Statoil

# Building a flexible cash generator

7 February 2017

Torgrim Reitan - Executive Vice President, Development & Production USA (DPUSA)

# FORWARD-LOOKING STATEMENTS

This presentation contains certain forward-looking statements that involve risks and uncertainties. In some cases, we use words such as "ambition", "continue", "could", "estimate", "expect", “believe”, "focus", "likely", "may", "outlook", "plan", "strategy", "will", "guidance" and similar expressions to identify forward-looking statements. All statements other than statements of historical fact, including, among others, statements regarding plans and expectations with respect to market outlook and future economic projections and assumptions; Statoil’s focus on c apital discipline; expected annual organic production through 2017; projections and future impact related to efficiency programmes, including expectations regarding costs savings from the improvement programme; capital expenditure and exploration guidance for 2017; production guidance; Statoil’s value over volume strategy; Statoil’s plans with regard to its completed acquisition of 66% operated interest in the BM-S-8 offshore license in the Santos basin; organic capital expenditure for 2017; Statoil’s intention to mature its portfolio; exploration and development activities, plans and expectations, including estimates regarding exploration activity levels; projected unit of production cost; equity production; planned maintenance and the effects thereof; impact of PSA effects; risks related to Statoil’s production guidance; accounting decisions and policy judgments and the impact thereof; expected dividend payments, the scrip dividend programme and the timing thereof; estimated provisions and liabilities; the projected impact or timing of administrative or governmental rules, standards, decisions, standards or laws, including with respect to the deviation notice issued by the Norwegian tax authorities and future impact of legal proceedings are forward-looking statements. You should not place undue reliance on these forward- looking statements. Our actual results could differ materially from those anticipated in the forward-looking statements for many reasons.

These forward-looking statements reflect current views about future events and are, by their nature, subject to significant risks and uncertainties because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including levels of industry product supply, demand and pricing; price and availability of alternative fuels; currency exchange rate and interest rate fluctuations; the political and economic policies of Norway and other oil-producing countries; EU developments; general economic conditions; political and social stability and economic growth in relevant areas of the world; global political events and actions, including war, political hostilities and terrorism; economic sanctions, security breaches; changes or uncertainty in or non-compliance with laws and governmental regulations; the timing of bringing new fields on stream; an inability to exploit growth or investment opportunities; material differences from reserves estimates; unsuccessful drilling; an inability to find and develop reserves; ineffectiveness of crisis management systems; adverse changes in tax regimes; the development and use of new technology; geological or technical difficulties; operational problems; operator error; inadequate insurance coverage; the lack of necessary transportation infrastructure when a field is in a remote location and other transportation problems; the actions of competitors; the actions of field partners; the actions of governments (including the Norwegian state as majority shareholder); counterparty defaults; natural disasters and adverse weather conditions, climate change, and other changes to business conditions; an inability to attract and retain personnel; relevant governmental approvals; industrial actions by workers and other factors discussed elsewhere in this report. Additional information, including information on factors that may affect Statoil's business, is contained in Statoil's Annual Report on Form 20-F for the year ended December 31, 2015, filed with the U.S. Securities and Exchange Commission (and in particular, Section 5.1 thereof (Risk factors)) which can be found on Statoil's website at www.statoil.com.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot assure you that our future results, level of activity, performance or achievements will meet these expectations. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. Unless we are required by law to update these statements, we will not necessarily update any of these statements after the date of this report, either to make them conform to actual results or changes in our expectations.

# Portfolio of high-quality assets

### Scale of US portfolio

- ~4 bn boe in resources
- 270 mboe/d[1]
- 604,000 onshore acres[2]

### US onshore

- Producing 212 mboe/d[1]
- Attractive portfolio in core plays
- Continuously improving

