Press release

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2014 FIRST QUARTER RESULTS

Statoil's first quarter 2014 operating and financial review

Statoil's first quarter 2014 net operating income was NOK 51.4 billion, a 35% increase compared to the first quarter of 2013. Adjusted earnings were up 9% to NOK 46.0 billion.

"We are pleased to present strong financial results for the quarter. Higher prices and good results from our US gas value chain contributed to a 9% increase in adjusted earnings, compared to same quarter last year. Our operational performance is solid, providing the foundation for around 2% rebased organic production growth in 2014," says Helge Lund, Statoil's president and CEO.

Net operating income was NOK 51.4 billion in the first quarter, an increase of 35% compared to the first quarter of 2013. After quarter specific items, adjusted earnings were NOK 46.0 billion, a 9% increase compared to the same quarter last year. The adjustments of NOK 5.4 billion is primarily related to an award payment following a commercial dispute and gain on sale of assets. The increased revenue was mainly due to higher prices and improved contribution from the gas value chain. Adjusted earnings after tax were NOK 15.8 billion, compared to NOK 12.0 billion in the same period last year.

"With strong cash flows from operations and firm capital discipline, we further strengthened our financial position. The Board proposes to distribute a dividend payment of NOK 1.80 per share for the quarter, in line with our commitment to capital distribution," says Lund

Underlying operation costs were stable. Exploration expenditure was NOK 4.7 billion, down 7% compared to same quarter last year. Earnings per share were NOK 7.43 in the quarter, up from NOK 2.02 in the first quarter last year. The net debt to capital employed at the end of the quarter was 10%.

"To meet the industry cost and capital intensity challenge we have initiated new, comprehensive measures in the quarter to further strengthen our efficiency and cost competitiveness, while we reached important milestones in the ongoing process of reducing our cost base. We are on track, executing on our plan to deliver high value growth," says Lund.

Statoil delivered a production of 1,978 mboe per day in the first quarter, down 1% compared to first quarter in 2013. Continued strong project development and execution enabled concept selection for the Johan Sverdrup field and brought the Gudrun field on stream. Johan Sverdrup will be Statoil's largest field development since the 1980s. The field centre will be developed in multiple phases, with a field capacity in the first phase of 315,000 barrels of oil equivalent per day. The Gudrun project was delivered below cost and on time, utilising the global supplier market.

The continued progress in the Serious incident frequency per million man hours (SIF) was overshadowed by a fatality. A contractor was fatally injured while working on clearing the path for a future pipeline in the US.

The SIF in the quarter was 0.6, compared to 0.7 in the same period last year.

	First quarter			Full year
	2014	**2013**	**change**	**2013**
IFRS Net operating income (NOK billion)	**51.4**	38.0	35%	155.5
Adjusted earnings (NOK billion) [5]	**46.0**	42.4	9%	163.1
Adjusted earnings after tax (NOK billion) [5]	**15.8**	12.0	32%	46.4
IFRS Net income (NOK billion)	**23.7**	6.4	>100%	39.2
IFRS Basic earnings per share (NOK)	**7.43**	2.02	>100%	12.53
Equity production (mboe per day)	**1,978**	1,998	(1%)	1,940
Average liquids price (NOK/bbl) [1]	**604.4**	581.9	4%	588.1

Key events since fourth quarter 2013:

- Production started from the Gudrun project and the fast-track projects Svalin and Vilje Sør on the Norwegian continental shelf (NCS).
- The concept selection for the Johan Sverdrup phase 1 project on the NCS was approved by the pre-unit owners.
- Gas and oil was discovered in the Valemon Nord, Askja East and West, F-West and Sao Bernardo wells.
- Statoil was awarded a deep-water exploration block together with ConocoPhillips in the Myanmar waters of Bay of Bengal.
- Statoil's acquisition of 25% equity in the BM-ES-22A concession in the Espírito Santo basin offshore Brazil was approved.
- Statoil was awarded interests in ten production licenses in the Awards in Predefined Areas 2013 on the NCS.
- Statoil has signed an agreement to divest a 15% interest in the Statoil-operated block 39 offshore Angola in the Kwanza pre-salt basin. Statoil retains an interest of 40%.
- The agreement to divest 3.33% of Statoils 25.5% holdings in the Shah Deniz gas field in Azerbaijan and the South Caucasus Pipeline was closed. The agreement to divest further 6.67% is expected to close in the second quarter of 2014.

