Press release

27 April 2016

Statoil reports adjusted earnings of USD 857 million in the first quarter of 2016

- **Strong operational performance - financial results affected by low price environment**
- **Continuing to capture cost reductions and efficiency gains**
- **Maintaining competitive capital distribution of USD 0.2201 per share**

"Our financial results were affected by low oil and gas prices in the quarter. We delivered strong operational performance across all business areas, high production efficiency and results in line with expectations from liquids trading and refining. The guidance for 2016 is maintained," says Eldar Sætre, President and CEO of Statoil ASA.

"The industry is facing challenges. However, I am pleased to see progress consistent with the priorities we presented in February. We have a firm plan to improve efficiency and make faster and deeper cost reductions. We are radically improving our project break evens and we are on track to re-set costs and thereby impact the parameters that we can control", says Sætre.

Adjusted earnings were USD 857 million in the first quarter compared to USD 2,945 million in the same period in 2015. The reduction was primarily a consequence of significantly lower liquids and gas prices, partially offset by good operational performance and reduced underlying operating costs. Adjusted earnings after tax were USD 122 million in the first quarter, down from USD 902 million in the same period last year.

IFRS net income was USD 611 million in the first quarter compared to a net loss of USD 4,571 million in the same period of 2015. Net impairment reversals of USD 308 million before tax in the first quarter of 2016 positively impacted the IFRS results compared to net impairment charges of USD 5,935 million before tax in the same period last year.

Statoil delivered equity production of 2,054 mboe per day in the first quarter. The underlying production growth in the quarter, after adjusting for divestments, was 2% compared to the first quarter last year. Production from the Norwegian continental shelf (NCS) grew 2% in the first quarter of 2016 compared to last year, adjusted for divestments. Equity production outside of Norway was 734 mboe per day, in line with the first quarter last year, adjusted for transactions. In the first quarter Statoil made two small discoveries on the NCS. As of 31 March 2016, Statoil had completed seven wells, with four wells on-going. Adjusted exploration expenses in the quarter were USD 280 million, down from USD 351 million in the first quarter of 2015.

Cash flow from operations amounted to USD 2,205 million in the first quarter compared to USD 3,740 million in the same period last year. In light of the low liquids and gas prices in the quarter, Statoil maintained a strong capital structure, and net debt to capital employed at the end of the quarter was 28.1%. Organic capital expenditure was USD 2.4 billion in the first three months of 2016.

The board of directors has decided to pay a dividend of USD 0.2201 per ordinary share for the first quarter. Subject to approval of the proposed scrip dividend programme at the annual general meeting on 11 May 2016, shareholders will get the option to receive the dividend for the first quarter in newly issued shares in Statoil at a 5% discount. Further information on the scrip dividend programme for the first quarter will be published in due course.

The serious incidents frequency indicator was revised as from 2016, and caters now for Safety and Security incidents with an actual serious consequence. The twelve month average Actual Serious incident frequency (Actual SIF) was 0.21 per 31 March 2016, compared to 0.20 in the same period last year.

As from the first quarter 2016, Statoil changed its presentation currency to USD. For information purposes certain key figures are available in NOK in the Supplementary section to the total quarterly report.

		Quarters		Change
	Q1 2016	Q4 2015	Q1 2015	Q1 on Q1
IFRS Net operating income (USD million)	**1,060**	152	(3,303)	N/A
Adjusted earnings (USD million) [5]	**857**	1,778	2,945	(71%)
IFRS Net income (USD million)	**611**	(1,122)	(4,571)	N/A
Adjusted earnings after tax (USD million) [5]	**122**	(1,588)	902	(86%)
Total equity liquids and gas production (mboe per day) [4]	**2,054**	2,046	2,056	(0%)
Group average liquids price (USD/bbl) [1]	**29**	38	47	(39%)

Key events since fourth quarter 2015:

- Drilling of the first of a total of 35 wells for the first phase of the Johan Sverdrup field development commenced early March
- Statoil announced the acquisition of 11.93% of the shares and votes in Lundin Petroleum, increasing Statoil's exposure to core field development projects and growth assets on NCS, including Johan Sverdrup and Edvard Grieg
- In the Awards in Predefined Areas (APA) round 2015, Statoil was awarded interest in 24 licences on the NCS, the highest number of licences since 2005
- In April, Statoil entered the German offshore wind market, through a 50% acquisition of the Arkona offshore wind farm, providing renewable energy for up to 400,000 households in Germany

FIRST QUARTER 2016 GROUP REVIEW

The first quarter financial results continued to be characterised by the low price environment. Strong operational performance and a positive cost development affected earnings positively.

Total equity liquids and gas production [4] was 2,054 mboe per day in the first quarter of 2016, at the same level as in the first quarter of 2015. Expected natural decline on mature fields and lower ownership shares from divestments were offset by stronger operational performance and new production from ramp-up and start-up on various fields.

Total entitlement liquids and gas production [3] was slightly up by 2% to 1,909 mboe per day compared to 1,878 mboe per day in the first quarter of 2015. The increase was due to a beneficial effect from production sharing agreements (PSA effect), mainly as a result of the decline in oil prices. The PSA effect was 100 mboe per day in the first quarter of 2016 compared to 134 mboe per day in the first quarter of 2015.

