



**Company:** Statoil  
**Presenter:** Ms Hilde Nafstad  
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Hilda Nafstad: Good day and welcome everyone. I am Hilde Nafstad, Statoil's Head of IR. I assume you have all seen the release from Statoil this morning, stock market announcement was issued, and you will find text and a presentation on our webpage at [statoil.com](http://statoil.com). I am joined here today by Statoil's Chief Executive Officer, Mr Helge Lund; and our Chief Financial Officer, Mr Torgrim Reitan, who will give a short introduction followed by a Q&A session. With us here today, we also have Senior Vice President for Corporate M&A, Katie Jackson; and Senior Vice President for Performance Management and Risk, Svein Skeie.

I now leave the word to our President and CEO, Helge Lund.

Helge Lund: Thank you Hilde and good afternoon to everyone. We're pleased to announce yet another major transaction realising substantial value for our shareholders and also allowing us to focus our portfolio and to redeploy capital for future investments among others to our new discoveries at the Norwegian continental shelf. First of all the deal we announced today has a strong strategic fit in the sense that we exit two non-core, non-operated assets in the UK and also divest two NCS assets with a high ownership share. We extract full value from two NCS fields through a strong industrial performance. On Gullfaks we have invested in EOR to maintain a high production level and to secure a long life ahead at the field. We have also as we have announced earlier made an exciting discovery this year. This allows us now to capture the full value of part of that investment and monetise it.

Gudrun is a different story but still rests on the industrial capability and offshore capabilities of Statoil. This was originally a marginal field that we have been able to develop into a profitable project. Development has been very well executed by our teams and production start-up is only months ahead as scheduled and also below budget. In both assets we will divest but we still retain more than 50% of the fields and we have full industrial control. This is similar to what you



observed for the deals we made at Peregrino and the oil sands in Canada earlier and we developed the field with a high equity share, we used our industrial knowledge, we demonstrated value and we realised and identified potential by keeping operatorship and a high ownership share.

The rationales for the UK fields are a bit different. We exit no what is now considered non-core assets to Statoil. We have important work to do elsewhere in the UK as we're operating Mariner & Bressay. It therefore made sense to us to sell the non-operated, non-core west of Shetlands asset. Secondly and beyond the strategic perspective this transaction of course has a strong financial rationale. It's a major transaction even for Statoil. We realised a substantial value raising proceeds of a bit less than \$3 billion and of course we reduce future capex by around \$7 billion of which the majority of that is planned for before 2020.

Finally I believe from a risk management perspective this transaction makes good sense. By divesting non-core assets we improve the focus of our portfolio. We also are reducing our high-ownership shares at two fields; and course we increase the financial flexibility and strengthen our balance sheet. In sum, we believe this transaction makes us better positioned in a more volatile macro environment.

For the past years we have been more active in terms of portfolio management and I believe we have been quite successful. Our approach is purely value driven. We sell assets when the price is right. Since 2010 transactions have contributed with a total proceeds of around \$15 billion and significant accounting gain: Peregrino, Canadian oil sands, Statoil Fuel & Retail, Gassled and the two most recent NCS transactions, Centrica and Wintershall being the biggest contributors. All of these transactions are firmly in fully in line with our strategy and they have contributed to substantial value creation. They should therefore be seen as a part of a pattern and a strategic choice. We continue to use portfolio management as a mean to create value for our shareholder and I think today's announcement is a prime example of what we would like to achieve. We're pleased with the price we got through this transaction, particularly noting the significant capex release that we have moving forward and I also think it demonstrates the value of our overall portfolio.



Finally I'm pleased that we're today also announcing that we're broadening our partnership with OMV, a competent partner. We're already a partner with the company on Aasta Hansteen and Edvard Grieg, the two fields in Norway. We are now broadening that with Gullfaks and Gudrun and also working in a broader exploration alliance across several licenses in Norway, the Faroe Islands and also in the UK and we also believe that these two companies can enhance each other's capabilities in EOR which is a critical area for the industry moving forward. We think this is a good transaction for both parties.

