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INTRODUCTION

Peter W. Hutton

Senior Vice President-Investor Relations

Eldar Sætre

President & Chief Executive Officer

Thank you, Peter. Good morning, everyone, and thanks for coming to this annual event here in London. It's really good to see you all. Once again, ladies and gentlemen, our industry is definitely experiencing tough, challenging times. In fact, we have lived with the turbulence and tumbling prices for over a year now, a powerful reminder indeed of the fundamental cyclical nature of oil. But everyone – every downturn has its – is different and has its own characteristics. This one has truly exposed how the industry over many years has allowed costs and complexity to escalate, I would say, beyond sustainable levels. Yes, we face a challenging market but, equally important, we now also have a unique opportunity to fundamentally reset our business.

Today, you will see how we are taking down costs faster and with much bigger impact than we planned for earlier. You will also see how we are radically reshaping our project portfolio, positioning Statoil to capture significant value as the cycle turns towards the upside. This is the core of our strategy, resetting costs, capturing opportunities.

Hans Jacob will show you the financial details of this plan in addition to our fourth quarter and full-year results. And you will also have the opportunity to hear how we are implementing this value-driven strategy throughout our business.

Since you will hear a lot about changes today, let me start with one thing that is not changing, our commitment to safe and secure operations. In the last quarter, Statoil regrettably had three fatalities related to our operations. These incidents are clear reminders that the safety and the security of our people and the integrity of our operations remains our top priority.

For the year as a whole, our serious incident frequency came at 0.6, which is a solid result as a statistic, and it gives us clear indications that we are consistently on the right track and have been so over many years now.

As you know, timing matters a lot in our industry. And on this day, exactly one year ago, I was appointed the CEO of Statoil. What a timing, and, indeed the perfect timing to make a difference.

One of the first things that I did was to make promises to the market. And I hope you will agree with me that we have delivered on those promises. Our efficiency program is already well ahead of the \$1.7 billion target for 2016. Organic Capex came in at \$14.7 billion, a reduction of around \$5 billion compared to 2014. Production, adjusted for divestments, increased by 6% year-on-year. And reflecting our commitment to competitive shareholder capital distribution, we also maintained our dividend throughout the year in line with our dividend policies.

I am truly encouraged by these results. But let me assure you, we are not here today to celebrate, but to accelerate. In 2015, Brent averaged \$55 per barrel. And so far, this year, we have experienced prices below \$30. Fortunately, the fundamentals of supply and demand still works which means that the best cure against low oil prices is actually low oil prices.

The middle graph shows the EIA numbers for stock changes, indicated clearly that markets are heading towards rebalancing, but exactly how long it will take to get there is highly uncertain. Another and more long-term implication of the current market environment is that the oil companies almost everywhere are cutting back on their investment programs. And for the first time in history, we are likely – very likely to see at least two consecutive years of cuts.

And as a consequence, significant new capacity will not be brought on stream when needed. Adding to this what we know about the decline from existing fields, the time horizons of new project developments and increasing demand further underscores the point that the oil price are cyclical by nature.

When it comes to natural gas, we know that prices are under pressure short term. Medium to longer term, however, we do see stronger gas markets emerging. Declining European indigenous production, markets gradually absorbing new LNG capacity, and clearer policy signals on the need for natural gas to replace coal in power generation. This all supports the view that I mentioned we do see an emergence of a stronger gas market. And Jens Økland will give you more detailed outlook for the gas markets at our gas seminar in London in two weeks' time.

We are now resetting Statoil to become much more fit for the future. Our strategy will ensure that we are well prepared for a low-price environment, and it will position us to capture opportunities for value growth when the cycle turns and market rebounds, and they will.

I think of this in terms of three priorities. First, faster and deeper cost reductions. Rather than depending on what we believe to be an expected oil price in the future, we want to shape a company that is competitive at all times. We were early-movers starting back in 2013, and have now reinforced those measures by taking a transformational approach to our cost base. And at the same time, we will continue to demonstrate strict financial discipline.

In this way, we enable ourselves to act on my second priority – preparing to invest in, what I call, the next – on our next-generation portfolio. Since last year's CMU, we have challenged every single project at hand to get below the \$50 per barrel break-even. I can assure you, it seemed like a very tough challenge at the time. But now we see real success, radical change. So far, we have reduced break-even oil prices at – of our operated opportunity set to \$41 per barrel. In some cases, both capex and break-evens have been reduced by up to 50%, and we are not done yet.

As an additional tool to strengthen our financial capacity, the board has decided to propose the introduction of a scrip dividend program to the AGM in May. I will return to this later in my presentation. Finally, to my third priority – capturing the upturn in the oil and gas prices. Our plan positions Statoil for delivering value creation and staying competitive in the low-price environment, but even more so, it offers attractive value-creating opportunities when the commodity market rebounds. And to achieve this, two conditions needs to be in place. First of all, that our efficiency gains are – must be sustainable even when the heat one day is turned back on in our industry. And secondly, we must actually invest in attractive projects in order to deliver volumes to benefit from this price recovery.

So let me add some numbers to this story. By targeting unplanned losses, we have been able to improve regularity in our operations. Compared to 2013, unplanned losses are down 50%, and we have sustained this level for two years in a row now. This represents around 50,000 barrels per day, adding almost \$700 million to our pre-tax cash flow last year.

On cost efficiencies, our target for 2016 was \$1.7 billion measured against the cost base of 2013. Having already realized \$1.9 billion, we are now increasing the 2016 target by another 50% from \$1.7 billion to \$2.5 billion annually.



And finally, flexibility matters a lot. In fact, it is truly golden in times of uncertainty. With a large share of operated assets, we are in the driver seat on this flexibility, and we will continue to use the flexibility to the extent necessary. Included in this flexibility is also a further tightening of our priorities within exploration, which Tim will discuss in more detail later today. The combined effect of the measures that I have just shown you adds up to more than \$10 billion in improved pre-tax cash flow for 2016.

Ladies and gentlemen, we have now arrived at my favorite slide of the day. I said at the outset that we are taking actions to reshape our company. And here, you can see how. In 2013, the average break-even price for our operated projects pre-FID with planned start-up by 2022 was \$70 per barrel.

Today, we have reduced this to \$41, precise number, an improvement of more than 40% or almost \$30 per barrel. We are reworking concepts. We are challenging solutions all the way from the reservoir to the markets, and we are renegotiating contracts to capture falling rates in the supplier markets.

82% of the capex in this portfolio now has a break-even price below \$50 per barrel, and we will hunt for even more. In fact, I'm now challenging every new project with an ambition to pursue profitability below \$40 per barrel.

