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Q4 2017 Statoil ASA Earnings and Capital Markets Update 2018 Call

EVENT DATE/TIME: 02/07/2018 12:30 PM GMT

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PRESENTATION

Peter Hutton ***Statoil ASA - SVP of IR***
Ladies and gentlemen, we're delighted to welcome you to our Capital Markets Day for Statoil 2018.

Before I ask our CEO, Eldar Sætre to start the proceedings, I'd like to make a short announcement on safety, which as you know, is very important to us at Statoil. If an emergency situation should occur while we're here, the evacuation signal is a voice system announcement. Please note that we only evacuate the building should the voice announcement say to do so. Then please use the signposted fire exits within the venue, follow the signs and messages from the guards. Exiting is at ground level, and the assembly point is situated on Bartholomew close, which is just outside.

Also, I'd like to note that after the presentations, we've got 4 presentations, each lasting around 20 minutes from members of the executive team. After those presentations, we'll be having questions and answers for around 45 minutes from both the floor and from the phones. Members of the executive team will be available for discussions in the area outside after the formal session.

So with that, I'm delighted to pass the word through to Eldar to lead us off. Thank you very much.

Eldar Sætre ***Statoil ASA - President & CEO***
So thank you, Peter, and good morning, everyone. I can assure you, we have really been looking forward to see you all again here in London. Today, we will show you that we have delivered on our promises to become stronger, more resilient and more competitive. And even more importantly, we will show you that we are now set to increase returns and grow our cash flow in the years to come. We are delivering on our strategy, investing in high-return, high-quality opportunities, strengthening our balance sheet and increasing capital distribution.

Last year, we presented our strategy: always safe, high value and low carbon. We also set clear ambitions for 2017, and we have done what we said. In fact, we have delivered above and beyond quite ambitious targets.

This is also reflected in our fourth quarter and full year 2017 results. Hans Jakob will cover that in his presentation.

Let me start with safety. Over the past decade, we have significantly improved our safety performance, as a result of systematic and consistent efforts. Following some negative developments in 2016, we reinforced our efforts. And last year, we again saw a positive development. For us, this is inspiration to work even harder, including the launch of “I Am Safety” program across the company.

Now this starts with me and all our leaders. It requires a personal commitment from everyone in Statoil, recognizing that the safety of our people and the integrity of our operations remain our top priority.

In 2013, the project portfolio in front of us had a breakeven oil price of our around $70 per barrel. Last year, we showed you what we call our next generation portfolio. Then, with an average breakeven price of $27 per barrel. And now we have improved this portfolio even further, taking down the breakeven price more than 20% during last year to $21 per barrel. And all these projects will be in production by

2022 and deliver 3.2 billion barrels to Statoil. Now you will, of course, be there to judge that's the way it works, but I believe this is the best opportunity set in our industry.

We have also realized efficiency improvements of another $1.3 billion, 30% more than we promised. And this means that since 2013, we have realized $4.5 billion in annual cost improvements.

Last year, we also said that we would be cash flow positive at $50 per barrel in 2017. We did even better, and we're cash flow positive well below $50. At an average oil price of $54 last year, we generated $3.1 billion in free cash flow.

In addition, we have reached our targets to become even more low-carbon competitive. CO_2 emissions from our oil and gas production are reduced with an additional 10% per barrel. And last fall, we also started production from our Dudgeon and the floating wind farm Hywind. Today, we operate 3 offshore wind projects all here in the U.K., delivering good cash flows and competitive returns.

So, let me share some reflections on the energy markets. We have seen oil markets gradually recovering and rebalancing. However, as we have seen over the last few days, you should always be prepared for volatility.

Geopolitical developments, OPEC policies and the response from the U.S. shale are key factors in this equation. Still, we expect the physical rebalancing of oil markets to continue during first half of this year, taking down global inventories to more normal levels.

In Europe, gas demand is now growing again, prices are recovering and we see strong demand growth also in Asia.

Jens will present our view on the gas markets at a separate seminar here in London later this month. We are in a long-term industry. And looking towards 2050, there are, of course, uncertainties, as we have outlined in our energy perspectives report.

But what is certain is that natural decline will require significant new production capacity of both oil and gas. And we believe that the winners will be the producers who can deliver competitive barrels, with low cost and low emissions, and that is what we aim to do.

We further believe that new renewable energy will be the fastest-growing source of new power generation, mainly driven by technology, by innovation, and also, increasingly industrial scale. So we are, therefore, utilizing our key strengths to build an industrial position and create value also within renewable energy.

We started our improvement work when prices were still high, and we have used the downturn to reset the company. We are now well positioned for increased value creation and strong cash generation. In the period 2018 to 2020, we have the capacity to remain free cash flow positive below $50 per barrel.

At $70 per barrel, we can deliver around $12 billion in free cash flow after dividend and investments, and also, including proceeds or considerations and other impacts from announced transactions that you heard about. This free cash flow enables us to reduce our net debt ratio to below 15%, and deliver around 12% return on average capital employed in 2020.

Such a return is, by the way, on par with what we delivered in 2013. But remember, then we needed an oil price of more than $100, now we can do the same at $70.

Let me assure you, after 37 years in this amazing, fantastic, great, but also, cyclical industry, I'll manage to keep my feet on the ground even with strong cash flow outlooks. We will continue to sanction projects, only when they are ready and as good as they can get.

We will also stick to a value-driven and disciplined approach when looking for opportunities to optimize our portfolio. We expect organic CapEx of $11 billion this year, and on average for the period 2018 to 2020.

In accordance with our dividend policy, we propose to increase our cash dividend for the fourth quarter 2017 by 4.5% to $0.23 per share reflecting expected growth in long-term underlying earnings gained from sustainable improvements. In addition, we have ended the scrip program as planned.

We also see an emerging scope for share buybacks, which would depend on macro outlooks and portfolio developments. Near term, however, we will prioritize to strengthen our balance sheet before considering buybacks.

Here, you can see our key industrial value drivers. Many companies have strong positions at their home base, but I'm not aware of any company having a home turf position like Statoil, while at the same time being exposed to global competition. This gives us a competitive edge that we are now leveraging even more forcefully also outside of Norway.

The Norwegian continental shelf is the backbone of our business, and the lab where we develop new ideas and technologies and can scale them industrially to create even more values. Operational excellence, world-class recovery, leading project deliveries, premium market access and digital leadership are key value drivers for Statoil.

On the Norwegian continental shelf, these value drivers have enabled us to improve production by 125,000 barrels per day and to achieve 50% average recovery rates to significantly improve our project portfolio and to save 10% already at our first attempt at automated drilling in last year's Barents Sea campaign and more than 10% from our first unmanned platform, which is called Oseberg Vestflanken. And as Arne Sigve and Margareth will demonstrate the potential is even bigger.

Our international growth is increasingly based on the same value drivers, enhanced by an even stronger

Statoil-operated footprint. As Lars Christian will show you, Brazil fits our strengths perfectly. We will create significant values from Peregrino Phase 1, Phase 2, Carcará, Roncador, Pao de Acucar and other opportunities in the future. And perhaps less obvious for some, it is the same value drivers that is supporting our investments and our value creation in unconventional resources as Torgrim will walk through and discuss with you later.

And in fact, it is also the oil and gas engineers that has found the solutions to create competitive returns within renewable energy and offshore wind.

Let me turn then to our project portfolio and start with Johan Sverdrup. Truly world-class project that just keeps getting better. Even after sanctioning, we have reduced CapEx for Phase 1 by NOK 35 billion, almost 30% to NOK 88 billion. And while CapEx is down, resources are up, now estimated to between 2.1 billion to 3.1 billion barrels.

So, this means that we have reduced breakeven prices even further to below $15 per barrel for Phase 1 and below $20 for the full-field development. We also continue to improve the entire next generation portfolio. With an average breakeven price of $21 per barrel, the internal rate of return is now at above 30%, assuming an oil price of $70. To me, this is quite impressive, makes me proud. And I can assure you, we will continue to chase further improvements.

We have not only improved our projects, we have also renewed and strengthened our reserves and resource base. Our reserve replacement ratio was all-time high at 150%, reflecting improvements from existing fields and also new project sanctions.

It also added more than 2 billion new and high-value barrels to our resource base. These barrels comes from countercyclical, value-creating transactions like Carcará, Roncador and Martin Linge from 14 commercial discoveries last year, valuable license extensions and new growth opportunities in countries like Argentina and Turkey. It is still early days, and we are cautious in our resource estimates. But these growth opportunities look promising and exciting to us.

We expect to drill around 40 exploration wells this year, which is up from 28 last year, at a spend of around $1.5 billion. And we continue to work on our non-sanctioned portfolio, including attractive projects like Troll Phase 3, Carcará, Vito and Bay du Nord.

Since 2016, we have doubled the resources in this portfolio to around 6 billion barrels, and the net present value is around $10 billion higher at $70 per barrel. I believe we have used the downturn well. But the real test is taking place now as prices are recovering.

As a former CFO, I have seen how easy it is for an organization to start relaxing when prices are recovering. We are determined, and will not allow that to happen again. On the contrary, and as Hans Jakob will show you, our mantra is to continuously improve through the cycles. We intend to sustain the 2017 unit of production cost in 2020 to reduce drilling cost further, and to deliver double-digit return on average capital employed already this year, 2 years earlier than we have indicated previously.

And we are convinced that even with the achievements that we have made the improvement potential is still significant from further technology developments and digitalization. Technology and innovation is truly embedded into this company's DNA.

And we are now investing to secure a global leadership position within digital technologies, because it is a key enabler for improved safety, lower cost, higher volumes and lower emissions.

Some of this potential is illustrated on this slide. We are now developing an integrated, fully integrated operations center on the Norwegian continental shelf to support all of our offshore operations. And I believe, we can increase value creation from already producing Statoil-operated fields by more than $2 billion by 2025.

By implementing and further enhancing automated drilling across our portfolio, we can also further reduce drilling costs. And in addition, there is potential to add revenues and speed up developments for more precisely targeting our reservoirs.

The fields of the future will increasingly be subsea, combined with lighter installations, unmanned, robotized, remotely operated and standardized. Compared to conventional concepts, we can halve operating costs and reduce facility CapEx with approximately 1/3. So, we believe digitalization will transform our industry. We're just at the beginning, and Statoil will certainly be at the forefront of this development.

Statoil has a competitive advantage as we are heading towards the low-carbon future. CO_2 emissions per operated barrel are close to half of the industry average. We have embedded climate risks into our strategies and into our business decisions, and we stress test our portfolio, demonstrating that we are resilient also in the low carbon future. But this is not enough, we're also developing Statoil as a broader energy company to be even more competitive and carbon resilient.

It starts with developing a carbon efficient then oil -- a carbon efficient oil and gas portfolio, and we have clear targets for further emission reductions. This is followed by ongoing projects within renewable energy, with an attractive risk reward profile and competitive real returns of 9% to 11%. And as we outlined to you last year, we expect that 15% to 20% of our CapEx will go into new energy or new energy portfolio in 2030. So, expectations towards our industry are increasing also from investors and we will invite you all to our sustainable investment day in May.

