Press release

28 October 2015

2015 THIRD QUARTER RESULTS

Statoil delivered adjusted earnings of NOK 16.7 billion and adjusted earnings after tax of NOK 3.7 billion in the third quarter. Statoil reported net income in accordance with IFRS of negative NOK 2.8 billion, mainly due to net impairment charges and provisions.

“We continue to reduce underlying operational costs and deliver a quarter with strong operational performance and solid results from marketing and trading. In the third quarter, our financial results continued to be affected by low liquids prices. The results enable us to increase our guided production growth to above 3% for 2015, as well as reduce the guided capital expenditure level with USD 1 billion to around USD 16.5 billion. We have generated a strong cash flow in the current environment and have a solid balance sheet with a net debt ratio of 24%", says president and CEO of Statoil ASA, Eldar Sætre.

Adjusted earnings were NOK 16.7 billion in the third quarter compared to NOK 30.9 billion in the same period in 2014. The reduction was primarily a consequence of lower liquids prices and increased depreciation, partially offset by stronger refining margins, good operational performance and reduced underlying operating costs. Realised average liquids prices in the quarter were down 37% measured in NOK compared to the third quarter last year. Adjusted earnings after tax were NOK 3.7 billion, compared to NOK 9.1 billion in the same period last year.

Statoil’s net operating income according to IFRS for the quarter was NOK 7.3 billion, compared to NOK 17.0 billion in the same period in 2014. Net impairment charges of NOK 4.8 billion related to exploration assets and various other asset impairments and reversals, provisions for disputes of NOK 3.3 billion and net other adjustments of NOK 1.3 billon impacted the IFRS results. Earnings per share were negative NOK 0.89 in the quarter, an improvement compared to negative NOK 1.48 in the same period last year.

“We are progressing our efficiency programs according to the plan we communicated in February, and continue to reduce the underlying operational cost. I am pleased with the way we are taking costs down, but the continued low prices in the third quarter demonstrates that we must continue to chase further cost efficiencies,” says Sætre.

Statoil delivered production of 1,909 mboe per day in the third quarter, up 4% compared to the same period in 2014. The underlying production growth, after adjusting for divestments, was 7% compared to the third quarter last year. The production from the Norwegian continental shelf (NCS) grew 10% in the third quarter of 2015 compared to last year, adjusted for divestments. Equity production outside of Norway was 735 mboe per day, a 4% increase compared to the same period last year, adjusted for divestments.

Statoil is pleased with the development of Johan Sverdrup with cost estimates coming down by 7%. However, Statoil and its partners have decided to accept a delayed timetable for the commencement of production from the Aasta Hansteen and Mariner fields from 2017 to the second half of 2018. The updated cost estimate for Aasta Hansteen has been increased by around 9% since the plan for development and operation (PDO). In addition, a currency effect of NOK 2.4 billion brings the total cost estimate to around NOK 37 billion. For Mariner, the cost increase is slightly above 10% as compared to the original plan.

In the third quarter Statoil made two discoveries on the NCS, as well as one on the UK Continental Shelf. As of 30 September, Statoil had completed 33 wells, with five wells on-going. Adjusted exploration expenses in the quarter were NOK 3.4 billion, marginally down from NOK 3.6 billion in the third quarter of 2014.

Cash flow from operations amounted to NOK 90.2 billion in the first nine months compared to NOK 99.1 billion last year. Statoil maintained a strong capital structure, and net debt to capital employed at the end of the quarter was 24%. Organic capital expenditure was USD 11.6 billion in the first nine months.

The board of directors has decided to pay a dividend of USD 0.2201 per ordinary share for the third quarter and Statoil shares will trade ex-dividend on Oslo Børs commencing 17 February 2016. From and including the third quarter, dividends will be declared in USD, with the NOK dividend calculated and communicated four business days after the record date for the Oslo Børs shareholders.

The serious incident frequency (SIF) for the 12 months period ending 30 September 2015 was 0.5 compared to 0.6 the same period last year.