One example is Johan Castberg where we so far have been able to reduce the break-even price from above \$80 per barrel to below \$45 per barrel, and almost half the required capex so far. For Johan Sverdrup phase 1, the break-even price has further improved and is now below \$30, truly a world-class project. And Margareth has the pleasure of elaborating further on both of these projects as she will also show you more examples in her presentation.

As you have seen, we have a clear plan to create value for our shareholders. And as a part of the plan, we are also firmly committed to maintaining a competitive capital distribution in line with our dividend policy. The board has decided to recommend to the AGM to maintain the dividend of \$0.2201 per share for the fourth quarter of 2015. And the board's intention is to keep the dividend flat for the first three quarters of this year.

In addition, the board will propose the introduction of a two-year scrip dividend program starting from fourth quarter 2015. We maintain our dividend policy while adding the options for shareholders to reinvest their dividend into newly issued shares at a discount of 5% for the fourth quarter 2015. In addition, the scrip program will strengthen the company's financial flexibility and capacity to invest in high quality projects in a timely manner. The Norwegian government supports the proposal and will match the takeout from other investors, thereby, maintaining its ownerships at 67%.

Towards the end, let me offer some comments on how Statoil plans to be part of the low carbon future. First of all, Statoil welcomes the Paris Agreement. We firmly believe that the oil and gas industry has to be part of the solution. Our ambition is to be a leading company in terms of carbon efficient oil and gas production. And we believe this increasingly will be a competitive advantage as tighter carbon regulations comes into effect.

Since we met last year, we have also established new energy solutions as a business area with a mandate to gradually build the business within renewable energy. I see this as a long-term growth opportunity for Statoil, and the starting first point is our current business within offshore wind.

So, allow me to summarize what you have heard this morning. Resetting costs, capturing opportunities – that is the core of our strategy. We will deliver faster and deeper cost reductions, increasing our annual efficiency target by 50% to \$2.5 billion by 2016. We will cautiously manage our financial flexibility in light of the current uncertainty in our core markets and in light of our commitments to shareholder capital distribution.

As early-movers on cost efficiency, we are also now shaping on next-generation portfolio. More than 80% of the capex in our operated opportunity set has a break-even price below \$50 per barrel.



Finally, Statoil is positioned for value creation even in a low-price environment. And we are well placed to capture the full gains when the oil prices recovers. Thank you very much for the attention.

I now leave the word to Hans Jakob Hegge, our CFO.

Hans Jakob Hegge

Chief Financial Officer & Executive Vice President

Thank you, Eldar. Ladies and gentlemen, good morning. It's a pleasure seeing you all. Let me start by sharing three things that are important to me. In order to deliver on our strategy of capturing - resetting costs and capturing the opportunities. First, driving performance every day. Second, capital discipline. Saying yes only to the excellent projects. And third, securing financial flexibility to invest in the right opportunities while remaining committed to capital distribution. These will be the main themes in my presentation today.

But let me start with the performance from 2015. In a year with high market volatility, we delivered adjusted earnings of NOK 77 billion, down from around NOK 136 billion in 2014. New fields on stream, ramp-ups, accelerated wells, and higher regularity delivered a production growth of 6%, adjusted for divestment. We saw material impact from our efficiency program, and strict prioritization in all our investment decisions. We reduced organic CapEx in 2015 by around \$5 billion compared to 2014 to \$14.7 billion, \$3 billion below our original guiding. Cash flow from operation was NOK 166 billion for the full year, and through the year, we maintained a firm commitment to our dividend policy.

Achieved liquid prices were down 29% in kroner compared to last year, but our results also reflect strong operational performance, continued high production, and significant cost improvement.

We reported an adjusted earnings of NOK 15.2 billion, down by 44% from the same quarter in 2014. Net adjustments in the quarter of NOK 13.5 billion, mainly due to impairments as a result of short-term price assumption, that has been taken down.

An effective tax rate of 89.5%, up from 84.1% the same quarter last year, mainly as a result of losses in countries with limited tax shield.

Mainly due to the lower realized prices, Development and Production Norway delivered adjusted earnings of NOK 17.1 billion, down 29% quarter-on-quarter, but we continued to deliver strong operational performance and reducing opex, SG&A by 17% per barrel in the quarter.

Development and Production International reported negative results of NOK 5.7 billion in this last quarter of last year impacted by lower prices and the dollar to NOK exchange rate. We reduced operating cost by 22% per barrel in the quarter measured in dollar.

Our mid and downstream business continues to deliver good results, although somewhat lower than last year. Earnings - adjusted earnings were NOK 3.6 billion, mainly as a result of high regularity, continued attractive refinery margins, as well as strong trading results for liquids and/or U.S. gas business.

During the quarter, we produced more than 2 million barrels per day. And adjusted for divestments, the equity production was at the same level as fourth quarter last year. For the year, adjusted for divestments, production increased by 6%.



In 2015, we delivered a cash flow from operations of NOK 166 billion, with tax payments of NOK 66 billion, NOK 23 billion distributed to shareholders, NOK 33 billion in proceeds from sale of assets and investments by NOK 129 billion, it all adds up to a cash flow of minus NOK 18 billion for the full year.

One-half of the tax payments in 2015 in Norway relates to the second half of 2014, a period with significantly higher prices. With taxes based on the 2015 results, net cash flow for the year would be significantly improved. Our adjusted net debt ratio or the capital – our adjusted net debt ratio to capital employed was 26.8% at year end, up from 20% at the start of the year.

We continued to move barrels in 2015 from resources to reserves. Divestments and strong production reduced our reserve base, giving an organic RRR of 88% and 140% on liquids. Johan Sverdrup was the main contributor to the added reserve. The three-year average organic RRR was 110%.

Let me now leave the quarter and take you further into our capital markets update. You've heard Eldar present our firm strategy of resetting costs and capturing opportunities. And as CFO of Statoil, I will keep special focus on driving performance every day, securing strict capital discipline, and safeguarding our financial flexibility. All these to remain in the position to prioritize capital distribution while investing in strong projects.

Last year, we presented an ambitious plan to improve competitiveness, targeting \$1.7 billion in annual savings from 2016. And I'm pleased to present how we have taken down costs even faster and deeper than we expected. We have reached an annual savings of \$1.9 billion for 2015. We're spending 30% less time drilling offshore wells.