Let me summarize. First of all, Statoil will deliver strong cash flows and growing returns. And we are increasing dividend by 4.5%. Secondly, we are investing in our next generation portfolio at an average breakeven $21 per barrel, including, Johan Sverdrup with a breakeven price below $15 per barrel for Phase 1. And finally, we are leveraging our industrial strengths to create even more value, both on the Norwegian continent shelf as well as internationally.

All in all, a strong value proposition, as we're proud to present to you here today. Thank you very much for your attention.

And now I'll give the floor to Margareth and Arne Sigve.

Arne Sigve Nylund ***Statoil ASA - EVP of Development & Production - Norway***
Thank you very much, Eldar, and still a good morning to you all. I've also looked forward to coming here today, together with Margareth to share some perspectives on our journey on the NCS.

And our NCS history is about a small-scale player, growing to be the leading operator. Today, we have one of the world's largest exporters of oil and gas, providing security of supply through 8,000 kilometers of pipelines. Our key message from this session is that Statoil will continue to generate value from a solid foundation.

Firstly, 50 years of renewal and innovation. We operate in a basin that we know and that we master. And our NCS operatorship provide unique opportunities to pilot broadly and implement new technologies and solutions. This also includes digitalization.

Secondly, we have resources in place, operated assets at scale, and we have access to flexible infrastructure and premium markets.

Thirdly, our future project portfolio on the NCS is very robust, utilizing a full range of competencies and technologies, and Margareth will come back to this in more detail.

When I last addressed you from this stage, I made a promise, and that was to step up even further when it came to operational excellence. And I'm proud to say that we have delivered. Since 2013, we have improved production level by 10%, the capital expenditure is down by 50%, and the production cost per barrel is down by 25%.

When it comes to our operations, we never compromise on safety, having significantly reduced maintenance backlog and improved plant integrity in this period.

We have also reduced maintenance and modification cost by 40% and 45%, respectively. And at the same time improved production efficiency by 7.6 percentage points, giving a record high uptime.

So, our safety results clearly show that efficiency and safety go hand in hand. Another focus is reducing our carbon footprint. Our CO_2 emissions per barrel on the NCS is half the global average, and we run -- we have run 245 energy efficiency projects, reducing CO_2 emissions with more than 1.4 million tons, equaling emissions from 700,000 cars.

Not only is this good for climate, but it has resulted in a NOK 700 million reduction in operating cost as we pay less CO_2 tax and CO_2 quotas. And why stop there? So,we have raised the ambition further, aiming to and reducing additional 2 million tons of CO_2 by 2030.

The improvement journey has been challenging for the industry and for Statoil, but it has been quite necessary. And it has resulted in significant cash flow contribution. We need to continue to improve on safety, value and low carbon, and to capture further value from the NCS.

So, let me give you some more examples, on improved production efficiency and well delivery. These improvements add, as mentioned, around 125,000 barrels per day, Statoil share, through optimized timing and planning, more efficient turnarounds and developing new methods for executing modifications, we have reduced both planned and unplanned losses by around 50%.

We also increased our well delivery by 45%, well cost is down by 40%, and that resulting in additional profitable well targets.

These improvements, together with other such as profitable well interventions, are offsetting the natural production decline from our existing NCS portfolio.

We have a strong track record of creating value from our assets, and we have increased recovery in our existing fields from an estimated 30% at sanctioning at today's expected average rate of 50%. And this represents 9 billion barrels of oil. Going forward, we have an ambition of 60% recovery.

Increased recovery has an enabled a considerable field lifetime-extension activities. Currently, we're working on 23 extension projects. And examples include Gullfaks, Oseberg, Troll, Snorre and Njord, all expected to be in production until 2030 and beyond.

So, our infrastructure allows for constantly maturing high-value drilling targets on the NCS. For 2018 and 2019, we have matured 170 new wells. This represent resources similar to Johan Castberg field. And our ambition is to drill around 100 wells in our producing fields annually. This will add around 100 to 120 million barrels for Statoil at low break evens every year.

And I think that's bad for fields that are way beyond their life expectancy. In addition to production wells shown on the slide, our teams are working on more than 30 new tie-back projects to existing infrastructure. We also will drill around 15 exploration wells close to the infrastructure annually, adding further 40 million to 80 million barrels of new resources per year with robust breakevens.

But, we cannot rest. Adding to our existing infrastructure, we have a very strong future project portfolio. So please, Margareth, my good colleague, tell us how we shall deliver.

Margareth Øvrum ***Statoil ASA - EVP of Technology, Projects & Drilling***

Okay. Thank you, Arne Sigve. The development on the Norwegian continental shelf is really inspiring. And our key to success is a close collaboration between our business areas. And sometimes I talk more to Arne Sigve than to my own husband. I believe we have the best project portfolio in the world, and one number sums it all up, 21.

As Eldar mentioned, our next-generation portfolio is even better this year with an average breakeven of USD 21 per barrel and a value increase of over USD 1.5 billion and with an internal rate of return more than 30%, a robust and highly profitable portfolio. We deliver over USD 55 billion execution portfolio in 100% numbers, 10% lower than at sanction.

A large part can be credited to our drilling performance. Due to our dynamic perfect well approach, we continue to push the targets and outperform our best drilled sections. And since 2013, we have increased meters drilled per day with more than 80%, and reduced cost per well with almost 40%.

And this year, we tested the automated drilling control during our Barents Sea campaign, which enabled early detection of anomalies, prevented 2 sidetracks and saved 10% of the campaign cost.

External benchmarks confirm our performance. According to Rushmore, we are leading the way amongst our peers when it comes to reducing cost per meter. And IPA states at that we performed way better than industry average. The CEO of IPA calls our performance amazing. And I quote him "I have never seen such improvements during a 3-year period." But we are not done improving.

Like Churchill said, never, never, never give up. The recipe of a good project is to maximize value through optimizing resources while keeping CapEx and OpEx low and ensuring an efficient project execution. It is both finding, lasting improvements. Instead of just capitalizing on the market, we have redefined what we built and how we built, designing to high-value and low cost. One example is Oseberg Vestflanken, an unmanned wellhead platform with a breakeven of $16.

Based on this, what I call, subsea on slim legs, this is an innovative and very cost-efficient alternative mitigating rising subsea cost installed only 16 months after contract award.

Trestakk, another collection of strategic moves, integrated marine subsea contract, simplified design and utilization of existing infrastructure at Åsgard . Resulting in shorter execution time, we halved our investment and we have reduced the breakeven from $53 to $14. For Njord, we are reusing and refurbishing the existing platform and floating storage unit to extend the life -- lifetime and include time project like Bauge to add 250 million barrels. This is our extreme makeover offshore edition.

And we have many subsea-heavy projects in our pipeline, and we have used this to our advantage. We started off by setting direction and implemented tough targets internally as well as towards the suppliers as a part of our perfect project approach.

Then, we worked closely with the suppliers to remove complexity in design, in weight and in size. We bundled several projects together, Snorre, Johan Castberg, Askeladd and Troll to capture synergies, and of course, to increase our bargaining power. The combined volume added up to 1/3 of the total global demand for subsea equipment in 2017.

We also included the aftermarket segment, where we expect cost savings of USD 500 million to USD 600 million on the NCS during a 5-year contract period. All in all, this resulted in significantly lower subsea prices. We are now back to year 2000 cost levels, a cost reduction of 50%.

We've increased reserves, improved drilling efficiency and optimized FPSO design. This gives the breakeven below $35 for the Castberg, Johan Castberg in the middle of the Barents Sea, and I don't think, this is not bad. And you see the volume-weighted breakeven for these 4 fields now USD 16 per barrel.

There are many examples like this where we have challenged ourselves to rethink and redesign in our hunt for lasting changes. And I love to see the energy it has created in the organization. We have built a culture, which set the scene for how we will embark on new projects, both on NCS and internationally.

And Lars Christian's upcoming 3 to 4 FPSOs in Brazil and Canada will benefit over simplified and standardized solutions.

Johan Sverdrup is designed to create value today and tomorrow. And it is probably our best project performance ever. Once again, we increased our volumes due to further maturation of the reservoir, adding another 100 million barrels. We reduced our Phase 1 CapEx estimate to $88 million -- billion, NOK a total reduction of almost 30% since PDO. And this year, we have also reduced our OpEx estimates by 30% compared to the PDO estimates.

Johan Sverdrup has a CO_2 intensity full field a 0.5 kilo per barrel compared to the world average, which is 17 kilo. Thanks to a very successful drilling campaign, we delivered more wells more than a year ahead of plan. Combined with excellent project execution, we have added robustness to our schedule.

The breakeven is below $15 in Phase 1 and below $20 full-field. And with a serious incident frequency of 0.3, I can truly say, this is a -- this project is a prime example of our core strategy, which is always safe, high value and low carbon.

And we have another giant, a troll, with resources comparable to Sverdrup plant to be produced. A subsea development with a tieback to Troll A, will unlock a large gas cap expecting to prolong gas plateau with 7 years. With a lean mindset and a marginal field approach, we can deliver the project with remarkable numbers. 2,200 million barrels of oil equivalents, a breakeven below USD 10 per barrel and a CO_2 intensity of only 0.1.

Statoil has a proud history of innovation and technology to make the impossible possible. We created the world's first subsea gas compressor, the world's first floating wind farm, and now our unmanned wellhead platform. We aim to be the digital leader to increase revenue, improve safety, reduce cost and carbon emissions. And through years of experience, we have the capabilities to make the right choices, create the right building blocks and develop cutting-edge technology for the future, step by step towards unmanned remotely-operated factory.

Last year, the standalone unmanned production platform, the UPP was a future scenario. This is now our preferred solution for Krafla, Askja. And taking even further to Peon with autohost building on a high wind floating spar technology, the unmanned Peon will include power from shore, gas routed directly to the U.K. market and is packed with value-creating technology and digital solutions, such as a digital twin for project development and operation, smart data algorithms for automated production optimization and predictive maintenance. And of course, we have robots and drones. Maybe it's a bit nerdy, but you see on the top, there is some drone flying in ethylene glycol for dehydrating the gas. And it is going to land on the D deck which is a drone deck, it's not the age for helideck anymore.

So, we use drones and robots. Both Krafla, Askja and Peon are examples where innovation and technology and digitalization will take us. They showcase how we can develop marginal and frontier fields with or without infrastructure, unmanned and remotely operated. By creating these new concepts based on existing building blocks and new technology, we can develop profitable project that seemed impossible only a few years back.

The ultimate blue sky concept is an ultradeep water UPP, a destructive concept, cost efficient and suitable for frontier developments and remote operation. And the ambition for the feel of the future is very clear, 30% reduction in CapEx, 50% reduction in OpEx compared to traditional concept, and an additional 15% in the automated drilling. A game-changing business case. And the digital technologies are being developed and implemented as we speak.

Johan Sverdrup is going to lead the way by becoming our digital flagship on the Norwegian continental shelf. And instead of telling you what we want to achieve ,Arne Sigve and I, we have decided to show you.

(presentation)

Arne Sigve Nylund *Statoil ASA - EVP of Development & Production - Norway*

Johan Sverdrup is truly a great project and a great example illustrating the potential of digitalization. At this point in time, it is difficult to predict the full effect of digitalization. But what we do believe is that the value potential is substantial, and we are well underway.