### US offshore

- Producing 58 mboe/d[1]
- 6 producing fields
- High value barrels

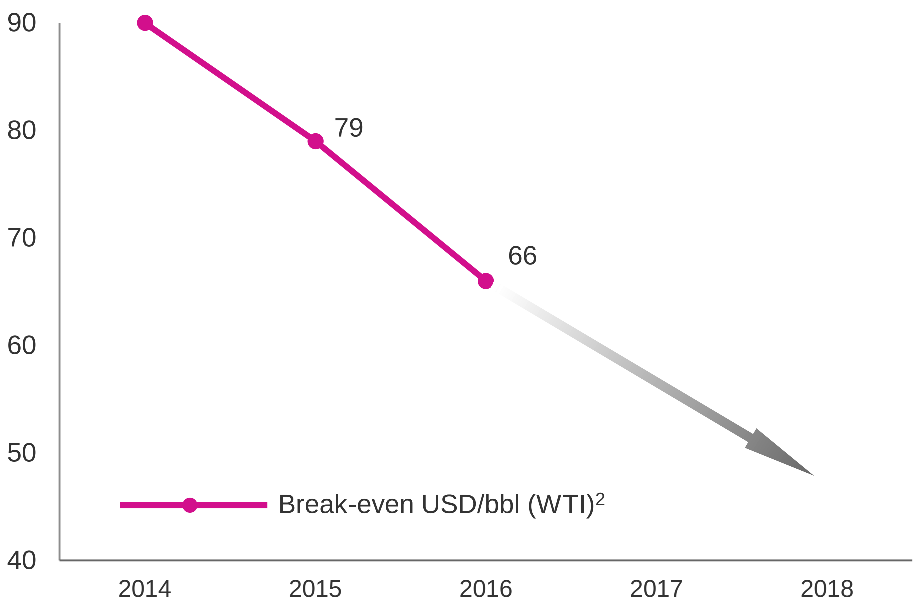

### 2016 portfolio events

- Full operatorship and increased share of Eagle Ford
- Divestment of non-core Marcellus
- Julia first oil
- Awarded two deepwater blocks in Mexico

1 Average daily equity production 2016
2 Net acres - Onshore operated & Non-operated

# On track to make money – "90 to 50"

### Oil price needed for positive earnings (NOI = 0)[1]




### Achievements – 2016[3]

- Unit Production Cost: -34%
- Onshore recovery (EUR)[4]: +41%
- Offshore production: +45%

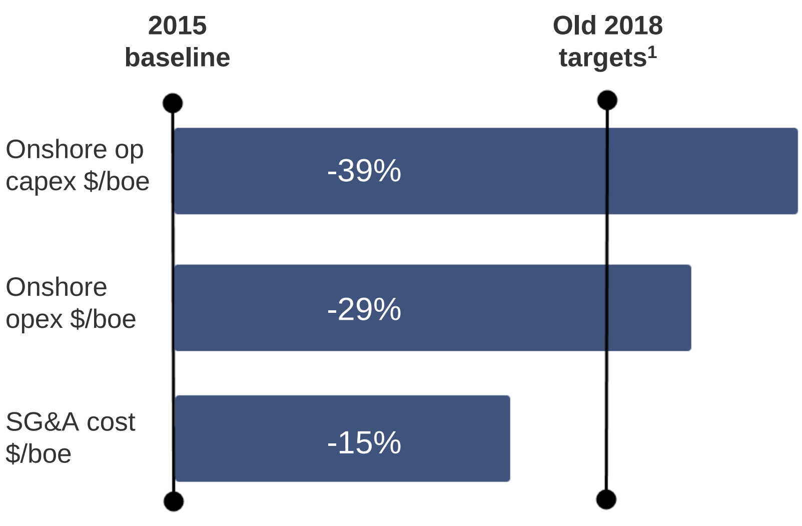
### Improvements towards 2018

- Continued EUR improvement
- Stampede start-up
- Continued cost reductions
- Regularity onshore

1 Adjusted NOI; figure exclude exploration and downstream. Assumes product and gas prices correlate to changes in the WTI price. Realized price in the US portfolio is significantly lower than WTI due to the mix of gas/oil/products and local market conditions.
2 Impairments since 2014 contribute with approximately 10USD/bbl (actual effect of impairment will vary based on future production and reserve bookings)
3 2016 vs 2015 yearly average
4 Onshore operated only; EUR stands for estimated ultimate recovery

# Stepping up efficiency targets to improve

## Current progress



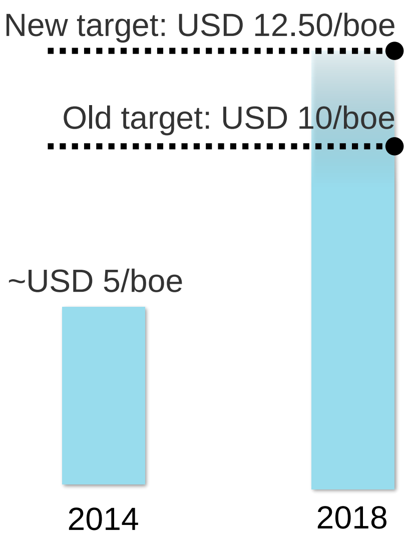

- Reduced capex/well and improved EUR
- Capitalising on full operatorship in Eagle Ford[2]
  - UPC reduced by 36%
  - Capex/well reduced by 22%
- Rightsized and scalable organization

1 Old 2018 target for onshore op capex $/boe: 25%; onshore opex $/boe: 25%; SG&A $/boe: 20%
2 2016 vs. 2015 yearly average

# Growing with quality

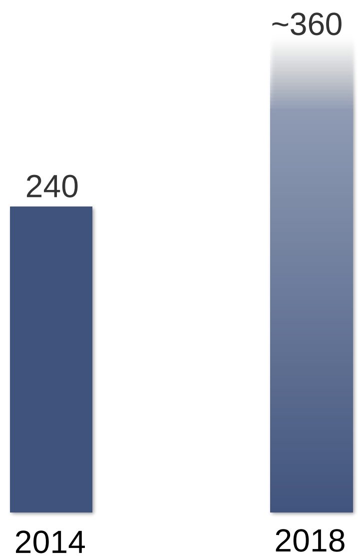
## Cash margin[1]