We have reduced U.S. onshore costs by 38%, well underway to reach our revise target of 45%. We are reducing facility capex by 11%, stepping up to 15% this year. Modification capex is down by 35% through strict prioritization and efficient planning. Doing more work ourselves, we are stepping it up to 40%. And we have almost reached our target for reduced field cost on the Norwegian Continental Shelf, but declared progress towards our stretched target of 25%.

We challenged the teams and they returned with substantial savings and they have proposed new and even tougher targets. This is what happens when the snowball starts rolling, it's cultural.

With 15 fields that delivered production efficiency above 92% and maintaining unplanned losses of 5% two years in a row, we see strengthened culture at our fields driving performance every day.

The step-up of \$800 million to our new target of \$2.5 billion in 2016 will be divided by two-thirds capex and one-third opex. In addition, we benefit from a softening supplier market with drilling and completion on U.S. onshore and the new contracts related to Johan Sverdrup. We expect to see cost coming further down and have included a market effect of \$300 million for 2016. Our job is to turn efficiency into money.

Our competitive cost position compared to our peers is good, and we started our efforts coming from a first quartile unit production cost. The efficiency improvements reduced our upstream opex and SG&A per barrel by 11% on the NCS and by 18% in DPI.

Compared to 2014, the improvement equaled savings of \$1 billion in 2015. Our workforce will be reduced by 19% towards the end of 2016 compared to 2013, leaving us in an organization more fit for the current activity level.

As you can see, we reduced cost using a range of measures to secure the long-term efficiency of Statoil. Growth in production comes from projects under execution such as Johan Sverdrup and Aasta Hansteen. They are coming onstream with an operating cost of around NOK 30 per barrel.



The 6% production growth in 2015 primarily came from new production capacity, increased drilling efficiency and using our flexibility in the gas machine to move volumes to periods with higher prices. In 2015, we produced the guided level for 2016. Going forward, we will continue to prioritize our production profile, prioritizing value. This strategy includes reducing the activity level in the U.S. onshore and on Peregrino in Brazil as well as postponing and stopping projects.

In 2018 and 2019, we have several major startups in a timeframe where we and the market expect better prices. The list includes Gina Krogh, Aasta Hansteen, Mariner, and Johan Sverdrup.

Last year, straight after the CMU driven back to the organization, raising the bar, challenging the breakeven of every single project. Eldar told you how successful this initiative had been, reducing the breakeven by close to \$30.

Let me highlight the financial impact. First, since 2013, we have sanctioned projects, which today have an average breakeven level of around \$30 per barrel. Second, we have reduced average breakeven on a range of non-sanctioned projects to \$41 per barrel. This provides attractive options for investments in the next couple of years. Third, we have postponed some projects beyond 2022 with the expectation of further improvement. And finally, we have stopped and divested projects that have an average breakeven above \$80 per barrel. As Eldar said, more than 80% of our capex in the non-sanctioned projects will have a breakeven below \$50 per barrel. And we strongly believe we can improve even further.

So let there be no doubt that maintaining our financial flexibility remains a key priority. Last year, we presented our financial outlook, reflecting three price scenarios. Today, we give an update on the scenarios of \$50 per barrel and \$70 per barrel. We also provide an outlook for \$40 for the next couple of years.

From the illustration on the slide, you can see how our cash flow from operations will look like in the various scenarios, and how this compares to our capex. You can see how the flexibility offers an opportunity to balance cash flows at the lower scenarios and the flexibility in the annual CapEx level is in the range of \$4 billion to \$6 billion in 2018 and 2019. Even without exercising that full level of flexibility, we can be cash flow neutral at \$60 per barrel in 2017 and \$50 per barrel in 2018, excluding any impact of the scrip dividend. This enables us to invest in strong projects, which are profitable at levels below \$50 per barrel.

So, what does this mean to our balance sheet? We have previously expressed our ambition to have a net debt ratio of between 15% and 30%, but 30% has never been the hardline triggering automatic actions. As shown today, we have the capacity to pursue our investment program being cash flow neutral at \$60 per barrel in 2017 and \$50 per barrel in 2018. Our debt ratio will be in the mid-30s, and we are very comfortable with this.

As you can see at prices below \$50 per barrel, the gearing would increase. In such a case, we are still comfortable, but this confidence will increasingly have to be backed by our tool box. We further increased cost efficiency, we maintained significant flexibility in our capex and exploration spending and we have demonstrated the willingness to use this flexibility. The scrip dividend is an additional measure strengthening our financial capacity.

Let me take you back to our key priorities. First, faster and deeper cost reductions. We have increased our annual ambition of \$2.5 billion by the end of 2016. We continue to reduce breakevens in our portfolio of non-sanctioned projects and we take forceful measures to improve profitability in our international portfolio. Later you will hear Torgim and Lars Christian go more into detail on this.

Second, securing capital discipline to build the next-generation portfolio. We will only invest in excellent projects that are fit for the future. We will optimize and reduce the capex level to \$13 billion in 2016, and we will spend around \$2 billion on exploration, down from \$2.9 billion in 2015.



Third, securing financial flexibility to capture the upturn. As I mentioned, we can be cash flow neutral at \$60 per barrel in 2017 and \$50 per barrel in 2018. This is not including the scrip. Our strong commitment to the dividend policy is backed by our strong priority of positioning ourselves for the long-term growth in earnings. This is what backs and supports the dividend capacity long-term and create value for our shareholders.

Let me sum up. It is challenging times and we still have a job to do, but we have demonstrated that we can deliver. We are increasing our targets, we continue to offer attractive investments, our dividend policy remains firm and we are well-positioned to benefit from the upturn in oil and gas prices. Thank you for the attention.

QUESTIONS AND ANSWERS SECTION

Peter W. Hutton

Senior Vice President-Investor Relations

What I'd like to do now is if I can ask Eldar to come back to the stage, and then we'll have an opportunity of about 30 minutes for questions and answers. From the floor, we'll try to get some in from the phones as well. So, if I could ask the operator to start polling now, and we'll come on to those questions in a short while. It's a lot to get through 30 minutes, so if we can keep it to one question each. We have some roving mics around. I can see those. So, if I start with this and I'm going to start at the front with Mike Alsford.

Michael J. Alsford

Citigroup Global Markets Ltd.

Thank you. It's Michael Alsford from Citi. You mentioned very good progress around your current operating portfolio in terms of breakeven reductions, but what I wanted to try and get an understanding of is the moving parts. So, what is the actual volumes that provides? So, you talked about projects starting up in 2022, what is the impact to those volumes as a result of basically pushing out high cost projects from those sweeter projects? And what is really the reduction you've been able to generate from recycling projects and capturing cost savings? Thanks.