With that I leave the word to Torggrim Reitan.

Torggrim Reitan: Thank you Helge. First of all as you understand we are pleased with today's transaction. We realised \$2.65 billion in the deal plus a contingent payment related to the upside at Gullfaks and we realised capital gains between \$1.3-1.5 billion at the effective date. In addition we reduce future capex by around \$7 billion as Helge already mentioned.

This transaction demonstrates the underlying value of our assets. Firstly this transaction accounts for 1.5-2% of our reserves and the price paid for this 1.5-2% is \$2.65 billion. Secondly if you compare this transaction with what you find in Wood Mac you see a premium of more than 50%. The average premium across Centrica deal, the Wintershall deal and now the OMV deal translates into a premium of around 50% compared to Wood Mac. It is important to note that the assets we have divested today have reached different stages of maturity. Gullfaks has produced for decades while the Rosebank is yet to be sanctioned. It is necessary to have an idea of future capital requirements in order to fully understand the inherent value in the deal. This is why we leave you with an estimate for future costs. This transaction will enable Statoil to redeploy around \$7 billion in capex of which \$5.5 billion is in the period up to 2020. Please also note that there is some upside to the deal. There is an additional upside in the value in the contingent payment. This is related to the reserves that will be added from the recently announced discovery at Gullfaks. Compensation of \$6 per barrel after tax is agreed for additional volumes related to this discovery. There is no cap on that upside.



We produced around 26,000 barrels of oil equivalent per day from the divested assets in the first half of year. We have estimated production from the assets for the next year of around 40,000 barrels, that is next year and around 60,000 barrels in 2016. Our portfolio still has the capacity to deliver on the 2020 ambition. There is no change to our guiding but as we have said we will constantly evaluate what is most value creative.

The deal is effective from 1<sup>st</sup> January this year. There will be an adjustment for the cash flow up till the time of closing and that is expected to increase the proceeds further. We have increased our financial flexibility by this not only due to the proceeds but also because future obligations are reduced. This is exactly what we told you back in February when we discussed the financial framework for the next years.

So let's turn to your questions and Helge and myself will be able to explain the deal in some more detail. But as in previous years we are not diving in into the details per asset. So let's discuss this transaction on an overall level.

I'll leave the word to you Hilde, to lead us through the Q&A session.

Hilde Nafstad: Thank you Torgrim. First, I'll ask the operator to reiterate the procedure before posing questions.

Operator: Thank you. As a reminder if you would like to ask a question please press \*1.

Hilde Nafstad: Thank you. Now we'll turn to our first question, which comes from Theepan Jothilingam from Nomura. Please go ahead Theepan.

Theepan Jothilingam: Thanks Hilde. Good afternoon Helge, Torgrim. I've got a number of questions actually. Just firstly, come back to the capex savings of \$7 billion, I just wanted to try to get a feel for where you see that in terms of it appears even up to 2020 it could be back-end loaded and sort of an extension to that question therefore is in terms of guidance for the next couple of years or 2014, directionally should we still expect capex to increase for the group next year?



Secondly just on the disposal strategy, yes, it very much it makes sense to sell non-core assets but I guess in the portfolio where you are the operator with a majority stake you've got a number of assets where you're not or substantially higher than 50%. Should we think about those assets potentially being also for sale? Then thirdly I guess with Helge on the call I wanted to ask perhaps whether Statoil had had any discussions with the government in terms of their thinking on a potential sell-down in a stake in Statoil at the group level?