@ USD 50 WTI




## Production potential

mboe/d




## Increasing cash margin targets

150% increase from 2014-2018

- Old Target:
  Double from USD 5 to 10/boe
- New Target: USD 12.50/boe

## Production

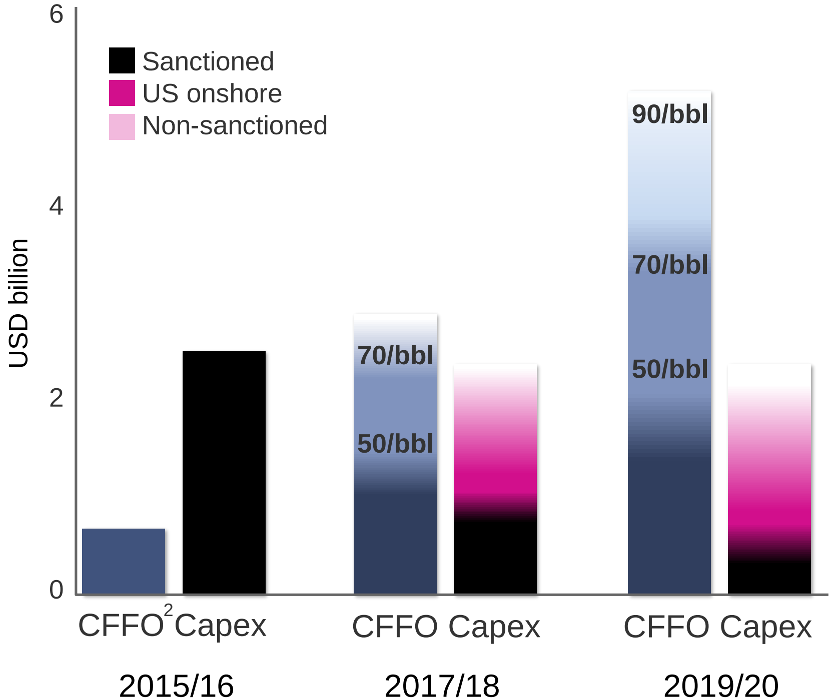
~50% increase from 2014-2018

- Growth potential intact despite reduced activity
- Production is not a target.
  Value drives activity!

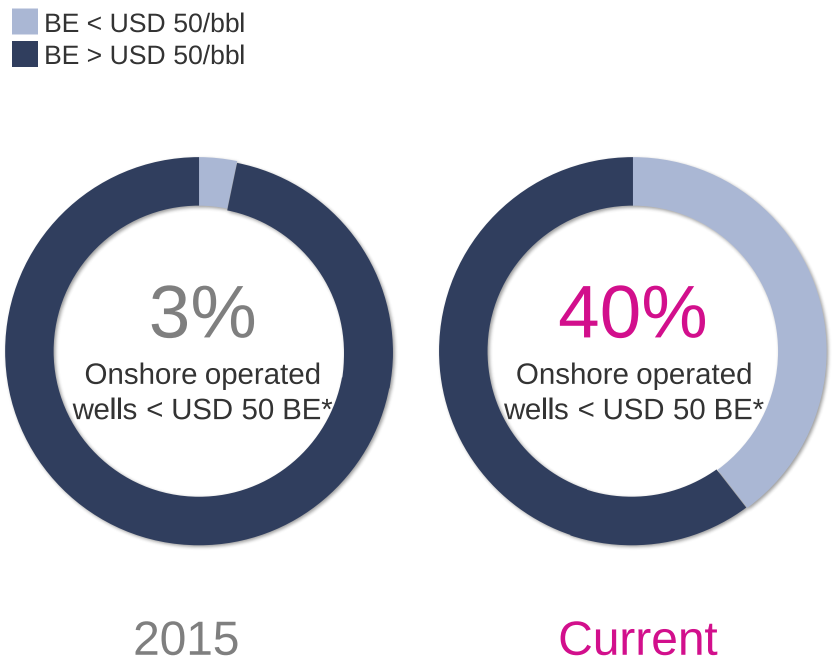
1 After tax margin at USD 50 WTI. Assumes product and gas prices correlate with WTI prices.

# Strong cash generation - flexible investments

## Growing CFFO while capex is flexible[1]




## Increasingly attractive investments




1 Use of capex flexibility is not reflected in the different price scenarios in the chart
2 Cash flow from operations

* Future wells in business plan



Statoil

# Building a flexible cash generator

| | |
|---|---|
| Performance | • "90-50" on track<br>• Stepping up efficiency targets<br>• Increasing cash margin target to USD 12.50/boe |
| Flexibility | • Vary activity with price<br>• Ability to leverage cycles<br>• Significant free cash flow potential |
| Potential | • ~4 bn boe remaining resources<br>• 89% of resources[1] remain to produce<br>• Scalable business |

1 Commercial resources in business plan



Statoil