Eldar Sætre

President & Chief Executive Officer

So, some projects have been pushed out, like the Tanzania gas project. You don't see that being realized in this time horizon. When it comes to the project that is in the portfolio, like the Johan Castberg, we are talking about the same volumes. So, we haven't scaled down the projects. That would be very marginally. So, this is an optimization all the way from the reservoir to the market. And we need to take very good care of the barrels. So, that is the firm part of our strategy, but to capture the resources and focus mainly on how we can simplify the solutions to get the same volumes out of the reservoir. Anything else to add, Hans Jakob?

Hans Jakob Hegge

Chief Financial Officer & Executive Vice President

No, I think it's important to just underline that we guide on the production of 1% growth from 2014 to 2017 and from 2018 to 2019, is 2% to 3%. We still have the gas flexibility. We have demonstrated we can use that based on our price assumptions.



Peter W. Hutton
Senior Vice President-Investor Relations

Okay. Jon?

Jon Rigby
UBS Ltd. (Broker)

Yes. Jon Rigby from UBS. One of the things that comes up a lot when discussing Statoil is the position of your largest shareholder, the government. And clearly, there are some radical changes taking place at Statoil and sort of the change of the nature of the company since the IPO basically, and I think that's picked up over the last two years or three years. And it seems to me, there are two big moving parts that you're highlighting today. One is a reduction in spending on the NCS, that's driving your big efficiency gains. And the second is a change in your dividend policy or a change of the way that you implement your dividend policy. So from the outside, the relationship is somewhat opaque. So I wonder whether you are able to make some comments sort of characterizing what the discussions of the government have been, how supportive they are of what you're doing, and where you've got to in sort of implementing strategy and how you discuss that with the Norwegian government?

Eldar Sætre
President & Chief Executive Officer

The Norwegian government and the ministry behaves as a very professional owner I can assure you, and we have the same type of regular discussions with this owner as we have with other major shareholders. So, basically, they support all the measures that we are taking. I think that can be well-documented in the Norwegian environment in terms of strengthening the - increasing the efficiency, taking down cost, and fundamentally see that this is to the benefit of the whole Norwegian society, because this is about creating optionality and increasing efficiency, and by that creating options for projects and activity that in the long run will be good for the Norwegian society and also the whole Norwegian oil and gas cluster.

So I feel a very strong support not only through the meetings that I have which are formal meetings addressing this kind of - this relationship, but also through the way the government is addressing the current situation in the Norwegian environment.

When it comes to the scrip, we found it natural to have a dialogue with the majority shareholder, because they need to support this and they would also have need to consider how to approach the parliament on this, so we had a discussion on that and make sure that we have support in general for that. We found that prudent, and they've given that support and we're very happy with that, also, demonstrating that the government is on arm's length distance and very professional owner to the company.

Peter W. Hutton
Senior Vice President-Investor Relations

We will do a couple more in the middle, and then we'll move over to the right-hand side, so Lydia.

Lydia R. Rainforth
Barclays Capital Securities Ltd.



Thanks. Just within the presentation, you talked about wanting clearer policy signals for gas versus coal within Europe. What is it that you are actually wanting? And within that framework, how do you actually make the decisions in terms of where the investment goes to when you don't have that policy framework?

Eldar Sætre

President & Chief Executive Officer

I think, on Europe, it's basically a question on Norwegian gas and new opportunities and new investment decisions to be made. And it is very important for us to have confidence that there is a policy supporting long-term use of natural gas in Europe. And that has been a question mark, I have to say, previously for some time. We still moved on with the Aasta Hansteen project, but we need that. And I think it will be particularly important if we discover new resources, big resources and the question mark becomes how do we develop these resources. What we see now are positive signals.

And I'm convinced that there is no way for Europe to take part in the global effort to reduce climate without actually addressing the coal issue in Europe, whether that is through the ETS or through direct regulations, that remains to be seen. Hopefully both, but they would have to do something which will support the further gas developments from the Norwegian Continental Shelf.

By the way, you will have a gas seminar in a couple of weeks and Jens Økland will also be available to answer more questions later today.

Peter W. Hutton

Senior Vice President-Investor Relations

Okay. Can I move over to Hamish then Brendan, then we'll move back.

Hamish Clegg

Bank of America Merrill Lynch

Thanks very much. Some very commendable CapEx cost saving initiatives and more so than many of us thought you could achieve, so it's very good. Focusing on the sort of resource side of your business, you mentioned the replacement ratio organically around 88%. Could you tell us through how - could you tell us how you intend to address the reserve life and sustainability of the portfolio going forward. You've mentioned a few other projects and the good cost cuts you put through on those in the lower breakeven.

You did mention, I think Hans Jakob mentioned on the Q3 call potentially going above the 30% gearing threshold in order to do M&A. Is that something you'd still guide us towards?

Eldar Sætre

President & Chief Executive Officer

So, I'll comment on M&A and you do the reserve replacement from a more general approach. So, M&A is obviously, has been for long time, a key component of our dynamic strategy. It is an obligation to look at opportunities both to divest assets that others can enhance better than we can do, and also through opportunities to do acquisitions. And the more you can do this in the kind of cyclical manner the better it probably is.

So we are looking and John here and his team is looking at opportunities all the time consistently, assets in various parts of world, but it has to be right, it has to be the right price, fit in to the strategy, stepping stones that you know



we can build on. So, if you get that right and you have done some – actually also during last year, which is nicely into that strategy, that's good. But it also has to fit in to the overall corporate financial framework. So it's part of that. But at hand, we have a huge, very attractive portfolio of organic assets with names that we are working on – that you heard about, and that is also definitely top priority. And then you do the reserves, Hans Jakob.

Hans Jakob Hegge

Chief Financial Officer & Executive Vice President

I'll give a more technical comment. But in general, relative to peers also prioritize exploration quite highly. Last year, we booked Johan Sverdrup Phase 1 and there is SEC rules accounting wise that make us use the average price for the year. So in the disclosure, at the back of the financial disclosure, you will find a reduction of NOK 330 million due to these price assumptions. But as you know, we have a three-year rolling average on the RRR and we have reported 110%.

Peter W. Hutton

Senior Vice President-Investor Relations

Brendan?

Brendan Warn

BMO Capital Markets Ltd.

Thank you. This is Brendan Warn from BMO Capital Markets. Since announcing delay at Aasta Hansteen and Mariner, just what have you changed internally to make sure we don't see delays on some of the big projects coming up and further reduction of production growth towards the end of the decade? And then just secondly, I appreciate you're not reliant on disposals and you're hitting organic numbers. But obviously, it was successful for you in the past. Are there any sorts of targets you look at internally in parts of the world where you look to exit or dispose, please?