Net operating income (IFRS) was USD 1,060 million in the first quarter of 2016, compared to negative USD 3,303 million in the first quarter of 2015.

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.

In the first quarter of 2015, net operating income was negatively impacted by net impairment charges of USD 5,935 million as a result of downward revisions of long term price assumptions.

Adjusted earnings [5] were USD 857 million in the first quarter of 2016, down 71% from USD 2,945 million in the first quarter of 2015 primarily due to the significant drop in liquids prices and the reduction in gas prices. Lower margins for gas sales and trading activity and lower refinery margins added to the decrease, which was only partially offset by lower adjusted expenses.

Adjusted operating and administrative expenses decreased by 20% to USD 2,400 million in the first quarter of 2016 compared to the first quarter of 2015, mainly due to reduced operational costs, lower maintenance activity and effects from on-going cost reduction initiatives. Lower transportation costs, diluent expenses and royalties as a result of the reduced prices and lower volumes, also contributed to the decrease. Excluding the positive effect from the exchange rate development in USD towards other currencies, adjusted operating and administrative expenses decreased by 15% compared to the first quarter of 2015.

Adjusted depreciation was down 13% in the first quarter of 2016 compared to the first quarter of 2015. The net impairment of assets in 2015, positive effect from the exchange rate development and revisions of proved reserves for certain assets led to decreased depreciation costs compared to the first quarter of 2015. The decrease was partially offset by higher production from ramp-up and start-up on various fields.

Adjusted exploration expenses decreased by 20% to USD 280 million in the first quarter of 2016, mainly due to lower drilling activity and relatively more expensive wells being drilled in the first quarter of 2015, partially offset by a lower capitalisation rate in the first quarter of 2016.

Adjusted earnings (in USD million)	**Q1 2016**	**Quarters Q4 2015**	**Q1 2015**	**Change Q1 on Q1**
Adjusted total revenues and other income	**10,179**	13,219	15,662	(35%)
Adjusted purchases [6]	**(4,223)**	(5,810)	(6,603)	(36%)
Adjusted operating and administrative expenses	**(2,400)**	(2,407)	(2,990)	(20%)
Adjusted depreciation	**(2,418)**	(2,735)	(2,772)	(13%)
Adjusted exploration expenses	**(280)**	(490)	(351)	(20%)
Adjusted earnings [5]	**857**	1,778	2,945	(71%)
Adjusted earnings after tax [5]	**122**	(1,588)	902	(86%)

Adjusted earnings after tax [5] were USD 122 million in the first quarter of 2016, which reflects an effective tax rate on adjusted earnings of 85.8%, compared to 69.4% in the first quarter of 2015. The effective tax rate increased mainly due to losses (including non-deductible exploration losses in the Development and Production International segment) and relatively higher adjusted earnings from the NCS in the first quarter of 2016. 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 in the Marketing, Midstream and Processing segment.

Cash flows provided by operating activities were USD 2,205 million in the first quarter of 2016 compared to USD 3,740 million in the first quarter of 2015. Excluding working capital movements and taxes paid, cash flows provided by operating activities were USD 3,386 million in the first quarter of 2016 compared to USD 5,765 million in the first quarter of 2015. The 41% decrease was mainly due to reduced liquids and gas prices.

Cash flows used in investing activities were USD 2,337 million in the first quarter of 2016 compared to USD 8,338 million in the first quarter of 2015. The decrease of USD 6,001 million was mainly due an increase in financial investments of USD 4,857 million in the first quarter of 2015 compared to a decrease in financial investments of USD 451 million in the first quarter of 2016.

Cash flows used in financing activities were USD 248 million in the first quarter of 2016 compared to cash flows provided by financing activities of USD 2,742 million in the first quarter of 2015, a change of USD 2,990 million. The significant cash provided by financing activities in the first quarter of 2015 reflect mainly the issuance of new debt of USD 4,262 million which was partially offset by the repayment of debt of USD 1,427 million.

Free cash flow [11] in the first quarter of 2016 was negative USD 1,383 million compared to negative USD 144 million for the first quarter of 2015, mainly due to reduced liquids and gas prices.

OUTLOOK

- **Organic capital expenditures** for 2016 (i.e. excluding acquisitions, capital leases and other investments with significant different cash flow pattern) are estimated at around USD 13 billion
- Statoil intends to continue to mature its large portfolio of exploration assets and estimates a total **exploration activity** level of around USD 2 billion for 2016, excluding signature bonuses
- Statoil expects to deliver **efficiency improvements** with pre-tax cash flow effects of around USD 2.5 billion from 2016
- Statoil's ambition is to keep the **unit of production cost** in the top quartile of its peer group
- For the period 2014 – 2017, **organic production growth** [7] is expected to come from new projects resulting in around 1% CAGR (Compound Annual Growth Rate) from a 2014 level rebased for divestments
- The **equity production** for 2016 is estimated to be somewhat lower than the 2015 level due to Statoil's value over volume-approach
- **Scheduled maintenance activity** is estimated to reduce quarterly production by approximately 55 mboe per day in the second quarter of 2016. In total, maintenance is estimated to reduce equity production by around 60 mboe per day for the full fiscal year 2016, which is higher than the 2015 impact
- **Indicative effects from Production Sharing Agreement (PSA-effect) and US royalties** are estimated to be around 135 mboe per day in 2016 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 [4]
- **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

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