Always safe - High value - Low carbon

Statoil business update - Hordaland på børs 24.08.2017
Peggy Krantz-Underland, Vice President F&C, Technology, Projects & Drilling
approx. 4000 competent employees creating value EVERY DAY
FORMING A FUTURE-FIT PORTFOLIO

We will actively shape our portfolio to deliver high value with a low carbon footprint: Forming a Statoil portfolio that remains fit for the future towards 2030 and beyond.

Norwegian continental shelf
Build on our unique position to maximise and develop long-term value

New energy solutions
Create a material new industrial position

Always safe
High value
Low carbon

International oil & gas
Deepen core areas and develop growth options

Midstream and marketing
Secure premium market access and grow value creation through cycles
From programme to culture

Unlocking further efficiency potential

Continuous improvement
USD billion

Drilling cost per offshore well: 35% cost
US onshore cost per bo: 64% cost
Unit production cost: 18% cost
Sales, general & administration: 30% cost
Production efficiency: >6.5 p.p.

2013 baseline
Delivered improvements
2016 delivery
2017 ambitions

Original 2016 ambition
1.3
2016 ambition
2.5
2016 delivery
3.2

2017 ambition
1.0
2018

New measures from continuous improvement
Forward impact from improvement programme

1 Production wells
2 NCS production efficiency
3 Annual continuous improvement from 2017
4 Realisation of estimated facility effects compared to 2013 baseline
Investing in next generation portfolio

**World class projects 2015-22**

- **Average break-even**: USD 27/bbl
- **Oil share**: 65%
- **Payback**: 2023 @ USD 50/bbl

**Average IRR**

- 30% → USD 90/bbl
- 20% → USD 70/bbl
- 10% → USD 50/bbl
- 0%

**More for less**

- Trestakk
- Johan Castberg
- Peregrino Phase 2

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1 Operated and non-operated projects, sanctioned since 2015 or planned for sanction, with start-up by 2022. Volume weighted.
2 Time of accumulated positive cash flow after tax.
3 Internal rate of return at time of sanctioning. Capex weighted.
4 Total non-sanctioned portfolio (operated and non-operated).
Knallsterke resultater fra Statoil

Tredobling av resultatene for Statoil

Kraftig resultatbedring fra Statoil

Djøfjellet hjelper langt bedre resultater i første kvartal med hjelp fra blant annet høyere oljepriser og økt produksjon, og slår analytikernes forventninger.

Milliardene strømmer inn for Statoil

Kraftig resultatfremgang for Statoil for andre kvartal, blant annet hjulpet av høyere oljepriser.
Our suppliers are crucial for our success.

..strong relationships with high-quality suppliers drives sustainable competitiveness

The majority of Statoil’s yearly expenditures arises from suppliers.

Statoil procurement 2016 in NOK Bn

- Total procurement internationally: 151
- Total procurement Norway*: 55
- Business support: 14
- Operations, maintenance and modifications: 31
- Drilling and well: 46
- Capital projects: 60

* In addition comes additional equipment bought in Norway through EPC contracts.
Major Statoil projects Stord 2017
## Outlook

<table>
<thead>
<tr>
<th>Period</th>
<th>Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organic capex</strong></td>
<td>USD ~11 billion&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
<tr>
<td>Production</td>
<td>2016-2017 2016-2020</td>
</tr>
<tr>
<td></td>
<td>~5% organic production growth</td>
</tr>
<tr>
<td></td>
<td>~3% organic CAGR</td>
</tr>
<tr>
<td>Maintenance</td>
<td>2017 3Q 2017</td>
</tr>
<tr>
<td></td>
<td>30 mboe per day</td>
</tr>
<tr>
<td></td>
<td>50 mboe per day</td>
</tr>
<tr>
<td>Exploration</td>
<td>2017</td>
</tr>
<tr>
<td></td>
<td>USD ~1.3 billion</td>
</tr>
<tr>
<td>Efficiency improvements</td>
<td>2017</td>
</tr>
<tr>
<td></td>
<td>USD 1 billion</td>
</tr>
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</table>