Eldar Sætre

President & Chief Executive Officer

Well, I'm sure Margareth would love to answer that question about all the efforts that she's doing to make sure that we are not getting into a situation of cost overruns. Actually, if you look at our overall portfolio, it's not a story about cost overrun, it's the opposite. We have been struggling with some of our projects at Korean yards. And we were seeing delays from this project as well. We are putting a lot of effort. And Margareth is there frequently to visit the management of the yards to make sure that we get sufficient priority, that we have the progress that we need, and I feel confident that the plans that is now public and that's we are working on, that we will be able to stick to those plans. But you can never issue guarantees, but it's a high focus on that.

When it comes to divestments, I would never be specific. There is always components in our portfolio that might be a little bit stranded or where we don't see a lot of building blocks on top of it and so and so. So, you will always find that and that's something continuously to be considered. So, I want ... what that could be, but obviously again if you do that kind of stuff, then it would have to be at the right price, at the right time. And so, timing is, as I said in my speech essential in our industry.

Peter W. Hutton

Senior Vice President-Investor Relations

Okay, Rob?



Rob West
Redburn (Europe) Ltd.

Thank you. It's Rob West here from Redburn. You might not like my question entirely. It's about the deflation and costs that you've mentioned today. So, going from your \$70 to \$40, which I'm guessing is on a barrel of oil equivalent basis which I think something like \$90 to \$50 if we take pure oil.

If you can do that and everybody can do that, you might say that to mean the marginal cost in the oil industry is closer to \$50 and that's where prices might go to. So, my question for you is what is it about your portfolio and how you're deflating costs that make you think that a Statoil effect that can't be generalized by the broader industry? Thanks.

Eldar Sætre
President & Chief Executive Officer

So, I am confident that the whole industry is addressing the same issues. There's two type of improvement there of cost issues that we are looking at, it's the structural and then it's the market. Our improvement program is focusing mainly on the structural issues. So what we have achieved and Margareth will show you the slide later today on Johan Castberg, the components, what is taking us from the 82% where we are today. Market is part of it, but it's not by far the biggest component.

This is really structurally – how you – what you solve for, what kind of solutions, starting sort of big scopes, but really what do you really need and then challenge every single bit that you need on top of that and make sure that everything hangs together. It's using our confidence and our capacity and engineers to solve that equation. I have to say you could ask why we haven't done that before and if the industry is doing the same, I don't know, I think still we are in a company that is quite forceful on this and hopefully the industry is doing the same.

So, yeah, market impact is part of it, but the program and the impact that you see and being presented today is much more about the structural efforts. Margareth will also show you how – with the market impact comes out, looks like in relation to different types of services and how that could look in a time horizon.

Peter W. Hutton
Senior Vice President-Investor Relations

Haythem?

Haythem M. Rashed
Morgan Stanley & Co. International Plc

Hi. I'm Haythem Rashed from Morgan Stanley. Thanks for the presentation. If I could come back to the comments you made about the balance sheet and so the way you've seen that that's capital employed potentially sort of evolving to – within that, it seems like you're assuming an uptake of the scrip something like 40% and if we assume that that might be lower, we assume an oil price closer to where the oil price is today.

For example, it's not impossible to see that reaching 40% potentially in the near term, just wanted to get a sense, I know you talked about 35% being something you are comfortable with, but when we get into sort of those sorts of level, does that trigger a different thinking from yourselves in terms of how you react to it? And perhaps just a broader comment if you could about what metrics matter to you? Is net debt capital employed the most important one or you look at other metrics, you look at net debt to cash flow on the balance sheet? Thanks.



Eldar Sætre

President & Chief Executive Officer

Currently debt ratio of 27%, 30% has never been a hard line in the sand triggering any specific actions as such. It's been a reference point for us. It's clear to us that with the current opportunity set, the quality of what we're pursuing. It is important to do that. I think that is value-enhancing for our shareholders and strengthening our dividend capacity in the long term to actually pursue a good project. That's how we create value.

So, we have shown that we are able to pursue the current opportunity set in line with the existing time horizon and be cash flow-neutral at \$ 60 in 2017, at \$50 in 2018. That will cross the line and how far it will cross the line is depending a little bit on the takeout on the script. But it could take us into the mid-30s.

Well, if oil prices turns out to be lower and well below the \$50s, we will see an increase in the debt ratio. We're still not uncomfortable. There's no such thing as a line anywhere, but it's a situation that then emerges where it becomes increasingly important to feel good about. How do we control this and what kind of measures would we like to take, and we have significant measures. And we have shown that we are willing to do that, the flexibility in our capex program, flexibility on our exploration side.

Divestments, we'll just talk about if we have to. There are liquid assets in our portfolio. So we are in control. We have significant flexibility. We have strong starting point. There's flexibility on the balance sheet, and there's flexibility on top of the balance sheet. And we have added another tool, so we are not depending on any takeout. There's no mechanics between takeout and dividend. This goes into the whole toolbox that we have at hand and we are comfortable.

Peter W. Hutton

Senior Vice President-Investor Relations

I'm very conscious that we've got a lot still on the floor. I'm going to take one more on the floor. Then, we're going to the phones, and then we'll come back and collect some of the ones remaining in this room.

Marc B. Kofler

Jefferies International Ltd.

Great. Thanks. It's Marc Kofler from Jefferies. Two questions, please, broadly relating to the sort of capital allocation process. I think it's fair to say that the dividend policy has been tweaked a few times now in recent months. So, really I was looking for clarity, I suppose, around what the policy actually is and how we should be thinking about that for the next three quarters?

And then just within sort of the comments you made around M&A. How should we interpret the transaction with the Lundin equity? Thanks.

Eldar Sætre

President & Chief Executive Officer

Well, I'll do the dividend policy and you do the Lundin, right?

Hans Jakob Hegge

Chief Financial Officer & Executive Vice President

Sounds good.

Eldar Sætre
President & Chief Executive Officer

So, the dividend policy states clear that it's our intention to grow the dividend over time in line with the expected underlying earnings. There are also statements in terms of what if condition turns out to be very difficult. We haven't pulled that break, because we would like to rely on the first part of the dividend policy which is consistency, capacity to pay cash dividend through the cycle, and we have fantastic set of opportunities that actually justifies that also towards our shareholders. That's the interpretation. I don't see a decrease. It is the way it is, and it's consistent. And we have just added another tool that was just not in consistent with the policy in terms of the script dividend.