Quarters			Change		First nine months		
Q3 2015	Q2 2015	Q3 2014	Q3 on Q3		2015	2014	Change
7.3	31.5	17.0	(57%)	IFRS Net operating income (NOK billion)	**13.2**	100.4	(87%)
16.7	22.4	30.9	(46%)	Adjusted earnings (NOK billion) [5]	**61.9**	109.2	(43%)
(2.8)	10.1	(4.8)	N/A	IFRS Net income (NOK billion)	**(28.2)**	30.9	N/A
3.7	7.2	9.1	(60%)	Adjusted earnings after tax (NOK billion) [5]	**17.9**	34.8	(49%)
1,909	1,873	1,829	4%	Total equity liquids and gas production (mboe per day) [4]	**1,945**	1,868	4%
357.5	426.7	569.5	(37%)	Group average liquids price (NOK/bbl) [1]	**383.2**	590.1	(35%)

Key events since second quarter 2015:

- The plan for development and operation (PDO) for Johan Sverdrup, Phase One, was approved by the Ministry of Petroleum and Energy in August
- The Peregrino field offshore Brazil passed a significant milestone, with 100 million barrels of oil produced since April 2011
- Statoil and its partners put the first subsea gas compression facility on line at Åsgard in the Norwegian Sea, adding more than 300 million barrels of oil over the field's life
- The final pipe in the 482 kilometer long Polarled Pipeline was laid at the Aasta Hansteen field at a depth of 1,260 meters in the Norwegian Sea. Polarled was delivered under budget and is the first pipeline on the NCS to cross the Arctic Circle
- In October Statoil acquired a 24% equity share in the UK part of Alfa Sentral, a gas and condensate field planned to be developed as a tie-back to the existing infrastructure for Sleipner on the NCS
- Two new compressors on the Troll A platform were started up, increasing the gas recovery from the field by 83 billion cubic meters
- Wenche Agerup was elected as new member of the board of directors, replacing Catherine Hughes who withdrew from the board in April

THIRD QUARTER 2015 GROUP REVIEW

The third quarter results were positively impacted by strong operational performance with production growth and high regularity, improved refining margins and a decreasing development in underlying expenses. Continuously low liquids prices, foreign exchange rate effects and impairment charges offset the positive development.

Total equity liquids and gas production [4] was 1,909 mboe per day, up 4% from 1,829 mboe per day in the third quarter of 2014, with strong operational performance at our fields. The increase was mainly due to enhanced utilisation of the gas value chain to create value from the NCS, ramp-up on various fields and production from new fields on stream, partially offset by expected natural decline on mature fields and reduced production due to lower ownership shares from redetermination and divestments.

Total entitlement liquids and gas production [3] increased by 7% to 1,741 mboe per day compared to the third quarter of 2014, impacted by the increase in equity production and a lower negative effect from production sharing agreements (PSA effect) mainly as a result of the decline in oil prices.

Net operating income (IFRS) was NOK 7.3 billion in the third quarter, compared to NOK 17.0 billion in the third quarter of 2014. Impairments charges of NOK 12.7 billion, mainly related to exploration assets and various other assets, and provisions for disputes of NOK 3.3 billion negatively impacted net operating income. Reversal of impairment charges of NOK 7.9 billion, mainly related to a refinery asset and to offshore assets in the Gulf of Mexico, positively impacted net operating income. In the third quarter of 2014, net operating income was negatively affected by impairment losses of NOK 13.5 billion in total, mainly relating to an oil sands project in Canada and exploration assets, mainly in Angola and in the Gulf of Mexico.

Adjusted earnings [5] were NOK 16.7 billion in the third quarter, down from NOK 30.9 billion in the third quarter of 2014 primarily due to the significant drop in liquids prices and increased depreciation impacted by the USD/NOK exchange rate development. Significantly higher refining margins partially offset the decrease.

Adjusted operating and administrative expenses were NOK 20.6 billion in the third quarter of 2015, at the same level as in the third quarter of 2014. Reduced operational costs and lower maintenance, in addition to reduced royalties caused by lower prices, had a positive impact. The on-going cost initiatives and divestments added to the decrease. The decrease was however offset by the USD/NOK exchange rate development.