FIRST QUARTER 2014 GROUP REVIEW

The first quarter results were impacted by higher prices in NOK and significantly improved results from the international gas value chain. Equity production was slightly lower, mainly due to expected natural decline, divestments and redeterminations on the NCS. Operational performance was solid, with project execution according to plan.

Total equity liquids and gas production [4] was down 1% to 1,978 mboe per day in the first quarter, primarily due to divestments and redeterminations, expected natural decline on mature fields and lower gas off-take from the NCS. Start-up and ramp-up of production on various fields and lower maintenance and operational effects, partly offset the decrease.

Total entitlement liquids and gas production [3] remained nearly unchanged at 1,770 mboe per day, impacted by the increase in equity production as described above and a lower negative effect from production sharing agreements (PSA). The PSA-effect was 164 mboe per day compared to 193 mboe per day in the first quarter of 2013.

Exploration expenditures were NOK 4.7 billion in the first quarter, down 7% compared to first quarter of 2013, mainly due to lower seismic and other expenditures, and reduced onshore drilling activity. The decrease was partly offset by higher offshore drilling expenditures due to higher activity and more expensive wells being drilled.

For further information, see section *Supplementary disclosures.*

Net operating income (IFRS) was NOK 51.4 billion in the first quarter, an increase of 35% compared to the first quarter of 2013.

Adjusted earnings is a supplemental non-GAAP measure to Statoil's IFRS measure of net operating income and adjusts for certain items affecting the income for the period in order to separate out effects that management considers may not to be specifically related to Statoil's underlying operational performance in the period. See section *Supplementary disclosures* for reconciliation of net operating income to adjusted earnings.

Adjusted earnings [5] were NOK 46.0 billion in the first quarter. The 9% increase compared to the first quarter of 2013 was mainly due to increased revenues because of higher prices. Lower liquids prices measured in USD were more than offset by a positive exchange rate development and increased gas prices both in Europe and in the US, measured in NOK. Lower volumes of liquids and gas sold and increased operating and depreciation expenses, primarily due to higher activity, partly offset the increase in adjusted earnings.

Adjusted earnings		**First quarter**		**Full year**
	2014	**2013**	**change**	**2013**
(in NOK billion)		**(restated)**		**(restated)**
Adjusted total revenues and other income	**169.6**	160.3	6%	629.6
Adjusted purchases	**(83.2)**	(81.3)	2%	(307.5)
Adjusted operating expenses and selling, general and administrative expenses	**(20.8)**	(18.7)	11%	(76.3)
Adjusted depreciation, amortisation and net impairment losses	**(16.2)**	(14.7)	10%	(65.6)
Adjusted exploration expenses	**(3.3)**	(3.1)	7%	(17.1)
Adjusted earnings [5]	**46.0**	42.4	9%	163.1

Adjusted total revenues and other income were up 6% mainly because of higher prices for both liquids and gas measured in NOK. Lower volumes sold, mainly due to reduced production of gas, partly offset the increase in revenues.

Adjusted purchases, which represent Statoil's purchase of SDFI liquid volumes [6] and other 3rd party volumes, increased by 2% mainly because of higher prices for liquids and gas measured in NOK.

Adjusted operating expenses and selling, general and administrative expenses increased by 11% to NOK 20.8 billion, mainly due to increased gas transportation related to value chain optimisation and higher activity because of start-up and ramp-up on various fields. Lower ownership shares resulting from divestments and redeterminations partly offset the increase.

Adjusted depreciation, amortisation and net impairment losses increased by 10% to NOK 16.2 billion, mainly due to higher depreciation from ramp-up on various fields with higher depreciation cost per unit and increased investments on major producing fields. The increase was partly offset by higher reserves estimates and lower production because of divestments, redeterminations and decline on mature fields.

Adjusted exploration expenses increased by 7% to NOK 3.3 billion, mainly due to higher drilling activity on the NCS and a higher portion of exploration expenditures capitalised in previous periods being expensed this quarter. A reduced portion of current exploration expenditures being capitalised this quarter due to unsuccessful wells added to the increase. Lower drilling activity internationally and reduced seismic costs, partly offset the increase.