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<sup>1</sup> Based on USD/NOK exchange rate of 8.5
ADDRESSING NEW REALITIES, NEW OPPORTUNITIES

Energy system transitioning
Liquids resource replacement challenge
Markets remain cyclical
Winners transform their cost base
Low carbon creates opportunities

Prepare to be surprised
TECHNOLOGY TO SHAPE THE FUTURE OF ENERGY
Statoil’s technology strategy

INNOVATION

OPTIMISE PRODUCTION FROM EXISTING AND NEAR FIELD RESOURCES
LOW CARBON SOLUTIONS FOR OIL & GAS

CROSS-DISCIPLINE SOLUTIONS

DISCOVER AND DEVELOP FRONTIER AND DEEP WATER AREAS
UNLOCK LOW RECOVERY RESERVOIRS

DIGITALISATION

DEVELOP RENEWABLE ENERGY OPPORTUNITIES
- Statoils hovedbase for vedlikehold av subsea-installasjoner
- Behandler råolje fra Troll B, C, Kvitebjørn, Visund og Gjøa
- Johan Sverdrup-oljen kommer i nytt rør i desember 2019
- Forsyningsbase for installasjoner og rigger i Nordsjøen

- Tar imot gass fra Troll, Kvitebjørn, Visund og Fram
- Gassen behandles før den sendes til Europa

- Tar imot råolje fra Oseberg-feltet, Veslefrikk, Brage, Grane, Svalin og Edvard Grieg
Solid financial results

- Strong production and high regularity
- OPEX / SG&A per boe down 8%\(^1\) in USD
- Higher realised prices
- Reversal of provision in Angola
- Tax rate at 57.4%

\(1\) Adjusted for change in principle for allocation of gas transportation costs, which has no NOI effect
## Solid adjusted earnings

### D&P Norway
- Record high regularity YTD
- 11% underlying\(^1\) reduction in OPEX / SG&A per boe in NOK

<table>
<thead>
<tr>
<th></th>
<th>Pre tax</th>
<th>After tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>2Q’17</td>
<td>1,935</td>
<td>611</td>
</tr>
<tr>
<td>2Q’16</td>
<td>1,163</td>
<td>436</td>
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</table>

### D&P International
- Reversal of provision USD 754 mill\(^2\)
- 3% underlying production growth

<table>
<thead>
<tr>
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<th>Pre tax</th>
<th>After tax</th>
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<tbody>
<tr>
<td></td>
<td>876</td>
<td>673</td>
</tr>
<tr>
<td></td>
<td>(506)</td>
<td>(549)</td>
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</tbody>
</table>

### MMP
- Lower liquids trading results
- High refinery throughput with good margins

<table>
<thead>
<tr>
<th></th>
<th>Pre tax</th>
<th>After tax</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>292</td>
<td>62</td>
</tr>
<tr>
<td></td>
<td>329</td>
<td>132</td>
</tr>
</tbody>
</table>

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1) Adjusted for change in principle for allocation of gas transportation costs, which has no NOI effect
2) Pre-tax; for additional information refer to Note 8 of Q2 2017 Financial Statements
Reinforcing safety measures

Serious incident frequency
Serious incidents per million work-hours

Reinforcing safety measures

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<tbody>
<tr>
<td>Value</td>
<td>2.1</td>
<td>2.2</td>
<td>1.9</td>
<td>1.4</td>
<td>1.1</td>
<td>1.0</td>
<td>0.8</td>
<td>0.6</td>
<td>0.6</td>
<td>0.8</td>
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</table>
Sustainable value creation from financial discipline

**Investing in world class portfolio**
- Break-even @ USD 27/bbl
- Material capex flexibility
- RoACE\(^1\) above 10% @ USD 70/bbl 2020