So the board has stated clearly that the intention, that's what they can say, the intention is to maintain the current level of USD 0.2201 for the first three quarters of this year. And then, this will be a formal process on dividends beyond that.

Hans Jakob Hegge
Chief Financial Officer & Executive Vice President

On Lundin, as you are aware, we are the operator of Sverdrup and this expresses our strong belief in the Norwegian Continental Shelf and it increases our indirect exposure to high quality assets on the NCS that we know very well. And it also underlines our long-term view on the industry and the potential value of capturing on the upturn.

Peter W. Hutton
Senior Vice President-Investor Relations

Be patient in the center of the floor. We'll come back to you. I'm just going to open up to the operator now so that we can run through a couple of calls from people who weren't able to make it to the room today.

Operator: We'll now take our first question from John Olaisen from ABG. Please go ahead. Your line is open.

John A. S. Olaisen
ABG Sundal Collier Norge ASA

Yeah. It's John Olaisen from ABG here. Good afternoon, gentlemen. A question, if you have project now that are profitable below \$40 oil price, do you then continue them regardless or do you have any project that you're currently holding back here with that have NPV breakeven below \$40? In other words, could you add in, invest it even more with - in projects at the moment that are profitable with the oil price below \$40?

Eldar Sætre
President & Chief Executive Officer

No. Flexibility is goal and in fact the case is we still have a lot of flexibility. If you look at the next 18 months or so, there's no major FIDs, there's no major project that is mature enough to be up for decision making within that time horizon. That means we are retaining flexibilities. We cannot - and we are - we'll use that time very efficiently to continue to work on the project and the new challenge of getting below \$40.

So we are working – we launched one project on the Norwegian Continent Shelf in December. We decided to move forward with Trestakk on the Norwegian Continental Shelf. Johan Castberg, we have firmed up the concepts and the solution for the concept. So, we are maturing this project but they are not ready to be concluded. So I think the next one to be up for decision making is the Trestakk project by this summer.

So that is the characteristics. We are not – they are working on all projects, some of them we have a little it on the back burner because they are not urgent, we need more time, we need to firm up like resources. For instance, Bay du Nord in the East Coast of Canada, we are now into drilling program. So we need to know like we did for Johan Castberg, what is the resource base that we would like to base a development on, not poor kind of optionality into solution but we have time to wait to see what we are solving for.

John A. S. Olaisen

ABG Sundal Collier Norge ASA

And my follow-up question would be to some slides that Torgrim will present later. I might be too early with this question, but it seems like the U.S. onshore need some \$50 in oil price to be breakeven on average. Is that correctly understood? And if so, why invest in U.S. onshore at all?

Eldar Sætre

President & Chief Executive Officer

If I may, I could go into this, but I think – that's why Torgrim is here. So if I might offer to allow him to answer that question later, I would appreciate that.

John A. S. Olaisen

ABG Sundal Collier Norge ASA

Okay. Thank you.

Operator: We will now take our next question from Anne Gjøen from Handelsbanken. Please go ahead. Your line is open.

Anne Gjøen

Svenska Handelsbanken AB (Norway)

Thank you. In first quarter 2015, second quarter 2015 and in third quarter 2015 in your report, you're saying that you've used \$80 as the assumption behind the impairment testing. This time you have excluded the price assumption, it's no longer in there. So could you confirm that \$80 is still used because it is not significant right at this time? And if it is, because previously it's – and particularly it hit devaluation of the U.S. assets, if you think it's right to keep current devaluation of the U.S. assets at \$80. Thank you.

Hans Jakob Hegge

Chief Financial Officer & Executive Vice President

Okay.

Eldar Sætre

President & Chief Executive Officer

So I leave that to Hans Jakob.

Hans Jakob Hegge

Chief Financial Officer & Executive Vice President

Yeah. Thank you for that question, Anne. You're absolutely right. We were disclosing the \$80 in 2018 in our financial statement. That is still within or uncertainty range in current times. But for impairment testing, we're using the forward prices of 2016, 2017, and 2018 with an average of US\$44 per barrel.

And as you said, there are NOK 10 billion net impairment in this quarter. And we still have firm belief in the upturn of the prices, but we do not know when and we haven't updated our long-term price assumptions since first quarter last year. But we do have adjusted the impairment with a three year forward for 2016 to 2018.

Peter W. Hutton

Senior Vice President-Investor Relations

One more from the phones, and then I'll come back to the auditorium. Please.

Operator: We will now take our next question from Teodor Nilsen from Swedbank. Please go ahead. Your line is open.

Teodor Sveen Nilsen

Swedbank AB (Norway)

Hi. Good afternoon and thanks for taking my question. I have couple of questions on exploration. You clearly reduced exploration spending pretty much from 2015 to 2016. I just wonder, what's the main driver behind the reduction? What's price-driven and what's activity-driven? And where should we look for areas that you will focus on in 2016 when it comes to exploration?

Eldar Sætre

President & Chief Executive Officer

So in line with efforts to address cost efficiency, we have also done significant achievements within exploration, drilling wells on the administrative side. You will hear more about that, the efficiency gains in the presentation later today.

We are in a situation now where it's natural for Tim to replenish a little bit his portfolio. He has been having a high drilling activity, and we need new acreage and new opportunities. So that is the kind of process we are into, which is also a good thing because it fits nicely into the financial thinking currently, and the uncertainties that we are facing. But it is also – times the opportunity for Tim. And he's done a tremendous job accessing new acreage in many exciting places, and he will love to talk about that later.

And also due – counter-cycling good things for instance on seismic activities and so on. So it's a lot of things that comes together into the number that we're presenting today for this year and through that he equates optionality for the future. And I'll probably answer questions that he would love to do later today, but he will get a chance to elaborate in his presentation.

Peter W. Hutton

Senior Vice President-Investor Relations



Apologies for people on the phone, there'll be opportunities in the second round of your questions as well.

Ilkin Karimli

Credit Suisse Securities (Europe) Ltd.

Hi. Ilkin Karimli from Credit Suisse. So you say you have around 20 billion boe of reserves and resources of which one piece is around 5 billion boe. So of the remaining 15 billion boe, can you give us an idea, firstly, how much of it is gas? And secondly, how much of it is commercially, say, breakeven below \$50 oil? Thank you.

Eldar Sætre

President & Chief Executive Officer

I don't think - for some of these projects that we talked about, that is the project that is coming up for decision over the next couple of years. Some of these projects are - there have been discoveries, they are laying there, so to comment and give you some indication as to breakeven, that wouldn't be prudent because we haven't even started to really work this project.