Net adjusted financial items before tax amounted to a loss of NOK 1.0 billion in the first quarter of 2014 compared to NOK 0.0 billion in the first quarter of 2013. The increased loss was mainly due to the level of long term debt, as well as higher interest expense related to long term debt, compared to the first quarter of 2013. Reduced interest income from financial investments added to the increased loss on adjusted financial items. For further information, see section *Supplementary disclosures.*

Adjusted earnings after tax were NOK 15.8 billion, equivalent to an effective tax rate on adjusted earnings of 65.6%, compared to an effective tax rate on adjusted earnings of 71.8% in the first quarter of 2013. The tax rate decreased mainly due to low tax rates on adjusted earnings from Development and Production International and Marketing, Processing & Renewable Energy in the first quarter of 2014. This was mainly caused by relatively lower adjusted earnings from high tax regimes. The decreased tax on adjusted earnings was also caused by relatively lower adjusted earnings from the NCS in the first quarter of 2014. Income from the NCS is subject to higher than average tax rates.

Adjusted earnings after tax by segment [5]	First quarter					
	2014			2013		
(in NOK billion)	Adjusted earnings	Tax on adjusted earnings	Adjusted earnings after tax	Adjusted earnings	Tax on adjusted earnings	Adjusted earnings after tax
Development and Production Norway	34.2	(25.2)	9.0	34.9	(25.4)	9.6
Development and Production International	6.9	(3.0)	3.9	4.9	(3.4)	1.6
Marketing, Processing & Renewable Energy	5.9	(2.4)	3.5	2.6	(1.8)	0.8
Other	(0.9)	0.4	(0.6)	(0.1)	0.1	0.0
Group	46.0	(30.2)	15.8	42.4	(30.4)	12.0
Effective tax rates on adjusted earnings			65.6%			71.8%

Cash flows provided by operating activities was NOK 55.0 billion, an increase of NOK 16.7 billion compared to first quarter 2013. The increase was mainly due to higher prices measured in NOK for both liquids and gas, and a positive contribution from changes in working capital items.

Cash flows used in investing activities decreased by NOK 24.7 billion. The decrease was mainly due to changes in financial investments of NOK 23.1 billion. The majority of these financial investments are classified as cash and cash equivalents due to a maturity of less than three months. Additions to property, plant and equipment (PP&E) and intangible assets increased by NOK 1.8 billion, which reflects a higher activity level. Proceeds from sale of assets in the first quarter of 2014 was NOK 2.8 billion, and relates mainly to the divestment of interests in the Shah Deniz field and the South Caucasus pipeline.

Cash flows provided by (used in) financing activities increased by NOK 7.5 billion. In the first quarter of 2014, new finance debt has not been issued and there have been no loan repayments.

For further information, see *the Consolidated statement of cash flows* to the Condensed interim financial statements.

OUTLOOK

- **Organic capital expenditures** for 2014 (i.e. excluding acquisitions, capital leases and other investments with significant different cash flow pattern), are estimated at around USD 20 billion.
- Statoil will continue to mature the large portfolio of exploration assets and expects to complete around 50 wells in 2014 with a total **exploration activity** level at around USD 3.5 billion, excluding signature bonuses.
- Statoil focus on value creation, and **RoACE** (Return on Average Capital Employed) is expected to stabilise at the 2013 level, based on an oil price of USD 100 per barrel (real 2013).
- Our ambition is to keep our **unit of production cost** in the top quartile of our peer group.
- For the period 2013 - 2016 organic growth is expected to come from new projects resulting in around 3% CAGR (Compound Annual Growth Rate) from a 2013 level rebased for divestments and redeterminations [7].
- The **equity production development** for 2014 is estimated to be around 2% CAGR from a 2013 level rebased for divestments and redeterminations.
- **Scheduled maintenance activity** is planned to have a negative impact on quarterly production of approximately 110 mboe per day in the second quarter of 2014, primarily planned on the NCS, mostly in liquids. In total, the maintenance is estimated to have a negative impact on equity production of around 55 mboe per day for the full year 2014, of which the majority is liquids.
- Deferral of gas production to create value, gas off-take, timing of new capacity coming on stream and operational regularity represent the most significant risks related to the 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*.

HEALTH, SAFETY AND THE ENVIRONMENT (HSE)

First quarter 2014

The serious incident frequency (SIF) improved from 0.7 in the first quarter of 2013 to 0.6 in the first quarter of 2014. The total recordable injury frequency (TRIF) was 2.9 in the first quarter of 2014 compared to 4.2 in the first quarter of 2013. The volume of accidental oil spills increased from 26 cubic meters in the first quarter of 2013 to 58 cubic meters in the first quarter of 2014. The number of accidental oil spills decreased from 57 in the first quarter of 2013 to 51 in the first quarter of 2014.

Regrettably, one fatality occurred in the quarter, when a contractor was fatally injured while working on clearing the path for a future pipeline in the US.

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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