Helge Lund: Perhaps I can speak to the two latters and Torgrim can take the first one. It goes without saying that we have no discussion with our shareholders on whether they want to buy or sell shares – that includes the Norwegian government. In terms of disposal of assets the key for us is all the time that we try to capture maximum value from all our fields and that is the guiding principle for our portfolio management. Having said that I think it's very important that those that are following Statoil, there is a pattern into what we're doing today and what we have done over the last 4-5 year where we in a very strong way think about portfolio management as part of the overall management of value in Statoil and of course there's a combination of motivations for doing that: to maximise value, making sure that we focus on our strategy; and of course and I think more and more important in the volatile macro environment that we continue to operate with a very solid balance sheet. We have a pragmatic view also to the ownership of shares. From time to time it is right to monetise the business that we have if we see that we can capture good value.

Torgrim Reitan: Thank you Theepan. On the question on the investment profile, for \$5.5 billion that is before 2020, it's more front-end loaded than back-end loaded, this profile. That is, the maximum impact is over the next three years. When it comes to the split of the capex I won't go into the detail, just to remind you that Gudrun is at the final stages of investment; and Gullfaks has a continuous investment profile. Rosebank and Schiehallion have significant investment. When it comes to your question related to guiding we have discussed an average of \$21 billion over the next years and we have stated that this is consistent with delivering 2.5 million barrels per day constant and this is still valid. This transaction of course creates more flexibility around our investment profile going forward.



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Hilde Nafstad: Thank you Torgrim. Our next question comes from Peter Hutton from RBC. Please go ahead, Peter.

Peter Hutton: Thank you. Thank you Helge, thank you Torgrim. Yes, it's just following up on that last point. So at this stage the saving on capex which if it's front-end loaded might be as much as \$1 billion a year in the early stages, that gives flexibility rather than an opportunity at this stage to move that guidance down towards \$20. Can you just confirm that one? The second question is the guidance of 40,000 impact on volumes net to Statoil in 2014 and 60,000 in 2016, just sort of correlating that with OMV's presentation, they're giving 15 from Gudrun and 25, 26 in 2014 from Gullfaks. Can I just confirm, the implication of that given that Gudrun is I think a 65,000 barrel a day gross project, the implication of that is you're expecting it to run virtually from the beginning of 2014? That would be helpful to confirm, that whether you're on track for that one. The second one is the difference between the 40 and the 60, can we therefore assume that that would be on Gullfaks and Gullfaks alone or any other elements coming from the four areas that you're divesting today?

Torgrim Reitan: Thank you Peter. I hope you're doing well. On the investments, we don't make any adjustments to our guiding. This guiding gives us more flexibility in our investment programme over the next years. When it comes to production numbers, I can't comment on OMV under this call but these are consistent with our numbers; and yes Gudrun is on track and we expect that to be in production in the first quarter of 2014. So west of Shetland there is no production in 2014 and there are some minor volumes from Schiehallion.

Peter Hutton: Ok, thank you.

Hilde Nafstad: Thank you. The next question comes from Lydia Rainforth from Barclays. Please go ahead Lydia.

Lydia Rainforth: Thanks and good afternoon everybody. Three questions if I could. Firstly these are growth assets that you're selling away so could you just talk about the longer term, the 2020 aspiration for the Norwegian Continental Shelf and whether that has been affected? Then



secondly could you talk us through the research and development, the Enhanced Oil Recovery, the partnership that you've put in place for OMV and what are you expecting from that? Then finally if I could just come back to this idea of you're saving future capex. Are these fields towards the low end of the Statoil portfolio in terms of the return on future capex that you're looking at and it's just that you have other opportunities that you would rather spend on? I'm just wondering how to think about that element of it. Thank you.

Helge Lund: Thank you, Lydia. On the 2020 aspiration for the group altogether, Torgrim introduced that by saying that we have the capacity to deliver the 2.5 million barrels per day for the overall portfolio including the Norwegian Continental Shelf, also after this transaction and then we will go back to of course how we manage that. We're clearly not driven by volume ambitions, but value. And I think this transaction is a clear statement to that. We will use the Strategy Day later to discuss the future beyond what we say now. On research and development or technology collaboration within EOR, this is a critical area for the oil and gas industry. I think Statoil has a tremendously strong track record on EOR at Norwegian Continental Shelf while our counterpart has a similar track record in other fields and also smaller fields. We believe that there is potential by these two companies working together on technology to see how we can learn from each other and launch technology efforts but it's too early to be more specific at this stage. Perhaps Torgrim will comment again on the capex side.