So we have a capacity to address project like the Tanzania gas project, for instance. There are so many issues that needs to be resolved. And when we're done - doing well, we'll really start addressing sort of what are we heading for. I talked about the Bay du Nord and so on and we are doing exploration in that area.

We know we have resources. We know it's going to work, but really to optimize, get into a concept, selection and so on, what is really - which is what it really needs to have a firm view on profitability, it's too early. So to give you profile reflecting the difference between the 5 billion boe and 20 billion boe, that is - that wouldn't be very meaningful. It might actually be misleading.

On the gas share...

Hans Jakob Hegge

Chief Financial Officer & Executive Vice President

Yeah. Well, just a teaser for the U.S. story, that Torggrim is going to tell. On the reserves, it's you know change on the U.S. onshore due to the price assumptions that I mentioned. And there's also potential step-up on the offshore side. So the relative composition of the portfolio in the U.S. would be changed. But you'll hear more about that when Torggrim is on stage.

Peter W. Hutton

Senior Vice President-Investor Relations

We've got time only for a couple more in this session. I'm sorry, Theepan.

Theepan Jothilingam

Nomura International Plc

Yes. Thank you, gentlemen. I've got a question just coming back to the Norwegian Continental Shelf. I mean you've had improved performance there, but I was wondering could you just talk about direct spend on the base in the NCS, where that is in 2016 how that may have changed and the implied decline rate. And just coming back to slide 13, just a point of clarity, what's your assumption on Norwegian gas prices when you talk about breakevens of \$60 and \$50? Thank you.

Hans Jakob Hegge

Chief Financial Officer & Executive Vice President

Thank you for that question. I'll start and maybe you continue Eldar. But as a general information we have in the additional information, on the composition or CapEx profile, so that's being released outside the presentation. It's part of the additional information (supplementary information).

The expenditure level on the Norwegian Continental Shelf is half of the offshore investments for next year, maintain at the high level. One of the explanations is, of course the Johan Sverdrup project, which is a unique project, where we continue to invest. And you mentioned decline. It's been around 5%, fairly much the same rate as the international. When it comes to improvements, as you are aware of, for the full year pr bbl in DPN it's 11% down. So we get more outdoor investment and that's the traction in our efficiency program as well.

Eldar Sætre

President & Chief Executive Officer

So when it - to comment on the natural gas and breakevens. So actually, if you look at our portfolio and what it has, it's very much in liquids portfolio actually. So the name of oil projects points at liquids and oil mainly. There is one project that is in the pipeline. The Aasta Hansteen project on the Norwegian Continental Shelf, which I would say had - at the point of decision making had a breakeven which was somewhat above the level that we're talking about now, so I will basically stop there. And the project has been one year delayed and some cost increase. So obviously, this project has an increase. Eventually, I am confident that it will also be a good project, in particular because it adds optionality, adds infrastructure in the area. We shall open up for further developments which then we will be more profitable.

And by the way, we have made three discoveries surrounding Aasta Hansteen which adds approximately 25% to the resource base. So that's the dynamic of this industry, that individual project that might not look that good now, but it opens up for future value creation.

Peter W. Hutton

Senior Vice President-Investor Relations

One last question before we have a very short break and a little bit of choreography on stage to get ready for the second session. So, Neill, to close this session.

Neill W. Morton

Investec Bank Plc (Broker)

Thank you. It's Neill Morton at Investec. I just wanted to clarify, you talked about lower capex, lower opex, but versus a year ago, your cash flow target also looked to have reduced sort of broadly, similar to oil prices, so what's changed? Thank you.

Eldar Sætre

President & Chief Executive Officer

I think what has changed is that we are - we see the opportunity to improve the project portfolio, right? And we are prioritizing, continuously learning what we can do. And we also get more impact from the commodity price environment. So it's the totality that has taken down the capex, stricter prioritization.



Basically, we are moving forward with the same project and some delays. We have delayed some projects because we need more time to improve them. But it's simply – I would say the main driver is actually the opportunity set we see and what we can do with the projects when we give ourselves slightly more time to optimize and not be driven by volumes as much as value, get it right, spend the time it takes, and don't push any button until you feel comfortable with the answer.

Peter W. Hutton

Senior Vice President-Investor Relations

Okay. Let me bring this session to a short close. We got a quick break. There's some sandwiches and food waiting outside. And then if we can be back in the room for 10 – just before 1:10 PM, please, and we'll start the sessions with the business leaders as well. Thank you very much, be here in few minutes.

MANAGEMENT DISCUSSION SECTION

Peter W. Hutton

Senior Vice President-Investor Relations

...the next session as soon as we can, please.

Okay. Ladies and gentlemen, I hope you've had at least some chance to refresh and refill. I haven't, unfortunately, but the show goes on.

I'd now like to start a series of presentations from many of our business areas. We'll do these fairly quickly. I won't get up and introduce everybody in between every single presentation. But just let me start with the first three presentations. Arne Sigve Nylund will be talking about DPN. And then as you'll be very aware, our International business is composed of – it's actually two areas. It's the U.S. and it's all the Rest of the World. We've got each of the EVPs for those two areas, starting off with Lars Christian Bacher, who does the International part. And then Torgrim Reitan who does the U.S. So it will be those three, then we'll have a very quick reshuffle, and then we'll go into Margareth talking about TPD, and Tim talking about exploration.

So with that, Arne Sigve, if I could introduce you to the stage. Thank you very much.

Arne Sigve Nylund

Executive VP-Development & Norway Production

Thank you so much, Peter, and good afternoon, everyone.

From Eldar's and Hans Jakob's presentations, you have seen how DPN, the DPN organization contribute to Statoil's results. And my focus is to share with you how we work to improve the operations on the Norwegian Continental Shelf.



Statoil has a solid competitive position with a world-class portfolio, our producing assets, and development projects on the NCS. The NCS offers predictable framework conditions designed to stimulate technology development, industrial growth, and value creation. We produce with half the CO₂ emissions per barrel compared to the industry average, and I consider that as a competitive advantage.

So, let me focus on what we have achieved. We have delivered strong safety results, and as Eldar referred to in his priorities, we have gone faster and deeper in reducing field cost. And we have a solid operational performance and a competitive project portfolio. At the same time, we have maintained control of our maintenance portfolio and technical integrity. In other words, deliver sustainable improvements.