The 12% increase in adjusted depreciation compared to the third quarter of 2014 was mainly due to the USD/NOK exchange rate development and the start-up and ramp-up of several fields.

Adjusted exploration expenses decreased by NOK 0.2 billion to NOK 3.4 billion in the third quarter of 2015, mainly due to a higher portion of current exploration expenditures being capitalised because of successful drilling. Higher drilling costs due to the USD/NOK exchange rate development, higher average equity share in wells drilled and a higher portion of exploration expenditures capitalised in previous periods being expensed this quarter, partially offset the decrease.

Quarters			Change	Adjusted earnings	First nine months		
Q3 2015	Q2 2015	Q3 2014	Q3 on Q3	(in NOK billion)	2015	2014	Change
112.6	125.1	146.6	(23%)	Adjusted total revenues and other income	**359.3**	458.4	(22%)
(50.7)	(57.5)	(72.6)	(30%)	Adjusted purchases [6]	**(159.4)**	(225.5)	(29%)
(20.6)	(20.8)	(20.5)	1%	Adjusted operating and administrative expenses	**(64.6)**	(61.9)	4%
(21.2)	(20.4)	(19.0)	12%	Adjusted depreciation	**(63.2)**	(52.3)	21%
(3.4)	(4.1)	(3.6)	(6%)	Adjusted exploration expenses	**(10.2)**	(9.6)	6%
16.7	22.4	30.9	(46%)	Adjusted earnings [5]	**61.9**	109.2	(43%)
3.7	7.2	9.1	(60%)	Adjusted earnings after tax [5]	**17.9**	34.8	(49%)

Adjusted earnings after tax were NOK 3.7 billion in the third quarter of 2015, which reflects an effective tax rate on adjusted earnings of 78.1%, compared to 70.6% in the third quarter of 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 the third 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 primarily caused by a higher effect of uplift deductions in the Development and Production Norway segment and lower tax rates on adjusted earnings in the Marketing, Midstream and Processing segment.

Cash flows provided by operating activities were NOK 42.2 billion in the third quarter of 2015 compared to NOK 26.1 billion in the third quarter of 2014. Excluding working capital movements and taxes paid, cash flows provided by operating activities were NOK 42.9 billion in the third quarter of 2015 compared to NOK 50.0 billion in the third quarter of 2014. The decrease of NOK 7.1 billion was mainly due to reduced liquid prices.

Cash flows used in investing activities were NOK 31.6 billion in the third quarter of 2015 compared to NOK 17.5 billion in the third quarter of 2014. The increase of NOK 14.1 billion was mainly due to higher investments in deposits with more than three months to maturity of NOK 9.2 billion and higher capital expenditures of NOK 5.9 billion.

Cash flows used in financing activities were NOK 3.2 billion in the third quarter of 2015 compared to NOK 6.6 billion in the third quarter of 2014, a decrease of NOK 3.4 billion mainly due to change in collateral payments.

First nine months 2015

Net operating income (IFRS) was NOK 13.2 billion in the first nine months of 2015 compared to NOK 100.4 billion in the first nine months of 2014. Net operating income was negatively impacted by net impairment losses of NOK 53.9 billion, lower fair values of derivatives of NOK 3.5 billion and provisions for disputes of NOK 2.6 billion. Gain from sale of assets of NOK 14.5 billion, mainly related to the divestment of the Shah Deniz project, impacted net operating income positively. In the first nine months of 2014, net operating income was negatively affected by impairment losses of total NOK 18.0 billion. Gain on sale of assets of NOK 6.5 billion and an award payment related to a commercial dispute of NOK 2.8 billion positively affected net operating income.