There is no doubt that we have an exciting future ahead of us. And the production outlook towards 2025 is robust, with the production growth of around 10%. We have ambitious recovery targets. And in 2020, we expect the production cost per barrel, in real terms, to be at stable 2017 level. And we expect absolute OpEx level to increase as we bring new fields onstream.

We see significant cash flow generation of around $13 billion and after tax over the next 3 years. And you heard Margareth, we will continue to improve projects and wells, reducing cost and developing the fields for the future.

And we are uniquely positioned for capturing value from the NCS. And what we do in Norway generates value internationally and vice versa. Our NCS experience on increased oil recovery and subsea operations are used in the U.S., U.K., Brazil and Canada. And we are bringing back U.S. onshore experience on integrated operation centers and as well as deep water experiences from Brazil.

And that gives me a good opportunity to introduce another 2 good colleagues of mine, Torgrim and Lars Christian, will now tell you about our exciting international journey. Thank you.

Torgrim Reitan ***Statoil ASA - EVP of Development & Production - USA***
So,good afternoon, everyone. It's a pleasure to be here, and it's good to see you again, and to be back in London. Lars Christian and I, we are excited to discuss our international business with you.

And we will improve, and we will deepen within our core areas, applying the global knowledge and skill sets of Statoil. And we have defined Brazil and U.S. onshore as our 2 international core areas. And we will discuss these shortly in more detail.

Over the last decade, international production has more than doubled to 740,000 barrels per day, that represents 36% of Statoil. Our resources internationally are more than half of the total.

And as you know, the cash margin after tax is on par with the Norwegian continental shelf. So, Lars Christian, how are we going to leverage our experience internationally?

Lars Christian Bacher ***Statoil ASA - EVP of Development and Production International***
Thank you, Torgrim, and good afternoon. Statoil has world-class assets in Norway and internationally. We systematically leverage our global experience to benefit all assets regardless of geography. And by applying the value drivers addressed by Eldar, we have reset our cost base internationally.

OpEx, SG&A per barrel is down 34% in the last 4 years. Focusing on recovery has enhanced our profitability, and this is illustrated by a 35% improvement in ultimate recovery in our U.S. onshore business.

And successfully extending licenses in countries like Azerbaijan and Algeria, we have added around USD 1 billion of NPV to Statoil. And as Margareth outlined, project delivery is a Statoil's strength. And for our international non-sanctioned projects, the average breakeven is down 40%.

Torgrim Reitan ***Statoil ASA - EVP of Development & Production - USA***
So, maximizing the value of our oil and gas is very important. And as an example, we capitalize on 30 years of experience of gas marketing in Europe, and now we sell our Marcellus gas into premium markets like Toronto and into Southern Manhattan. And as you heard Margareth said, we aim to be a digital leader.

And we have recently opened remote operating centers for our onshore activities where we stream live data from all our producing wells. And we are now able to predict when wells will have issues and we can direct our field personnel ahead of time to these wells. So, this will increase production, it will reduce cost and it will improve safety. And the value is estimated to $500 million.

We will reduce our driving by at least 25%, which equals 20 trips around equator. Lars Christian, we have taken some significant steps in Brazil, and now over to you.

Lars Christian Bacher ***Statoil ASA - EVP of Development and Production International***
Thank you, Torgrim. As you are aware, we have an extensive portfolio with presence in more than 30 countries. And the 4 biggest unsanctioned projects in the Statoil portfolio are all operated by Statoil and are all international.

When we work the national portfolio, applying the same thinking as for our NCS projects, we see that the improvements are not primarily base independent, they are largely a company-specific competency.

Today, we have chosen Brazil as a deep dive. And when Statoil presented the sharpened strategy 12 months ago, we defined Brazil as a core area for the company. 2017 has been about delivering on this promise. And the material portfolio we have built in Brazil is a result of collaboration, perseverance and being countercyclical.

We have high graded the portfolio and landed opportunities, where we can apply the best of our expertise within operations, recovery and project deliveries.

The journey started with the Peregrino field. And during 17 years in Brazil, we have learned to operate the asset as well as operate in the country.

This operational and organizational capability has given us the confidence to develop Brazil into our core area. We became the operator of BM-C-33, which includes the Pão discovery in 2016. This is a high-quality asset with estimated 1 billion barrels of oil equivalents in recoverable resources.

In addition, we have Carcará and Roncador and with these 4 assets we are well positioned to deliver high value, operate in accordance with the corporate CO2 targets, access promising gas market and strengthen our strategic partnerships.

We continue to pursue organic growth in Brazil through exploration, where we will drill and participate in 5 exploration wells during the next 2 years. And we have the secured rig options for more.

In 2030, Statoil has the potential of producing between 300,000 and 500,000 barrels of oil equivalents per day, depending on facing of projects and exploration success. And by delivering of such production, Statoil continues to be the leading operator in Brazil after Petrobras.

The value of being the operator lies in our ability to apply competencies and technologies, deliver cost-efficient projects and maintaining financial discipline and financial flexibility. And high-grading our portfolio in Brazil means that we are committed to lowering our carbon footprint, fully aligned with our corporate commitment.

Let me also add that we have -- that we are unlocking the potential of new energy businesses through the solar project Apodi in the northeast of the country.

The Peregrino operatorship has been Statoil's apprenticeship in Brazil. So, let's have a closer look. We have delivered strong safety results with the 2017 serious incidents frequency below 0.5 per million working hours. The field has produced over 160 million barrels since the first oil. And Peregrino Phase 2 coming onstream in 2020, will ensure that the production will continue for the next decades.

The recovery rate of the field at the time of acquisition was 10%, and we have increased this to 16% today. Continuous improvements have resulted in a 23% -- sorry, 22% reduction in total cost per barrel since 2013. And it delivered roughly USD 18 per barrel, cash margin last year.

We have broken down the total cost for Peregrino Phase 2 by 32% or around USD 1.3 billion. And the breakeven is reduced from USD 70 to USD 42 per barrel.

While reducing our cost base, our production efficiency is up 10% over the last year, and the backlog for safety-critical maintenance has been reduced by more than 50%. All this has been achieved by making use of improved production analytics, root course identification and streamlined execution on modification projects.

Increased profitability on Peregrino combined with operational and organizational track record has given us the confidence to embark on our next generation of Brazilian projects. So, let's move to Carcará discovery, a truly world-class asset.

With about 2 billion barrels of oil equivalents, Carcará can become our international Johan Sverdrup in terms of volume. And remember, there is an additional exploration upside. We have consolidated our position in the asset of a phased acquisition and a farm-down process.

We started acquiring equity in BMS-8 from Petrobras in 2016, and from QGEP in 2017. And winning Carcará open acreage bid round in 2017 was followed by a farm down to ExxonMobil and Galp. Ensuring an aligned position across the total asset allows us to early appraise an efficiently explore, achieve a unitisation by 2020 and benefit from experienced partners.

We believe, first oil by 2024 is achievable because of the efficiency of having an aligned partnership.

Our current breakeven price is around USD 40, with the potential for improvement. And you heard

Margareth speak about project deliveries and Statoil's country manager in Brazil Anders Opedal, our former project director, he has promised me to leave no stone unturned. He will pursue improvements together with Margareth's product development team, and this is about simplifying concepts, maximize the synergies and delivering an optimal project execution model.

The latest addition in building our core area in Brazil was the acquisition of 25%, with the producing Roncador field. Roncador provides immediate boost to our cash flow from operations at attractive breakevens, and we assume closing of the transaction by second quarter this year.

With Roncador our Brazilian production will almost triple the limited additional CapEx commitment.

Statoil will apply its IOR expertise in one of the largest assets in the Campos basin. And by increasing the recovery rate by 5%, we expect to produce an additional 500 million barrels of oil equivalents from the field.

And to put this number into context, a 5% increase in recovery rate in Roncador is like finding a new Johan Castberg field on the Norwegian continental shelf.

Finally, it's worth highlighting our strategic partnership with Petrobras. This partnership was a key enabler of our farming agreement in Roncador. And it is exciting to work with Petrobras to increase recovery and develop solutions that benefit both companies. The partnership will also help to monetize our future gas production by accessing the Brazilian gas value chain.

So, let me sum up. In a short period of time, we have moved from a one asset to multi-asset portfolio in Brazil with an upside potential. I'm confident that we will deliver high value to our shareholders.

And now I will hand over to Torgrim, who will give you a deep dive into our U.S. business.

Torgrim Reitan *Statoil ASA - EVP of Development & Production - USA*
Thank you, Lars Christian. Today, I'll update you on our promises to transform the U.S. business, and I will focus on the onshore activities.

And as you know, we have invested heavily in the U.S. in the high price environments. We have had negative earnings since the collapse in oil price and we have made large impairments.

But we are reaching a turning point. From now on, this business will have positive earnings, it will generate surplus cash and grow, all of that at $50 oil. And in the fourth quarter, the U.S. business was back generating positive results.

So first, let me discuss our transformation. 2 years ago, we promised a lot. We were going to transform the business to generate positive earnings at lower prices.

In 2014, we needed more than $90 per barrel. In 2017, we were at $53, ahead of our $60 target, well underway to make money below $50 this year. This $40 barrel reduction can be split into $10 per barrel, that is related to impairments; $20 per barrel from more efficient drilling and completion, EOR or increased recovery and midstream; and then $10 per barrel from operational cost efficiencies such as increased uptime, improved maintenance and cost reductions. And as you see from the slide, we are ahead of plan to deliver on improvements and increasing the cash margin.

And finally, our production is flexible, and we expect to grow by more than 20% this year in the U.S. So, let's look ahead. We have invested more money each year in the U.S. than we have made. So, this will not change. We will have positive cash flow at $50 going forward.

And based on a $70 oil, we expect to contribute with $5 billion from now up to 2020. So our offshore business will grow by 50% by 2020, reaching over 110,000 barrels per day. And these barrels have a cash margin of more than $45 after tax at $70 oil, and offshore will generate positive earnings below $50.

Our onshore activities are the largest contributor to our to $90 to $50 journey. For them it is from $96 to below $50.

And I'm satisfied with the performance of Bakken and Appalachian, which covers the Marcellus and Utica formations. And they need below $50 to have positive earnings.

However, I'm not satisfied with the recent developments in Eagle Ford. And the disappointing results from the lower well spacing leading to the impairments.

We have taken action to restore value and the early results are encouraging. The $1.3 billion impairment reversal related to Bakken, that was triggered by the tax change in the U.S. But around $1 billion of that reversal is related to underlying improvements in the assets. So, for 2017 as a whole, we have a net reversal of $450 million in the U.S. So, let's talk about how we will use the rest of Statoil to build competitive edge onshore.

The onshore industry has rapidly evolved from land grabbing to a period focused on efficiency. And the competition is fierce, and we have to become better. The next chapter will be about technology, and it will be about improving recovery. And this plays to Statoil's strengths as we build competitive advantage. So let me talk about the 3 first on this slide. First, operational excellence. The 5 rigs that we currently are running, they delivered today as many wells as 10 rigs did in 2013. So just in last year, we have drilled 34% more wells per rig than last year.