**Growing cash flow**
- Visible production growth
- Improving cash margin
- FCF positive @ USD 50/bbl in 2017

**Dividend policy remains firm**
- Maintain dividend at USD 0.2201\(^2\)
- Scrip programme in 2017\(^2\)
- Share buyback option\(^2\)

**Maintaining financial flexibility**
- A-category rating on a stand-alone basis
- Gearing comfortable in 30s; long term 15-30%
- Active portfolio management

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1 Return on average capital employed.
2 Subject to approval at the Annual General Meeting (AGM).
Increasing value through sustainable improvements

**Development break-even major project decisions 2015-17**

- **Capex**
  - Current: 80 USD/bbl
  - CMU 2016: 40 USD/bbl
  - 2013: 20 USD/bbl
  - Decrease: -43%

- **Recoverable resources**
  - Current: 60 USD/bbl
  - CMU 2016: 40 USD/bbl
  - 2013: 20 USD/bbl
  - Increase: +12%

- **NPV after tax**
  - Current: 80 USD/bbl
  - CMU 2016: 40 USD/bbl
  - 2013: 20 USD/bbl
  - Increase: +12%

**Average break-even price**

- **Project portfolio**
  - 2013: 70 USD/bbl
  - CMU 2016: 41 USD/bbl

- **Next generation portfolio**
  - Current: 27 USD/bbl

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1. Johan Castberg, Johan Sverdrup phase 1, Johan Sverdrup phase 2, Oseberg Vestflanken, Peregrino Phase II, Snorre Expansion, Trestakk and Utgard.
2. Oil and gas price assumptions reduced by 20-30% in same period.
4. Statoil- and partner-operated projects, sanctioned since 2015 or planned for sanction, with start-up by 2022. Volume weighted.
Delivering high value production growth

**Equity production mboe/d**

- 2016
- 2017
- 2020

- US onshore and DPN flex gas
- International excl. US onshore
- DPN excl. flex gas

**Major start-ups planned for 2017-2022**

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gina Krog</td>
<td>Aasta Hansteen</td>
<td>Johan Sverdrup</td>
<td>Peregrino Phase 2</td>
<td>Troll Future</td>
<td>Johan Sverdrup future</td>
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<tr>
<td>Hebron</td>
<td>Mariner</td>
<td>Trestakk</td>
<td>Utgard</td>
<td>Snøhvit Askeladd</td>
<td>Johan Castberg</td>
<td></td>
</tr>
<tr>
<td>Oseberg Vestflanken</td>
<td>Stampede</td>
<td>Snorre Expansion</td>
<td>Eirin</td>
<td>Vito</td>
<td>North-Komsomolskoye</td>
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<tr>
<td>Martin Linge</td>
<td>Bauge</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>TVEX</td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Big Foot</td>
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</tbody>
</table>

- Major projects (list not exhaustive)
- Statoil-operated projects are in bold
- * Indicative plateau production from planned start-ups – Statoil equity share (mboe/d), not applicable for sum of production per year

1. Compound annual growth rate.
2. Rebased 2016 of 1,958 mboe/d, adjusted for the KKD transaction.
3. TVEX: Tahiti vertical expansion.
Strong cash generation – high value reinvestment

Growing cash flow with flexibility¹
Free cash flow positive @ USD 50/bbl in 2017

Managing the balance sheet²
Reducing net debt at > USD 50/bbl

1 For illustrative purposes; assumes 40% out-take rate for the remaining scrip programme period.
2 In the price scenarios, the following real prices have been assumed (Brent Blend USD per barrel / NBP USD per million Btu): 50/5.5, 70/6.5 and 90/8.5
3 Cash flow from operations.

• Feil I graffikk til venstre. Ok nå?
• Denne sier ca 25% net debt ved 70 usd, nå er vi på 27,5% ved rundt 50. forklaring?
1. Digital safety, security & sustainability
2. Process digitalisation
3. Subsurface analytics
4. Next generation well delivery
5. Field of the future
6. Data driven operations
7. Commercial insights

Statoil’s digital roadmap