Torgrim Reitan: Yes, so these assets are, I mean we are in a privileged situation with a lot of investment opportunities with projects that compete well across the industry. But these assets I'm not ready to discuss the specific ranking of, but these assets are value-creating and attractive to us and we also divest some of those.

Lydia Rainforth: That's great, thank you.

Hilde Nafstad: Here, our next question comes from Teodor Nilsen of Swedbank First Securities. Please go ahead, Teodor.

Teodor Nilsen: Good afternoon. Just a follow-up question on the last question actually. It's related to production level on NCS. You said that you'll be able to produce 1.4 million barrels in Norway



through 2020. Does this transaction change that or do you need to acquire more production in Norway to be able to meet that target?

Helge Lund: Again, we have made specific assumptions on guiding on the 40,000 barrels per day in 2014 and 6060,000 barrels per day in 2016 and it goes without saying that on a short time horizon this will impact our production. On the longer-term horizon I'm not prepared at this stage to go into specifics in our 2020 ambition beyond what we already said earlier today and confirmed by Torgrim right now that the overall portfolio has the capacity to deliver 2.5 and beyond even after this transaction. Of course, you are very close to the Norwegian Continental Shelf and you know that they have made significant discoveries where of course this would be a very, very important part of the production perspective at the Norwegian Continental Shelf and of course also in terms of value creation.

Teodor Nilsen: Ok, thank you. So we can assume that...or you mentioned several focus areas at NCS going forward and you mentioned both Gullfaks and Utsira High and after this transaction maybe Utsira High will be even more important than before in terms of production goals towards 2020.

Helge Lund: We will continue to explore at the Norwegian Continental Shelf. We continue to take the maximum out of the fields that we are responsible for. Johan Sverdrup goes without saying, extremely important for Statoil as well with a 40% share in both of the licenses and we have an exciting exploration going on also in the Barents Sea and several projects under execution. So I feel that we have adequate and stimulating investment opportunities at the Norwegian Continental Shelf.

Teodor Nilsen: Thank you, that's all from me

Helge Lund: I would maybe add to say that we have a strong resource base and a good project portfolio and that is the key focus of our development activities moving forward.



Hilde Nafstad: Ok, thanks. Next in line we have Anne Gjøen from Handelsbanken Capital Markets. Please go ahead Anne.

Anne Gjøen: Thank you. Since you have been giving us guiding when it comes to volume impact, 40,000 barrels in 2014 and 60,000 in 2016, I wonder if it's possible to you to guide on some kind of earnings impact if you for example assume an oil and gas price at today's level? The reason why I'm asking is that I'm a bit uncertain about the opex and depreciation level on these fields.

Torggrim Reitan: Ok Anne, thank you. You were right, the volume impact is as you described. When it comes to the earnings impact next year, there will be an immediate effect at closing of between \$1.3billion and \$1.5billion. Beyond that there are some characteristics that impact that, and that is the fact that new development particularly has a very high DD&A as part of production like you have seen on Skarv lately. So when Gudrun comes on stream, Gudrun will specifically have a high DD&A hurdle and specifically Rosebank and the new investments. Apart from that you know the Gullfaks assets very well so you know that develops going forward.

Hilde Nafstad: Thank you. Then we have the next in line André Benonisen from Danske Bank. Please go ahead André.

André Baustad Benonisen: Good afternoon everyone, just a question here. It appears that the deal includes options of 11 exploration licenses. Could you give us a bit of details around that?