Recovery is a core competence for Statoil, and Margareth, she has a great team in Austin testing and implementing new solutions together with the onshore group using our global knowledge. And we have seen a 35% increase in recovery rates over the last years.

And based on what we work on now, we see the potential for a further 15% improvement this year. As you heard from Arne Sigve and Margareth, Statoil knows how to deliver projects. Our development cost has come down by 32% since 2015, improving the economics of our future onshore wells, and half of them have a breakeven less than $15 per barrel.

Last year, the corresponding number was 40%. So,our onshore business benefits from the best of two worlds. In Austin, we run our business with agility often independent, but we combine it with a long-term approach and the technology of an IOC, and we do believe that, that is a winning combination.

We have been concerned with the lack of earnings and cash generation from the onshore business. And our goal has been to build a flexible business that works truly at prices below $50. And we are getting there. From now on, we will see through that we have positive earnings at $50 oil. We will also ensure a positive cash flow for this year also by dropping one rig if oil prices fall during the year. And we can grow production by 50% up to 2020 based on this program.

But remember, we are chasing earnings and cash where production is only a vehicle, not a target. This year, new onshore wells will have an average breakeven of $42 per barrel, even then we assume an increase in our supply cost.

So, if oil prices come in above $50, our onshore business will generate a meaningful earnings and cash flow and a $10 increase will lead to around $300 million per year off the tax from our onshore business.

So, let me summarize. Our transformation is not complete, but the 3-year plan is on track.

And the U.S. will add $5 billion in surplus cash to Statoil by 2020. And we are building a sustainable and competitive business onshore that will have positive earnings, and generate surplus cash and can grow all of this in a $50 environment.

So, thank you very much. And then back to you Lars Christian to summarize and close the joint session.

Lars Christian Bacher ***Statoil ASA - EVP of Development and Production International***
Thank you, Torgrim. As you've heard, Statoil's international portfolio has world-class assets and deliver on our strategic ambition. And we will continue to improve and drive value creation.

In the years 2016 to 2018, USD 7 billion out of USD 10 billion of Statoil's NPV improvement come from our non-sanctioned international portfolio.

Over the same period, our cash margin will be solid at above $30 per barrel of oil equivalent. And growth internationally will supply more than 40% of Statoil's cash flow to 2020.

Torgrim and I have enjoyed this joint session. And we welcome our CFO, Hans Jakob to the stage. Thank you for your attention.

Hans Jakob Hegge *Statoil ASA - Executive VP & CFO*

So, thank you, Torgrim and Lars Christian. And ladies and gentlemen, good afternoon. It's good to see you all. 2017 was a strong year for Statoil. We have continued to take down costs and improve efficiency, further reduced the break-evens of our project and strengthened our balance sheet. Going forward, we are building on our industrial strengths to create value both on the NCS and internationally. We will do this based on strict cost and capital discipline.

Let me take you through the 2017 results. Our improvement work is reflected in solid adjusted earnings of $12.6 billion in 2017, more than 3x the 4.1 billion we delivered a year before. Net operating income was $13.8 billion, close to 0 in '16.

A negative net income last year of $2.9 billion is turned into a positive result of $4.6 billion in 2017.

The result is of course supported by an average Brent of $54 per barrel, which clearly also demonstrates the improvements, the strong operational deliveries from our organization. This is visible in our positive free cash flow of $3.1 billion in 2017, which made us free cash flow positive well below $50 per barrel. We see an increase in reserves with a RRR of 150%, driven mainly by a positive reserve revisions on our existing fields and sanctioning of new projects.

We have delivered as promised and more. We have taken down the organic CapEx to $9.4 billion through continued efficiency improvements and solid project execution. And we have delivered record-high fourth quarter and full year production, capturing increasing prices. Furthermore, despite drilling more wells, we have reduced our exploration expenditure and delivered an additional $1.3 billion in annual savings in 2017.

We have more than doubled our fourth quarter adjusted earnings to $4 billion, improving across all segments. Brent increased by 24% and invoiced gas prices in Europe by 18%, while the invoice gas prices remained flat in the U.S. The tax rate was 67%.

Exploration and production in Norway is up from $2 billion to $3 billion in adjusted earnings compared to the fourth quarter last year, driven by good operational performance with higher production at higher prices and lower depreciation rates due to positive reserve revisions.

You may recall that our costs in the fourth quarter last year were the lowest in a decade, impacted by positive one-offs. This quarter, underlying OpEx and SG&A have increased by 13% per barrel compared to the same quarter last year. This is mainly related to preparations and start-up of new fields such as Gina Krog and Ivar Aasen with higher cost per barrel before reaching full capacity as well as some issues at Goliat. On an annual basis the OpEx and SG&A is down by 6% compared to 2016.

Exploration and production international has adjusted earnings of $438 million, an improvement of $1.1

billion. Increased production and strong cash flow per barrel of around $25 after tax contributed positively. We have made several positive reserve revisions, reducing our DD&A and have a reduced underlying OpEx and SG&A by 21% per barrel. Low exploration expenses also contributed positively.

Our mid and downstream business delivered another strong quarter of $533 million, driven by high European gas sales, good LNG margins, liquids trading and higher regularity at our refineries.

With an all-time high production both fourth quarter and full year, we are strengthening our cash flow. Solid operational performance increased production from our flexible gas fields, ramp-up of new fields as well as higher U.S. onshore production contributed in the quarter. Underlying annual equity production grew by around 125,000 barrels per day, more than 6%.

The organic free cash flow in the quarter was positive, including 2 NCS tax installments and one dividend payment. We have reduced the net debt ratio by almost 7% in 2017 to 29%, including our inorganic divestments -- investments. At the year-end combined with higher prices, we had more volumes in transit to capture higher margins, leading to increased working capital in the quarter. This impacted the net debt ratio by more than 2 percentage points.

And now let me share some reflections on our competitive position. We use benchmarking actively to learn and continuously improve. Our strong cost performance is reflected in the #1 position on unit production costs, and we have reduced it even further during 2017. We continued to improve our drilling and well performance, as you heard from Margareth. Costs per well are 25% lower than the industry average through better planning and execution. On facility costs, we are 20% better according to IPA. And the internal rate of return of our projects under development is 20% higher than the industry average. For upstream return on average capital employed, we are top quartile and we continue to work hard on improvements, further strengthening our ability to deliver attractive shareholder return.

Let me highlight 4 elements which are important for higher value going forward. First, we aim to sustain unit production cost in real terms of around $5 per barrel in 2020. And we indicate an average organic CapEx level from '18 to '20 of around $11 billion, always being financially disciplined. Second, we expect to deliver high-value growth towards 2020. Our cash flow from operations is growing more than 6% at $70 and production, 3% to 4%. Third, we can be cash flow positive below $50 per barrel in the period '18 to '20, including the increased cash dividend. And at $70, we can deliver around $12 billion in free cash flow after dividend and investments, including considerations and other impacts from announced transactions. Our net debt ratio can, based on the same assumptions, be reduced to below 15% in 2020. And as a result, we can increase return on capital employed to around 10% in 2018 and around 12% in 2020, also at $70 per barrel.

Over a 4-year period, we have fundamentally transformed our cost base. OpEx and SG&A has been reduced by more than 30% since 2014. And through strict capital discipline and efficiency improvements, we have reduced organic CapEx by more than 50% in the same period. We are running the company $4.5 billion more efficiently every year. This is structural. This is cultural. And as I've heard in the previous presentations, it's about changing the way we work with leaner and simpler solutions. And of the $4.5 billion, more than 80% is considered to be sustainable.

We're also getting benefits from locking in costs at low rates and improving incentives for strong supplier performance as discussed by Margareth. Over the next couple of years, we have several fields coming into production and ramping up, increasing our cost base. When these fields are running at full capacity, we expect to deliver a 2020 unit production cost at the same level as for 2017 in real terms.

And as you heard from my colleagues, we are getting benefits from the digital transformation, with a road map of more than 30 high-impact initiatives spanning from reservoir management, integrated operations, automated drilling through scaling up on automated processes. And I expect there is more to come, because we continue to improve the projects, only sanctioning them when they are optimized at the best and when the timing is right.

Our next-generation portfolio will deliver an internal rate of return, above 20% at $50 and above 30% at $70. To me as a CFO, the combination of world-class, next-generation portfolio projects and strong project deliveries from our organization really creates a unique proposition. And there is also a powerful learning effect across the portfolio. Targeted efforts have significantly improved on nonsanctioned projects, as you can see to the chart on the right. Breakeven is now below $40, a reduction of 33% since 2016. And the resources are significantly up by around 3 billion barrels.

It is still early days for these projects, and we continue to work hard on improving them further. In short, Statoil is positioned for highly attractive returns. Value remains the priority when we increase our production. The compound annual growth rate from 2017 to '20 is expected to be 3% to 4%. This is a material increase in our equity production. Remember, our 2017 production level is the highest ever, and our 2020 production is expected to be well above last year's guiding. The growth until 2020 is coming from both Norway and internationally with lower tax costs. From 2018 to 2022, we have several major start-ups. This year, Aasta Hansteen, Oseberg Vestflanken and Mariner will start producing. In addition, when the Roncador transaction is closed, there will be good contribution from this asset.

Our production is expected to grow by 1% to 2% from '17 to '18. And next year, Johan Sverdrup, Martin Linge will come on stream, and we will see further increase from unconventionals. And towards 2022, Troll Phase 3, Johan Castberg, Vito and Johan Sverdrup Phase 2 will be on stream.

We have strengthened our robustness and improved the quality of the portfolio. At $70, our average cash flow from operations can be above $18 billion for '18 and '19, growing to above $20 billion in 2020, '21. At $50 in '18 and '19, we can generate around $14 billion in cash flow from operations.

Our flexibility is maintained with the option to phase our non-sanctioned projects and scale on our onshore position both ways. We will continue to invest in our next-generation portfolio with a breakeven of 21.

Over the last year, we have strengthened the balance sheet and reduced the net debt ratio by almost 7 percentage points to 29%. Our long-term ambition of a single A credit rating on a stand-alone basis and a net debt ratio of 15% to 30% is unchanged. We will continue on our value-driven approach to inorganic portfolio optimization. That has been paying off as we have divested at higher prices and made several countercyclical acquisitions such as Martin Linge, Roncador and Carcará. And we increased the dividend, reflecting earnings growth for more sustained improvements.

We ended the scrip program as planned. And as already pointed to, we see an emerging scope for share buybacks, which will depend on macro outlook and portfolio developments. Near term, however, we will prioritize to strengthen our balance sheet before considering buybacks.

Moving to guidance. In 2018, we planned for around $11 billion in organic CapEx, and exploration spend of around $1.5 billion, and production growth of 1% to 2% from '17 to '18 and 3% to 4% from '17 to '20.

Let me summarize on behalf of us all. First, we will deliver even stronger cash flow and growing returns, and we are increasing the dividend by 4.5%. Second, we are investing in world-class project portfolio with a breakeven of $21 per barrel, with an internal rate of return above 30%, while maintaining strict cost and capital discipline. And finally, we are building on our strong industrial position to create value both on the NCS and internationally, as my colleagues have demonstrated earlier today.

