018. Increased depreciation from new fields on stream, a change in the depreciation basis for one of the fields on the NCS and the development in the USD/NOK exchange rate, were offset by higher reserves estimates.

Adjusted exploration expenses were USD 238 million in the first quarter of 2018, a minor increase of USD 36 million compared to the first quarter of 2017.

After total adjustments[1] of net USD 546 million to net operating income, **Adjusted earnings** [5] were USD 4,414 million in the first quarter of 2018, up from USD 3,313 million in the first quarter of 2017.

Adjusted earnings after tax [5] were USD 1,473 million in the first quarter of 2018, which reflects an effective tax rate on adjusted earnings of 66.6%, compared to 66.4% in the first quarter of 2017.

Total cash flows increased by USD 2,341 million compared to the first quarter of 2017.

Cash flows provided by operating activities were increased by USD 1,356 million compared to the first quarter of 2017. The increase was mainly due to higher liquids and gas prices and a change in working capital, partially offset by a reduction in finance derivatives effects and increased tax payments.

Cash flows used in investing activities were reduced by USD 2,124 million compared to the first quarter of 2017. The decrease was mainly due to reduced financial investments, partially offset by additions through business combinations.

Cash flows used in financing activities were increased by USD 1,139 million compared to the first quarter of 2017. The increase was mainly due to repayment of loans and dividend paid.

Free cash flow [5] in the first quarter of 2018 was USD 1,528 million compared to USD 3,179 million in the first quarter of 2017 mainly due to additions through business combinations, increased tax payments, dividend paid and reduced proceeds from sale of assets, partially offset by higher liquids and gas prices.

In the first quarter of 2018, in addition to comparable figures, free cash flow and cash flows provided by operating activities and investing activities are affected by a change in accounting policy, see note 9 Changes in accounting policies to the Condensed interim financial statements.

[1] For adjustments to net operating income, see Use and reconciliation of non-GAAP financial measures in the Supplementary disclosures.

OUTLOOK

- **Organic capital expenditures** [5] for 2018 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 2018, excluding signature bonuses
- Statoil's ambition is to keep the **unit of production cost** in the top quartile of its peer group
- For the period 2017 - 2020, **production growth** [7] is expected to come from new projects resulting in around 3-4% CAGR (Compound Annual Growth Rate)
- **Production** [7] for 2018 is estimated to be 1-2% above the 2017 level
- **Scheduled maintenance activity** is estimated to reduce quarterly production by approximately 50 mboe per day in the second quarter of 2018. In total, maintenance is estimated to reduce equity production by around 30 mboe per day for the full year of 2018

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. Deferral of production to create future value, gas off-take, timing of new capacity coming on stream, operational regularity, activity level in the US onshore, as well as uncertainty around the closing of the announced transactions represent the most significant risks related to the foregoing production guidance. 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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