Helge Lund: It's right that it includes an intention by the parties, an option for taking share in exploration licenses in Norway and the Faroe and the UK but at this stage we cannot go into more detail at this moment in time. But of course the value of the interest in continued build-up and strengthening their positions in the more core areas including Norway.

André Baustad Benonisen: Ok, thank you.

Hilde Nafstad: Thank you. Then we have John Olaisen from ABG. Please go ahead.



John Olaisen: Good afternoon gentlemen. On your slides you write that the transaction is further increasing the financial flexibility of Statoil and your net proceeds from the transaction is about 5 krone per share. Are you considering extraordinary dividends at all?

Helge Lund: We have a dividend policy, and there is no change to that, nothing further to communicate around that, but it goes without saying and beyond the dividend question, that this is not only capturing a good value to Statoil but also generally increasing our financial flexibility and of course the strength of our balance sheet. We believe that is important in an industry with high investment leverage and significant volatility in the macro environment. As you very well know John, we have been focused on this since the financial crisis and we continue to be focused at that.

John Olaisen: But your balance sheet is stronger than it's been for many years. How much stronger do you want your balance sheet to become?

Helge Lund: We do not guide specifically on net debt to capital employed but I think the commitment that we have to give to our shareholders is that we're able to manage Statoil and execute on our strategy in a very different oil and gas price environment and I think this transaction will support that objective.

John Olaisen: Ok, thank you.

Hilde Nafstad: Thank you very much. Next in line, we have Nicholas Coleman from RBC.

Nicholas Coleman: Hi, thank you very much. I'd just like to ask in terms of how Statoil balances its Norwegian activity and its international activity, how does this fit in? Is part of the intention for example to free capital for future international projects for international expansion? I'm thinking for example East Africa or something like that. Could you just sort of talk a bit about how this fits into that sort of global or international strategy if it does and in what way it does? Thank you.



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Helge Lund: The way I would like you to think about that question is that this transaction does not alter or change the strategic direction of the group altogether. If you look at the pattern that we have established since 2008 we have sold assets or shares of assets in Norway as well as internationally. So this is much more strategy and asset driven. The strategy of Statoil really at a high level and includes three main pillars and that is to maximize the value at Norwegian Continental Shelf and then to build positions in complex offshore fields outside Norway, building on 40 years of offshore experience in Norway; and then we have taken industrial positions in shale gas and oil opportunities in North America and those three areas still are where we would like to continue to develop the group. I would also like to underline in context of your questions that we have been one of the most successful exploration companies over the last few years. We have made major discoveries in Norway, in Tanzania and Brazil and of course that has to also lead to a rethink and a think about how do we deploy our capital in the best possible way. And I think one way to think about Norway is here we release financial capacity to invest in a continued exploration program, but also to take the full value out of the Johan Sverdrup field [indiscernible] (31:51) .

Nicholas Coleman: Thank you.

Hilde Nafstad: Then we have one question left on the list and that comes from Peter Hutton.

Peter Hutton: Yes, it's just a follow-up question if I may. I'm just reminded looking again at your selling of packages for, are these all as one package? Is there any potential complication if for example, one of the partners in one of the fields were to exercise pre-emption rights? I'm just reminded that you're selling about 5.9% of Schiehallion. Royal Dutch bought Marathon's Schiehallion 5.9% so it has indicated some interest in that. If that happens does it cause a lot of complications or is it fairly neutral?

Helge Lund: I don't think we want to go into the details in the agreement but we believe that is relatively near completion dates for both parties.

Peter Hutton: And the completion date is end of this year?



Helge Lund: As we have indicated, around year end.

Peter Hutton: Excellent, thank you.

Torgim Reitan: [indiscernible] (33:02) This because it depends on the approval from third party.

Peter Hutton: Thank you very much.

Hilde Nafstad: Thank you very much. This concludes our conference call for today. If you have any further questions please contact Investor Relations. Thank you very much and have a good day.