Thank you for the attention.

QUESTIONS AND ANSWERS

Peter Hutton, *SVP Investor Relations*

Thank you, Hans Jakob. What we'd like to do now is just open it up for questions for about 40, 45 minutes and from the floor there'll be microphones going around. And also, we'll do a series of questions from the phone as well. Hans Jakob talked about maintaining capital discipline, I'm afraid we'll be maintaining strict questioning discipline as well. So, I'd like to keep Statoil rule of one question per person. If you're clever, you can get one question in 2 parts. I've noticed some discipline creeping in and some people asking 3 questions on some of our calls. I'm afraid that won't be allowed.

So if I start off first, and I saw Oswald's hand first. And it will be moving to him. Okay.

Oswald C. Clint *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

A 2-part question. Firstly, Eldar, you spoke about the buyback and you mentioned macro volatility plus some key developments that have to complete or not. So maybe macro is understandable. But on those developments that you said need to happen or not, in order to allow that buyback to potentially happen, could you just be a bit more specific on those please, if possible? And the second part was a bit more longer term. A lot of information in here on recovery factors, 50% to 60%, Roncador going up 5%. I just want to get some sense of the timing that you expect to deliver some of those numbers. Are these 5-

year plans for these recovery factors could be achieved, or 10 years or kind of longer? And maybe just linked that, the extra 100 million barrels in Johan Sverdrup, Margareth mentioned reservoir maturation. I wonder if you could give us a bit more understanding of what exactly is happening there to give us that extra 100 millions on that field?

Eldar Sætre *Statoil ASA - President & CEO*

Thank you very much. So,on the share buyback, it's a very conscious way of expressing it from our side. We have illustrated the cash generation potential at USD 70. And now it might not be $70, it might be something else, but that's an illustration and reference point for you. Anyway, we do see the potential to generate quite significant cash. When it comes to the dividend, that is something that we will look into annually, look at the underlying prospectivity of long-term earnings. And then we have these statements about the balance sheet, the macro environment. So obviously macro environment, they're not only how it looks today, but also how it -- the outlooks for the macro environment would be important for us. Portfolio developments is really any other things that could happen. We might see opportunities for transactions, value-enhancing transactions. And as highlighted from both me and Hans Jakob, that would not be something that we would do easily. We would definitely look at those kinds of opportunities with this very strict, disciplined approach, value-driven approach. But we might see those kind of opportunities and I might not know them today even so. So, we have to give those kind of considerations when we give a statement like that on the buybacks. So basically, what are the components it also appears clear that in the short term, we think it is wise for us to strengthen the balance sheet and from the 29% debt ratio we have for the time being. So many factors going into this, and I tried to point at some of them. On the recovery factors, Margareth, maybe you will touch upon Sverdrup. There was a specific question about when.

Margareth Øvrum *Statoil ASA - EVP of Technology, Projects & Drilling*

Yes. First of all, the reasons behind the increase of Sverdrup is that we have, we have drilled 17 wells now. And all these wells, we do not have any negative information on that. And we have matured. We have run our reservoir models. And we, for Sverdrup in particular, we try to include the whole comprehensive toolbox of IOR tools from the very early beginning. And as an example, we have just awarded the contract for a permanent reservoir monitoring system with a lot of cables around the Sverdrup. And remember, we have an ambition for Sverdrup with a 70% recovery rate. So actually, the reason is that we have drilled 17 wells now. We see the result from the wells, and that is the reason behind the increase. But we are not there yet. We want to pursue it even further. We have an ambition of 70% as a recovery rate.

Eldar Sætre *Statoil ASA - President & CEO*

Margareth, maybe you also alluded to 50% to 60% overall at the Norwegian conference. Maybe a comment on that?

Margareth Øvrum *Statoil ASA - EVP of Technology, Projects & Drilling*

Maybe Arne Sigve should do that?

Eldar Sætre ***Statoil ASA - President & CEO***
Arne Sigve, maybe. Yes

Arne Sigve Nylund ***Statoil ASA - EVP of Development & Production - Norway***
Yes, I'm happy to do that. So, as I said that we've increased from 30% to 50%, and the 50% has included all these sanctioned initiatives to increase recovery rate. And that is an average for the whole portfolio extending to the end of the lifetime of each individual asset. And that is why we're now working, as I mentioned in my presentation, on 23 life extension projects to make that happen. So, it is within the lifespan of each individual asset.

Peter Hutton ***Statoil ASA - SVP of IR***
Okay. I think Oswald got some first mover advantage on that one. I've got to say, we've got a lot of hands showing here. So, can we keep to one question? The next question is from Jeff, just behind you. There.

Jeff Taylor , Invesco

Jeff from Invesco. If I heard you correctly, you said free cash flow cumulative 2018 to 2020 of $12 billion after dividends. So what's the dividend assumption over that period? Is it flat? Are you assuming a degree of growth every year to get to your $12 billion?

Eldar Sætre ***Statoil ASA - President & CEO***
We have assumed the current step up and that there will be cash, it will be cash component going forward. We also assumed – (and I won't give you -- go into that, I'll mot give you a precise answer, but we have assumed a sort of reasonable increase in dividend in that period.

Peter Hutton ***Statoil ASA - SVP of IR***
Theepan?

Theepan Jothilingam ***Exane BNP Paribas, Research Division - Head of Oil and Gas Research and Analyst of Oil & Gas***
Theepan Jothilingam, Exane BNP. Just a couple of questions on CapEx. Firstly, could you talk, perhaps, about where the underlying moves on 2018 CapEx are vis-à-vis the CMD last year? I assume there's CapEx for the acquisitions made, Martin Linge and Roncador. And then secondly, I think historically we've looked at sanctioned CapEx versus unsanctioned CapEx, flexibility for the market. And then the track record recently has been from Statoil to actually go underneath that quite substantially by deflating projects that have already been sanctioned. So, I'm just trying to understand the flex around this $11 billion. Because I think it's a nice problem to have, but your track record at the moment has been to substantially be lower than guidance over the last 2 to 3 years.

Hans Jakob Hegge ***Statoil ASA - Executive VP & CFO***
So, I'm happy to answer that question since I look carefully after this money. On the first one, for '18, they're around $11 billion. In the fourth quarter, we sanctioned Johan Castberg and Snorre expansion.

And so that's part of the assumption. We also have high activity, as Margareth described on Sverdrup. We have Martin Linge and Aasta Hansteen. We have also the Mariner that's going to be brought onstream this year. We have CapEx related to Martin Linge and some on Roncador. That's why we say around $11 billion for this year. It's really reflecting a quite high activity level, still very cost and capital-disciplined. On the improvements, we delivered $9.4 billion in '17, and that was somewhat lower than the $10 billion that we updated on the last occasion. And it's really the improvements that is the main reason for this lowering of the CapEx. The improvement work is also visible in the CapEx.

Peter Hutton ***Statoil ASA - SVP of IR***
Jon?

Jonathan Rigby ***UBS Investment Bank, Research Division - MD, Head of Oil Research, and Lead Analyst***
Yes, Jon Rigby from UBS. Given this is a strategy event, can we talk about something that's been a major component of your strategy, which is M&A? Because you don't really talk about that within the frame. So, on the assumption that you're going to continue to do some M&A, given your track record, can you talk a little bit about how you think about that? I know you acknowledged you might do some more. I noticed you talked about 2 core areas when you wanted to talk, you talked about the U.S. -- United States and Brazil. I think you talked about more in the past. Is there an ambition still to do that? And then probably, one would acknowledge that you stepped up acquisitions as the oil price fell through the last 2 to 3 years. So, would it be reasonable actually to expect that you start to rebalance towards disposals and sort of the restructuring of the portfolio, if oil prices stay at current levels?

Eldar Sætre ***Statoil ASA - President & CEO***
Okay. Thank you very much, Jon. So first of all, we have a strong resource base. We have 19 billion barrels of resources. And as I said, we have added some quite interesting prospects also during this year that we will mature further. That gives us potential to produce at current levels for quite a long time, and we have 5,4b of booked reserves strengthened during this year. So, we are confident. We are patient. There is no urgency for us to rush for anything. So, this is to get it right. Carve it out, shape the transactions. John can talk about how he's doing this, but really work them patiently and get to opportunities, whether it's on the divestment side or the investment side as really as good as they can get. The same as with organic opportunities and fits our strategy, and where there is a remaining value creation potential that we consider to be meaningful -- a meaningful value creation proposition for our shareholders. Otherwise, we could sort of distribute the spend. So, that is the strategy, very disciplined. So, we have done both the divestments and investments in this organic space. We did more investments -- divestments when oil prices were high, and we have done more investments when we have been through this downturn. That might not be accidental, but we do see that there is an active market on both sides in any part of the cycle. So, this is really the opportunity that is there, is present wherever we are on the cycle. But, generally speaking, there might be more acquisition opportunities in the lower end of the cycle. So, I think at this point of the cycle, I think we are pretty balanced. There are all kind of opportunities, and we will look for them, continue to look for them. In terms of location, we've highlighted 3 areas that is core to us, obviously, the Norwegian continental shelf. Brazil is playing perfectly to our industrial strengths. And we will look for also through exploration definitely for

opportunities in Brazil. The U.S. is also a very core area or important area for us, but that doesn't limit sort of where we would look for. I think also on the exploration side, we have done a lot of builds over the last few years, building opportunities and replenishing the exploration potential. So, it's really something that I feel as a responsibility, I have to look for these kind of opportunities. And I have a good strong team that is really doing their job and I think they have a really strong track record on what they are doing and they've added a lot of value to the company and to our shareholders. John, you have the chance to say something now if you would like to, please.

John Knight Statoil ASA – EVP Strategy and Business Development

I think the distinctive aspect of the central proposition that my colleagues have set out is that we don't need to announce divestment programs in order to meet the incredible cash flow going forward. And equally, the resource base, as Eldar just said, means that we don't need to add by way of acquisition. So , this is putting us in a very strong position to be opportunistic if value is available. But it's not a necessary activity in order to meet the targets both with regard to growth and cash flow that we set out today. Not everybody is in that position.

Peter Hutton *Statoil ASA - SVP of IR*

I've got a cluster around here. So, we're going to do 4 from here. Then we'll be moving to that side of the room. Don't worry, everybody's going to get plenty of chance. So, the next one is coming from Rob.

Robert West *Redburn (Europe) Limited, Research Division - Partner of Oil and Gas Research*

It's Rob West from Redburn. I've really enjoyed the holding pattern we've been in as analysts, where every year we come here, and you lift the veil on the latest interesting technology in your portfolio, and we see the efficiency target, the cost savings going up. And that happened again last year, and well done for meeting the target. I've noticed that in the guidance for this year, the ambition is a bit more muted. It's more to sustain the cost level in real terms out to 2020. And it seems like there's still really interesting new technologies coming through to the business to help boost the efficiency. So, my question is why is it the target a little bit more muted this year, and just sustaining rather than deepening the cost savings? And is there anything behind that in the sense that it's just getting a lot more digital. And I appreciate that could mean it's just really hard to have transparency on how that's going to feed through to cost. And is that part of it as well? That's my question.