Adjusted earnings [5] were NOK 61.9 billion in the first nine months of 2015, down by 43% from NOK 109.2 billion in the first nine months of 2014. The decrease was mainly due to the lower prices measured in NOK and the 21% increase in depreciation costs. Significantly improved refinery margins 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 4% increase in adjusted operating and administrative expenses in the first nine months of 2015. Lower maintenance and transportation costs, lower royalties due to reduced liquids prices, and positive effects from on-going cost initiatives and portfolio changes, partially offset the increase. The increase in adjusted depreciation in the first nine months of 2015 was mainly due to the USD/NOK exchange rate development and the start-up and ramp-up of production of several fields. In addition, negative revisions of proved reserves for certain assets led to increased depreciation costs compared to the first nine months of 2014. Adjusted exploration expenses was up 6% the first nine months of 2015, mainly due to the USD/NOK exchange rate development and increased drilling costs because of higher well equity shares. Exploration expenditures capitalised in previous periods being expensed this period added to the increase. A higher portion of current exploration expenditures being capitalised partially offset the increase.

Adjusted earnings after tax were NOK 17.9 billion in the first nine months of 2015 compared to NOK 34.8 billion in the first nine months of 2014. The effective tax rate on adjusted earnings was 71.1%, compared to an effective tax rate of 68.1% in the first nine months of 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 the first nine months 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 primarily caused by a higher effect of uplift deductions in the Development and Production Norway segment and lower tax rates on adjusted earnings in the Marketing, Midstream and Processing segment.

Cash flows provided by operating activities were NOK 90.2 billion in the first nine months of 2015 compared to NOK 99.1 billion in the first nine months of 2014. Excluding working capital movements and taxes paid, cash flows provided by operating activities were NOK 130.8 billion in the first nine months of 2015 compared to NOK 167.9 billion in the first nine months of 2014. The decrease of NOK 37.1 billion was mainly due to reduced liquid prices.

Cash flows used in investing activities were NOK 112.9 billion in the first nine months of 2015 compared to NOK 75.8 billion in the first nine months of 2014. The increase of NOK 37.1 billion was due to increased investments in deposits with more than three months maturity of NOK 45.6 billion and increased capital expenditures of NOK 7.8 billion partially offset by increased proceeds from sale of assets of NOK 16.0 billion.

Cash flows provided by financing activities were NOK 0.1 billion the first nine months of 2015 compared to negative NOK 29.5 billion in the first nine months of 2014, an increase of NOK 29.6 billion mainly due to the issuance of new debt of NOK 32.1 billion in the first quarter of 2015.

Free cash flow [10] in the first nine months of 2015 was negative NOK 2.2 billion compared to negative NOK 3.3 billion in the first nine months of 2014, mainly due to lower taxes paid, higher proceeds from sale of assets and businesses and a lower dividend.

OUTLOOK

- **Organic capital expenditures** for 2015 (i.e. excluding acquisitions, capital leases and other investments with significant different cash flow pattern) are estimated at around USD 16.5 billion
- Statoil intends to continue to mature the large portfolio of exploration assets and estimates a total **exploration activity** level of around USD 3.0 billion for 2015, excluding signature bonuses
- Statoil expects to deliver **efficiency improvements** with pre-tax cash flow effects of around USD 1.7 billion from 2016
- Statoil's ambition is to maintain **RoACE** (Return on Average Capital Employed) at the 2013 level adjusted for price and foreign exchange level, and to keep the **unit of production cost** in the top quartile of Statoil`s peer group
- For the period 2014 – 2016, **organic production growth** [7] is expected to come from new projects resulting in around 2% CAGR (Compound Annual Growth Rate) from a 2014 level rebased for divestments
- The **equity production development** for 2015 is estimated to be above 3% CAGR from a 2014 level rebased for divestments [7]
- **Scheduled maintenance activity** is estimated to reduce quarterly production by approximately 15 mboe per day in the fourth quarter of 2015, of which the majority is liquids. In total, the maintenance is estimated to reduce equity production by around 40 mboe per day for the full fiscal year 2015, of which the majority is liquids
- **Indicative effects from Production Sharing Agreement (PSA-effect) and US royalties** are estimated to be around 170 mboe per day in 2015 based on an oil price of USD 60 per barrel and 200 mboe per day based on an oil price of USD 100 per barrel [4]
- **Deferral of gas 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
- With effect from first quarter of 2016, Statoil will change to **USD as presentation currency**. From and including the third quarter of 2015 **quarterly dividend** is declared in USD

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)

Press
Knut Rostad, Media relations, +47 9054 8990 (mobile)