Eldar Sætre *Statoil ASA - President & CEO*

Yes, it's a good question. So, this year, we haven't presented you with a 1 billion or 2, that kind of target. Because it is getting tougher to do the same type of improvements that we have done, when we picked many things that we -- I won't say is easy to pick, but that really had a big, huge impact. Now it's really to continuously improve and all the small steps throughout the organization bottom up, engaging the organization. It's about how we -- it's about preserving because if you lose the -- those what we have done now, that would really be significant. So, to preserve it, maintain it, sustain it, I think that is really a focus area for us. When we say unit production cost, sustain that, that is actually quite ambitious. You might want to comment on that Arne Sigve. Because we have a maturing portfolio. There are throughout costs that might put pressure on us. So that is really -- will take significant efforts just to maintain the unit of production cost that we have until 2020. But you are right. You pointed to -- you point that some of these things that we are looking at now -- we are also mentioning specifically the drilling cost, which is a big cost component for us, setting a target on that. But on the digital side, it's really tough to define sort of a target that is so transparent that in a meaningful way, can put it together into one number. So simply what we tried to do is to break it up a little bit, give you some examples, illustrations of what we have done, some confidence that there's more to be done and some illustrations of potential. And we believe it's huge. It's all the way from the producing assets that obviously we talked about how we want to control -- offer these to the new assets where we can do much more. And I think the conventional part of our industry is maybe where the potential is the biggest because there we come from pretty -- quite capital-intensive constructions and facilities right? And that gives us an enormous potential really to take down cost, to drain cost out of the system. So, I think there is a pretty big potential within the commercial part on the steel and on the facilities. When it comes to the unconvential, I think there is more -- actually I also mentioned maybe more potential now on technology and on the subsurface. So that's why we have taken a liberty there. I'd like Margareth comment, and then I'll say more on the production cost.

Margareth Øvrum ***Statoil ASA - EVP of Technology, Projects & Drilling***

I just wanted to comment a bit on what we have been doing because I try to illustrate that what we have been doing is lasting. It is sustainable because we have done structural improvements. We have designed out costs. We have standardized. We have simplified. And we have new type of contracts with more performance-based as an example. And we are not resting. I think we are still pursuing more, more to go. But there are also some more marginal fields. We see with new technology, new innovative solutions, redesigned, rethink we can make it profitable also fields that were impossible to develop years ago. And that was trying to illustrate with the technology with a remote-operated road map towards an unmanned platform remotely operated factory. And for these fields of the future, there is still more to go. So, we set 30% reduction in CapEx, 50% in OpEx and also 15% on the automated drilling control. So, we are -- we have lots to do, more to go. Arne Sigve?

Arne Sigve Nylund ***Statoil ASA - EVP of Development & Production - Norway***

Yes. It is mostly covered but, just a few additional reflections maybe. I just mentioned the recovery rate and that to maintain the production from the existing fields, really to increase recalibrate, that is one cost element that we will master to the best of our ability. I think that the digitalization, we've just scraped the surface. Eldar mentioned the integrated operating center that I think will open opportunities going forward, both on production and cost containment, that's one. And not to be forgotten, we are adding new fields on stream that will add value. But of course, that will add costs. But having said that, the challenge -- or ambition to maintain the UPC at 2017 level in 2020 is quite challenging. But I can promise you one thing. I should be very careful on promising. But we will continue our hunt for cost improvements going forward working within this frame.

Peter Hutton ***Statoil ASA - SVP of IR***

Thank you, Arne Sigve. Biraj?

Biraj Borkhataria ***RBC Capital Markets, LLC, Research Division - Analyst***
It's Biraj Borkhataria, RBC. Just sticking to the same theme of cyclical versus structural, I had a question for Torgrim in the U.S. When you put together the 90 to 50 plan originally, there was an embedded assumption of service costs change. Could you just talk a little bit about what you experienced in 2017, what you're seeing currently and what's embedded in the plan for 2018?

Torgrim Reitan ***Statoil ASA - EVP of Development & Production - USA***
Thank you. So yes, we assumed a 20% cost increase from 2015 to 2018. And what we have seen so far is a development in line with that. We see differences between segments and we also see geographical differences. The areas that are most impacted by cost increase is around drilling and completion and impacted the stimulation, casing, sand and all things, while operational costs are very stable. We see geographical differences that Permian is more heated than Bakken and Eagle Ford. But suppliers, they try to convince us that we have to pay up for us to go to Permian. But today, they tend to like to work with Statoil anyway. So far so good. In the plans, we expect a 25% cost increase from this year to 2020. So that is embedded in the plans and targets.

Peter Hutton ***Statoil ASA - SVP of IR***
Okay. I've got another couple on this side. If you think you're being ignored on that side, that's not the case. We're going to do another couple from here and then we're going to work our way through. And then we're going to go to the phones. Okay? Iain?

Iain Stewart Reid ***Macquarie Research - Head of European Oil and Gas Research***
Alright Eldar. Iain Reid from Macquarie, just a question about exploration which you didn't actually talk about very much. You normally do because your background is obviously a very successful explorer, particularly with Sverdrup. But you haven't had really very much success particularly in Norway over the last few years. And international, the hopper seems to be filled by acquisitions rather than anything else. So, is exploration kind of slipping a little bit in terms of your expectations for delivery? I see you're going back to some of the areas which you weren't successful in last year. Does the portfolio need shaking up a little bit do you think in order to deliver the next wave of Norwegian growth?

Eldar Sætre ***Statoil ASA - President & CEO***
So, I think I'll ask for some assistance from Jez Averty on exploration. Tim is not here today. It's really about being patient, being competent, being confident, add acreage. And we have been, as I say a few years back, we had a couple of years with really major successes. And the last few years hasn't been the same, but we have made discoveries and we have created value. As an illustration, the Kayak discovery in the Barents Sea financed the whole -- sort of just the whole campaign in the Barents Sea. But in terms of scale and really the impact of the discoveries, we haven't seen that over the last couple of years. But we are still confident in exploration. We have built a quality opportunity set, and we will pursue that. We are stepping up this year to 40 wells. That was actually stepped up from 38 last year. So Jez, if you have been thinking on what to comment on here, I'll give you a chance.

Jez Averty Statoil ASA ***- SVP Exploration***

Thank you, Eldar. My name is Jez Averty. I'm representing Tim today. He apologizes he couldn't make it. What I'd like to do is illustrate how we are targeting our 2018 campaign towards the successes we have had. So we're looking to drill about 40 wells, of which 25 to 30 of those will be on the Norwegian continental shelf or in the U.K. Last year, we made 3 play out discoveries in Norway and the U.K., Verbier, Cape Vulture and Kayak. And we will appraise 2 of those. We also had a very successful near infrastructure-lead exploration campaign, which creates a significant value. Some of those wells are already on stream. And again, we will be drilling about 15 of those types of wells. Internationally, there will be about 10 wells. And they will be focused on the access successes we have had in Brazil, access success in Argentina and the emerging success that we are starting to get some indications of in Turkey. So,- what you actually see us investing our capital towards the prolific basins where there are significant hydrocarbons and where we already have positions, at the same time as creating value through near field infrastructure-led exploration in Norway.

Peter Hutton ***Statoil ASA - SVP of IR***
Thanks, Jez. Marc?

Marc B. Kofler ***Jefferies LLC, Research Division - Equity Analyst***
It's Marc Kofler from Jefferies. I just wanted to come back to the capital spending guidance for 2018 and '19, and again, just trying to figure out if the risk is to the downside and how much potential you see to the upside? But it feels like you have a pretty good feel for the upside risk. What is the considerations which were excluded? And then maybe if you could just talk about how any currency impacts would affect your forward plans?

Hans Jakob Hegge ***Statoil ASA - Executive VP & CFO***
So, thank you for the question. So,- on the CapEx guiding, around $11 billion this year, right, and around $11 billion for '18 to '20 as an average. On the FX, you are seeing the USD-NOK development from NOK 8.6 in '16 to NOK 8.2 in '17, and a stronger NOK of course has a positive effect on equity and negatives on costs on the NCS. The movement from the third to the fourth quarter is a weakening NOK from 8 to 8.20. So that's again positive for the NOK. So, the fluctuation on the FX hasn't been substantial, but still some variations there. On '19, we don't provide a specific figure for the year, but the average for the period.

Eldar Sætre ***Statoil ASA - President & CEO***
On considerations, that is not included. That -- so this is an organic forecast. So basically, the Martin Linge hasn't been closed and the Roncador hasn't been closed. And there's also additional payments on the Carcará, right? So, I think that's the main.

Hans Jakob Hegge ***Statoil ASA - Executive VP & CFO***
Guidance?

Eldar Sætre ***Statoil ASA - President & CEO***
But in terms of the guidance until 2020 on cash flow and on return on capital employed, and on debt

ratio, all these transactions including considerations are included.

Peter Hutton ***Statoil ASA - SVP of IR***
Okay. We're going to sweep over. We're going to do Brendan, then I've got Christian, then I've got Thomas.

Brendan Warn ***BMO Capital Markets Equity Research - Senior Oil and Gas Analyst***
It's Brendan Warn from BMO Capital Markets. Eldar, just can you talk about your thinking around LNG? And obviously since Snøhvit you've looked very smart avoiding big investments in LNG, but can you think about that -- talk about it going forward? And just where does Tanzania now fit within your portfolio?

Eldar Sætre ***Statoil ASA - President & CEO***
LNG is a space that we have been looking for -- goes a long way back, really. And we haven't really found the good entry points, except for what we have done organically, which goes back to the Snøhvit discoveries and the Tanzania discovery. So that is still largely coming from Tanzania. But that's really what we have seen. It has been, in a way, too expensive to enter that space inorganically with the opportunities we have seen. So, in a way, we are comfortable with what we've done. We have a very strong pipe place position. So, we do have Tanzania and we are working on Tanzania. And Lars Christian, maybe you would like to comment on the status on how that looks or not.

Lars Christian Bacher ***Statoil ASA - EVP of Development and Production International***
On Tanzania, we are currently drilling in the last commitment well according to the program. And there is a joint industry effort to get the government to reach what we call the whole score agreement that will determine the terms for producing LNG. And when that agreement has been reached, we will do with the calculus regarding the development of our huge gas discovery.

Peter Hutton ***Statoil ASA - SVP of IR***
Christian?

Christyan Fawzi Malek ***JP Morgan Chase & Co, Research Division - MD and Head of the EMEA Oil and Gas Equity Research***
Christyan Malek from JPMorgan. Two parts to the question if I may, first around CapEx. I'm still struggling to get my head around F&D costs. I mean there's portfolio of mix changes and you talked about digitalization of technology. Can you quantify the impact on F&D costs over the medium term and how that feeds into your CapEx outlook? And I guess underlying that point is I'm trying to get my head around how you sustain that $11 billion over the medium term, because it feels intuitively low. The second part is just on how sort of the cash flow, the new cash flow targets that you set out. If I go back and look at your scenario analysis on CFFO at $70, and then think about what you provide today in commentary terms of lower operating costs, better production, I'm trying to understand why that doesn't feed into a more aggressive cash flow target? Because it feels like on a like-for-like basis, it's about the same at a higher oil price.

Eldar Sætre ***Statoil ASA - President & CEO***

So basically what is -- when we come up in the cash -- I won't call it a target, it's basically an indication of what we see looking at the portfolio and the numbers that we have and what we have secured in terms of improvements and efficiencies and what we expect to sustain of that. And the plan -- 3 years down the road, 2020, basically this is very much about the portfolio that we are working on. That is pretty -- a high level of transparency in that. So, I'm not saying we are -- I mean we are pursuing further opportunities to increase efficiency. So, this is an indication, given the status of our efficiency that we have at the moment and visibility that we have at the moment. So, in terms of the CapEx guiding and sustaining, I think it's very -- and we've discussed that. It's very difficult to build in and so separate sort of impacts from what we do into these numbers. This is sort of the portfolio number taking us to $11 billion for -- as an average for this period. And it includes, as I said, all the improvements. But it's based on the current view on Johan Sverdrup, for instance. If you're able to improve that, well, that will have a positive impact. But this is what we've put into our ambitions. Also, a reasonable growth on the -- on unconventional as indicated by Torgrim, but that is also a flexible part of our portfolio. So, it is basically based on the current plans as we see it now. Anything you would like to add, Hans Jakob?

Hans Jakob Hegge ***Statoil ASA - Executive VP & CFO***

No, I -- it's the best estimate and I think it provides fairly good visibility. And remember in the improvements also, there is a substantial amount of CapEx. So, I think this is our best estimate.

Peter Hutton ***Statoil ASA - SVP of IR***

Thank you. Thomas, and then Hamish.

Thomas Adolff ***Crédit Suisse AG, Research Division - Head of European Oil & Gas Equity Research and Director***

Thomas Adolff from Crédit Suisse. 2 questions, I'm afraid, one on digitalization. And perhaps you can talk about the challenges with digitalization, be it with the regulator. Having unplanned -- unmanned platforms is quite scary. And obviously, there's also an increase in unemployment. Or whether it's getting the engineers to work with the tech guys or getting the engineers to be retrained. What are the key challenges or hurdles to perfectly implement digitalization? The second question, I guess, is just on the timeline from discovery to first oil. It still takes quite a bit of time. And some of your competitors, they discover, 18 months later, the FID. And then 2 years later, they have the first phase on stream. So is there something you are doing to improve on the timeline from discovery to first oil?

Eldar Sætre ***Statoil ASA - President & CEO***

So yes, digitalization is not without challenges as well. But the starting point for us is really the potentials in terms of safety, costs, more barrels actually a better drainage and carbon issuances. But there are definitely also challenges. So maybe you, Jannicke, would like to comment on that. Jannicke is our Chief Operating Officer. She's also in charge of what we call Digital Center of Excellence and the digital road map in the company, coordinating all and prioritizing all activities. That was an invitation.

Jannicke Nilsson ***Statoil ASA - COO***

Okay. First of all, there's lot of opportunities. We have established this Digital Center of Excellence in the road map to help us to accelerate this transformation. But as you are saying, there are also some challenges. And one of the things that we have done is to establish a Digital Academy in Statoil. Because we need also to bring our people on board on this journey and make sure that we are ready. And that is really something that we need to continue to work on, and I see great enthusiasm in the organization. And right now, it's about having enough capacity to make sure that we can also train our people. And I think going forward with there will be a lot of discussion how to work in the total value chain, how we should share data. But right now, I think we are very good prepared in Statoil. And we are ready also to have this kind of discussion on this with our suppliers, but that will be a discussion going forward.

Eldar Sætre ***Statoil ASA - President & CEO***

Thank you. It's a big theme. Good question. So on speed. Well, I think it has served us well to take the time it took to create the kind of project and portfolio that we have. I think that really has served us well. And I think what we have seen is if you really start running fast because you want to get in there as soon as possible, the temptation to not sort of get the best solutions is really coming at you. But we do see areas where we can standardize. When we know what is the solution, we can really fast track. And there are -- we have many examples of that, one year from actual discovery until the production time back and so on. Where we actually need the more innovative approach it -- we -- I think get it right, as you say. And then doing it at the right time is more important than actually doing it as fast as possible. But Margareth, you have more to reflect on this?

Margareth Øvrum ***Statoil ASA - EVP of Technology, Projects & Drilling***

YEs, maybe a few more reflections. You asked about how we work with the authorities, and of course, we work very closely with the authorities. And for the Oseberg Vestflanken unmanned wellhead platform, this is under installation at the moment. It's on the field. We start drilling in a few weeks. And we do not have a living quarter. We do not have fire pumps. We do not have a lot of utility equipment. But we have a service vessel. So, we have kind of a telescopic bridge to be able to -- which is launched to the unmanned well head platform. So, the people are living on a ship and they walked to work. But going forward, we of course, we need to work very thoroughly with the authorities. And also for the road map I tried to show, it will probably be impossible to lift this project if you are not unmanned project. So that is also an opportunity set. Without unmanned, maybe that will not be realized.

Peter Hutton ***Statoil ASA - SVP of IR***

Thanks, Margareth. Hamish?

Hamish William George Clegg ***BofA Merrill Lynch, Research Division - Director and Senior Analyst***

It's Hamish Clegg from Bank of America Merrill Lynch. 2 parts, if I might. Will the $11 billion of CapEx that you're spending between now and 2020 sustain a 7.7 or so thereabouts reserve life? Or will you need to dip into that $12 billion of free cash flow after dividend that you've guided us to? And following on from that, how will you split/prioritize that free cash flow between reinvesting, debt reduction and returning capital to shareholders?

Eldar Sætre *Statoil ASA - President & CEO*
Okay. So, we are comfortable with our reserve life. We live comfortably with that life. It doesn't give us any urgency. We know we will be able to, through conscious work on both in the transaction market, and not the least, on the exploration side, we will -- that will support our resources when needed and in the most value-enhancing way. So, there's no distress, no urgency and definitely no panic in addressing that. I also indicated, and that was one thing I raised when we were talking about the -- looking into the future that the $12 billion is based on the organic developments. And we will continuously over the next 3 years, which is sort of a guiding period, also look for inorganic opportunities. And that is also included in the guidance on the CapEx now. So, this disciplined approach to that is for sure. And no urgency, but be cautious on really carving out the good opportunities to optimize the portfolio. So, I can't give you any split of that. That is impossible. There's so many variables that goes into that. As I just talked about, it's also an indicator that we would like to strengthen our debt ratio more comfortably into our 15% to 30%. And we have all the macro outlook and developments that we also need to take into consideration, not only the oil price and gas price at the moment but how that outlook looks into the future. So, anything you want to add?

Hans Jakob Hegge *Statoil ASA - Executive VP & CFO*
Just a small one. Look where we are coming from. I mean, the RRR is the highest ever of 150%. It comes from sanctioning Castberg and Snorre . We have a fantastic portfolio. Sanctioning is coming up but we have positive revisions like Marcellus for instance adding to this. So, moving resource classes, systematic work day by day, week by week by the organization gave the RRR around 100 on a 3-year average and 150 for 2017. So that also takes away some of the potential pressure to this topic.

Hamish Clegg *BofA Merrill Lynch, Research Division - Director and Senior Analyst*
So you feel comfortable that the $11 billion will sustain a 100% RRR for the next 3 years?

Eldar Sætre *Statoil ASA - President & CEO*
So, in terms of the reserve replacement over the next 3 years, we believe that the organic developments with the project portfolio at hand, that it will be able to support at least 100% on average. I can't guarantee any individual year, but on average over the next 3 years. Yes.

Peter Hutton *Statoil ASA - SVP of IR*
Can I just thank everybody's patience on the phones. We're going to move over to the phones now and answer the bank of questions that we've got there. As I said before we do that one, can I just thank their patience for holding on. We've had a lot of questions from the auditorium today. So, can we go through to the operator please?

Operator
We will take our first question from Anders Holte from Danske Bank.

Anders Torgrim Holte *Danske Bank Markets Equity Research - Analyst*
My question has 2 parts for me, first one on the CapEx guidance for this year and also for the long term

outlook. You have now for some time been saying that you were seeing that you've been -- same amount of activity for less. That was the main driving force behind your CapEx production guidance in Q3. And I'm also assuming that's the reason why you're not able to reduce costs further in '17 as a whole. The question is what sort of assumptions do you make on activity and potential cost inflation in the long-term perspective where you keep your CapEx level at $11 billion?

Eldar Sætre ***Statoil ASA - President & CEO***
So on the cost inflation part, that is -- Torgrim has commented on how he looks upon the unconventional part of the industry. When it comes to the unconventional part -- or conventional part of the industry, we don't see the same pressure. It's a diverse set of supplies with different set-ups and different capacities and constraints and opportunities. But overall, we see a more moderate increase in the cost of supplies in the conventional part. There are still areas with quite material overcapacities. Other areas are slightly more constrained but we're working consciously on that and I think that's reasonable inflation but not really a cost inflation that is reflecting that the activity level in the industry, it might be increasing. On the $11 billion, you want to comment more on that?

Hans Jakob Hegge ***Statoil ASA - Executive VP & CFO***
No, it's just that I think that we provide some visibility in the slide deck, where the fields being brought on stream where we plan to sanction all the operators or the partner where the operator plan to be on stream. So, the visibility around this should be fairly okay, I think. And as Eldar said, we will stay disciplined when it comes to these investment decisions, so we have a significant amount of flexibility still.

Eldar Sætre ***Statoil ASA - President & CEO***
Could I just add we have made quite significant improvements, and Margareth delivers an oversight over our whole portfolio twice a year. And we see costs coming down and really consistent improvements across the board. Now you also on that part of -- you get to this point where sort of -- there is a limit to how much you can do and I don't think we should expect the same type of over-delivery on project deliveries into the future portfolio as you have seen lately. And that's why we basically, when we talk about this year compared to last year, it is mainly driven by activity, more fields, there's little stuff going out of the portfolio, so mostly it would be there. And there are some new projects that are coming in. And also Martin Linge that will come in with a 50% increased share. So, I think it's a very -- the best estimate we can give at the moment, given the portfolio at hand.

Operator
We will take our next question from Anne Gjøen of Handelsbanken

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Anne Gjøen ***Handelsbanken Capital Markets AB, Research Division - Head of Equity Research***
I have a question related to renewables. Last year, you entered into solar in Brazil, and my understanding is that, that was a particularly interesting area. It's a core area for you and further growth is assumed organically. But is it rather premature to talk about possible interests outside Brazil? Could that also for you potentially be U.S.? Do you find prospects with competitive return in that area now, as long as you

have such a significant cost reduction elsewhere?

Eldar Sætre ***Statoil ASA - President & CEO***
So I think I'll give Irene the opportunity to comment on that.

Irene Rummelhof - ***Statoil ASA – EVP of New Energy Solutions***

Thank you so much for taking an interest in this part of the business as well. We made our first entry to solar in Brazil, and it was not coincidental that we happened to do it in Brazil. We said that we're pursuing a careful solar entry strategy where we go with experienced partners and we build on our international oil and gas footprint. So, we're currently pursuing or looking for other opportunities in other Statoil oil and gas areas. You mentioned U.S. That's one area that is emerging as a merchant risk market, meaning that you have to take market risk. I think that's actually an opportunity for Statoil with a strong balance sheet where we see a lot of our competitors moving away or shying away because they struggle to finance these kinds of projects. So, interesting opportunities in emerging markets with fixed term PPAs, but also in more merchant risk markets.

Operator
We will take our next question from Gudmund Hartveit of Fernley Securities.

Gudmund Hartveit ***Fearnley Securities AS, Research Division - Analyst***
It's related to new projects and currently unsanctioned projects. Now you highlight $21 breakeven for the next-generation portfolio, which is very impressive. But most of those projects, I think, are currently in the development phase. So, I think you also said you want to sanction new projects when they're good enough, which makes sense. But can you elaborate a little bit more on what you see as good enough? I think you've previously talked about an ambition to have breakeven below $40. Is that kind of level also a requirement for making new decisions on a new projects?

Eldar Sætre ***Statoil ASA - President & CEO***
There is no requirement or hurdle that Margareth is definitely pushing targets on every part of our business, every project. So, we do run this through targets and putting pressure on the project. But I don't have this sort of number that says that this is not good enough and this is -- Because the industry is so dynamic, and we -- sometimes we see projects, some of the big projects that we embark on. Big projects typically get better over a lifetime. There's so much optionality in long projects and big projects. And I think it's really important to understand that optionality and the value of that optionality as well. So there's no -- we'll come down, we've taken down the indicator. We're below $40 now on this portfolio is growing, and we will continue to work it because they haven't been worked to the same extent. We have focused our resources on the more near-term projects. But gradually, they will be pushed even harder. And Margareth will get her hands around them and push them. So, I really think there's really significant potential to improve from where we are at the moment at below $40, and -- but I can't give you a number and definitely not a number on individual projects. But we promise we will work them harder. Margareth, this is so keen to.

Margareth Øvrum ***Statoil ASA - EVP of Technology, Projects & Drilling***
I can give them a number. No, but honestly as Arne Sigve alluded to, we have time for constructing our portfolio, which we are working on which are pretty good. We have an early phase project portfolio which -- we have a date from DG 1 to DG 3 where DG 3 is sanctioned, and they are pretty good. Maybe next year I we will reveal this figure. But it's pretty good from DG 1 to DG 3. So, we have a lot to work on.

Operator
We will take our next question from Halvor Nygård from SEB.

Halvor Strand Nygård ***SEB, Research Division - Analyst***
On Sverdrup, can you say something why the reserve range is still quite wide? And secondly, what kind of recovery rates you have applied in the current estimates? And on dividend, I know the dividend policy is to grow the dividend in line with underlying earnings. But is 4.5% growth, as we saw in Q4, something that reflects this or in the next years in your view?

Hans Jakob Hegge ***Statoil ASA - Executive VP & CFO***
The first one is on Sverdrup -- the reserve range. And we have increased the reserve range and we have narrowed it down due to the successful drilling. Why is it so wide? Maybe Arne Sigve, you want to elaborate on that, but the history is that it was wider. It was 1.7 to 3. And now, it's 2.1 to 3-plus. So ,we actually have increased it. But still, there is a range and the recovery factor Arne Sigve very high ambitious on a world-class level.

Arne Sigve Nylund ***Statoil ASA - EVP of Development & Production - Norway***
Yes. Maybe both me and Margareth could elaborate. But the 2.1, 3.1 is uncertainty spend. But we are narrowing it exactly based on what Margareth said on the 17 wells that we now see that it is more kind of secure estimate within that. But we will follow it closely. And as I said when going forward, there is an ambition of 70% recover rate on Sverdrup. And as discussed -- or as Margareth touched upon, there are numerous initiatives to make that happen and to work on that ambition going forward.

Eldar Sætre ***Statoil ASA - President & CEO***
Could you comment on the recovery, Margareth?

Statoil ASA – Margareth Øvrum, Technology, Projects & Drilling
The ambition is 70and we are on a good way, on a good road map for that. We have the ability to include WAGI which is water alternating gas injection. We have the permanent reservoir monitoring so we are planning for increased order recovery from day 1 on Johan Sverdrup . And the reason also we will of course reduce this when we get some more production experience from Johan Sverdrup. And we are going to start up next year -- late next year. So I don't think -- it's not that many years since we decided to sanction Sverdrup . But now it's.

Eldar Sætre ***Statoil ASA - President & CEO***
Next year.

Eldar Sætre ***Statoil ASA - President & CEO***
Thank you, Margareth. And so on the dividend, may I? Underlying, you referenced underlying earnings. And that is basically -- that's our dividend policy. So it stays to grow -- our intention is to grow dividend with the reference to how we look upon the prospectively of long-term underlying earnings. So that means we need to look at something that is there to stay. That should be the driver behind growing it. And this time, we feel that we have been through a pretty extensive improvement efforts and increased efficiency. And as I said, we believe a large extent of that can be sustained, 80%, 85%. So ,this gives us a basis at this time to indicate 4% to 5%. Next year, we will have to make another call, look at all the components and is there a reason for growth or standstill. I don't know. We will simply have to take that discussion. But I'd also say there's no formula taking us to 4.5%. So, it's basically a judgment call based on what we see and the confidence in our ability to sustain any improvement. There's no formula defining our dividend as such.

Peter Hutton ***Statoil ASA - SVP of IR***
Thanks, Eldar. I think we've got a last question on the phone and then we'll be wrapping up.

Operator
We will take our next question from Oddvar Bjørgan from Carnegie.

Oddvar Bjørgan ***Carnegie Investment Bank AB, Research Division - Research Analyst***
If I can go back to the free cash flow guidance of $12 billion over the next 3 years, I understand it's after dividends. But is it also after subtracting some 4 billion in net acquisitions? So, if we assume some $9 billion in dividends in the period, would a good estimate of organic free cash flow before dividends and before net acquisitions be approximately 12 plus 9 plus 4, close to $25 billion over that 3-year period? Is that correct?

Eldar Sætre ***Statoil ASA - President & CEO***
I think we should stick to the number that we have given you, the $12 billion, and that's referenced at the corporate level. And as you say, it did -- it's after the dividend. And I commented on that, what type of roughly assumptions. And it's after the transactions that we have made. I haven't got exactly the number that is put into that. But it's after all the transactions the Martin Linge, the Roncador, Carcará, these transactions and all implications of those transactions, they are included, and also what happens after the considerations in terms of revenue and generation -- cash generation.

Oddvar Bjørgan ***Carnegie Investment Bank AB, Research Division - Research Analyst***
Yes, a quick follow-up on that case. Even though you don't have an exact number there, it's nevertheless quite impressive free cash flow guidance, I would say. But those acquisitions you are mentioning, there are some USD 3 billion, USD 4 billion. So, we're talking about free cash flow here at least $23 billion

maybe, as much as 25 billion over that 3-year period. If you look at consensus out there provided by FactSet, it's not $25 billion. It's closer to $14 billion over the 3-year period. And if I adjust for a difference in oil price assumption, you are using $70 while consensus is at $64. If I use your cash flow sensitivities that you provide on Page 27 in your presentation material, you can see that the $6 difference is $1 billion or -- per year or $3 billion over 3 years? So, if I just made consensus come up with the same oil price that you're using, it will be like $17 billion, significantly below what you are guiding. So, the question is finally this, what do you think analysts are missing here? Is it in a particular area of your business where cash flow could be underestimated by analysts, do you think?

Hans Jakob Hegge ***Statoil ASA - Executive VP & CFO***
Well, thank you for the compliments on our cash flow. I mean given a $70 world, it is impressive, I agree. And on the slide in my presentation on the strong cash flow generation, we illustrate 2 points, the cash flow from the operations but also the flexibility in the CapEx on the sanctioned U.S. onshore. And this creates really headroom for maneuvering, and that's what we are aiming at. And the strong cash flow from operation has a clear indication, but not a hard, solid line for very good -- and I might say, obvious reasons, given the volatility that we're coming from. But I like the fact that you see the strength in our cash flow.

Peter Hutton ***Statoil ASA - SVP of IR***
Thanks very much. Nice question. We'll go through that as long as you like. Next question and final question please for the session.

Operator
We will take our next question from Jason Kenney from Santander

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Jason S. Kenney ***Grupo Santander, Research Division - Head of European Oil and Gas Equity Research***
I'll just come back to the divestments if I can. I think at the end of last year on the upside, you mentioned that the Campos Basin license might be critical, given your large stake. And also you are thinking about potential new support in Carcará as well. So, I'm wondering if there is potential for some asset positioning or offloading of the stake in Brazil?

Eldar Sætre ***Statoil ASA - President & CEO***
So we've taken some big bites in Brazil on the Carcará and working on the -- starting to work on the utilization of the Roncador. We have a broad MOU strategic cooperation with Petrobras where we also will address opportunities within the gas monetization for instance, and also exploration opportunities. So we will obviously look for all kinds of opportunities in this space and through the cooperation that we have. But I think now what we're also working on is the exploration opportunities in Brazil so there are regular rounds coming up and there is 1 coming up really soon. So exploration is really an area that really has some high potential from our side in Brazil. But it's definitely an area that we find attractive. We feel that the framework is improving. At stabilizing. It is an area that you can say is 10, 15 years behind the Norwegian continental shelf. So all the lessons that we have learned in the Norwegian continental shelf is applicable really to build and create value in a Brazilian context. So that will be the starting point for

how we look at the opportunity sets further in Brazil.

Peter Hutton ***Statoil ASA - SVP of IR***

With that, thank you. Thanks very much tor everybody here and on the phones. We've done slightly more than 45, about 50 minutes of questions. I wanted to give everybody opportunities to ask those questions. There will be other opportunities. We've got people from the executive team here today. So please feel free to talk to them as we move through next door. Can I just thank everybody for coming in? Can I pass this through to Eldar for some closing words?

Eldar Sætre ***Statoil ASA - President & CEO***

Yes. So I would just like to thank you all again for coming. I know you have busy schedules. But we truly really appreciate to see so many of you gathered here and really spending time listening to our story, which we think is really a great story, good resource. And the value proposition that we are presenting, I think that is something that really makes us pride -- proud. And I think we're a company that is really addressing not only the short term, but also the longer term and have some really strong ideas about how to shape the future of energy, both in oil and gas and into the renewable arena. Exciting opportunities for the industry, definitely also for this company.

So just to repeat, sort of you heard it before, but the 3 components main messages. First of all, we see a capacity, a really strong capacity to grow returns and grow cash flow forward. and we have lifted the dividend this time by 4.5%. We are investing in a remarkable portfolio with a breakeven price of USD 21. And industrially, what we have tried today is to highlight to you what is really the fundamental industrial value drivers really for -- in this company, coming from the Norwegian continental shelf and how we tried to leverage that to get even more, much more out of what we have the opportunities on the Norwegian shelf, by increasingly leveraging that consciously into our industrial portfolio. So that is what we have talked about today, and I hope you see that. And again, I thank you all for coming, spending the time with us and wish you all a very, very safe journey home. Thank you very much.

Peter Hutton ***Statoil ASA - SVP of IR***

Thank you.