So let me now elaborate on how we have worked to deliver these results, and first I would like to start with the safety. There has been a positive trend in our serious incident frequency due to systematic work overtime. However, statistics become irrelevant when experiencing a fatality like we did on COSL Innovator at the Troll field last year.

To secure the sustainability of our improvements, we monitor key indicators to ensure that we don't compromise on HSE and integrity. Both preventive and corrective maintenance has a positive trend since we started the Statoil Technical Efficiency Program, and you may know the abbreviation, STEP. We have systematically reduced the preventive, corrective and safety and also critical maintenance portfolio between 40% and 50%. And I believe there is still room for further improvement on all these elements.

Secondly, if we look at the operating expenses, the operating expenses consist of transportation cost and production cost. And the main element of the production cost is field cost accounting for approximately 40% of our operating expenses. Two years ago, we promised to reduce field cost by 20% by 2016. And we have delivered 19% in 2015 and that is almost one year ahead of plan.

And let's have a closer look at some of the improvements in our field cost. We almost halved the subsea operations and maintenance cost. We have reduced our external cost by 35%, and we have reduced maintenance cost by 25%.

In my perspective, the main drivers for the reductions are one leadership, one message, one culture to drive that through the organization. We have optimized our logistics products and more efficient planning and execution of our operations and maintenance activities. So, what can you expect in 2016? We have increased the ambition level and set tougher targets. We are attacking the total OpEx and SG&A and have increased as Hans Jakob alluded to, the field cost target to 25% by 2016.

We will reduce external costs by capturing market effects through renegotiated contracts with lower rates and also increased efficiency from our suppliers. We will reduce internal cost by increasing efficiency and reducing manning in line with the corporate targets that we have already communicated to the market. And we also expect lower cost from our partner-operated assets.

Thirdly, the production and production efficiency using the abbreviation PE. We have seen a positive trend over the last couple of years. And in 2015, the production efficiency is record high lever. And we see concrete results from the Statoil Technical Efficiency Program.

And I think that the close cooperation with our Chief Operating Officer, Anders Opedal, and his team has challenged and supported us and to achieve a better planning and execution as a whole. Close attention over time towards assets with significant production, losses has paid off. And one example is the Oseberg South which have increased their PE by 20% during the last two years.

Planned losses have also been reduced due to optimized turnaround program and unplanned losses also been insignificantly reduced. Since 2013, production efficiency has increased with more than 6.5 percentage points. And



as a rule of thumb, 1% increase in the PE accounts for approximately 10,000 barrels of oil equivalents per day in the Statoil equity. So for 2016 the target is to deliver the same record high level or higher. And please note that in 2016, we have planned for higher turnaround activity compared 2015.

Now, let's talk about production. We have an underlying production growth of 10% from 2013 to 2015 and if you adjust for re-determinations and divestments. We have offset decline and achieved a production growth due to strong operational performance. And I must add that at the same time, we have improved well deliveries and managed to get new wells into production faster.

My fourth message is that we work hard to improve our competitive project portfolio, and I know that Margareth will tell you all about the project portfolio and the significant improvements we've made in a short while. When it comes to conventional offshore oil and gas activities, the Norwegian Continental Shelf is the place to be. According to the Norwegian Petroleum Directorate, more than 50% of the expected NCS resource potential still remains to be produced. Statoil has a unique competitive position with our world-class portfolio, our producing assets, and development projects.

All this, for my robust base providing positive cash flow from operations, even in a low price environment. And we have what it takes. We have the scale. We have the experience, the technology, the people, and the leadership. And this has brought us to a leading position on the NCS. We have been a driving force for that development and I'm certain that we, as a company, will be in the first line for future opportunities for the reasons that you see behind me.

The NCS has the resources. We have the position and we have the skill set. Our ambition is now to extract the resources and maximize value without compromising on safety. And I think the best example, it has been mentioned several times already today is Joahn Sverdrup and it's a fantastic asset. It ticks off all the boxes and it's expected to create value for the next 50 years.

Johan Castberg is another good example and we are on track, as mentioned by Eldar, with that project. And when sanctioned, it will be an important asset, capturing value in the Barents and for further development in the Barents.

The NCS offers a world-class petroleum system with exploration potential for decades to come, and we will then have to identify the opportunities. The newly awards and pre-defined areas, Statoil was awarded 24 licenses. And the 23rd NCS concession round in 2016 offers for the first time, in more than 20 years, completely new exploration acreage and we look forward to the upcoming announcement of the awards later this year. And I'm sure that Tim will touch up on that in his presentation.

So let me sum up the key messages. We have delivered significant improvements in 2015. The targets for 2016 are more ambitious and leadership matters. And I, as I said, my experience is that it's all about leadership, one leadership, one message, one culture and drive that through the organization to be aligned for deliveries and future opportunities.

So, by delivering on the elements on the screen, we are responding to the corporate priorities that Eldar presented earlier. And we do see faster and deeper cost reductions. We are positioning ourselves to invest in the next generation portfolio, and we will be ready to capture the upturn in the market. So in other words, efficiency today creates opportunities tomorrow.

So, thank you very much, ladies and gentlemen, and let me then introduce Lars Christian who will continue with his business area. Thank you very much.



Lars Christian Bacher
EVP-Development & Production International

Thank you, Arne Sigve and good afternoon. You have seen the results for the fourth quarter and the results for the full year presented earlier today. Needless to say, we are not satisfied with our financial performance within the International segment. Affected by liquids prices, we reported negative net operating income. However, let me underline that for the quarter, we are breakeven if you exclude exploration costs, and for the full year, we delivered positive underlying results demonstrating the quality of our current portfolio.

Ladies and gentlemen, we are not in a business as usual situation, and our International business is exposed to the same market as the rest of Statoil. And we compete for capital and opportunities. I really like that. But we need to continue improving by focusing our efforts on where we can have an impact. At the same time, my view is that the current market also represents opportunities, to lower operating costs even further, to drive capital discipline even stronger and to prioritize even better.

Looking at 2015, our underlying performance is good. And solid operations would always be important and even more so during periods of lower prices. We are building an even stronger safety security culture, production is stable, and for the year, we produced 487,000 barrels a day and overall, our production efficiency is also quite strong. But there is no doubt that our heavy oil assets struggled when the Brent price is at the current level mainly due to the price discount. However, our assets in Azerbaijan, Algeria, Angola, Nigeria, to mention a few, all make money also at this level.

In 2016, our DPI portfolio will be profitable, around \$46 a barrel before exploration expenses.

We cannot influence the prices, but we can and we must continue to influence the performance and efficiency of our portfolio. Profitability and cash flow are on top of our agenda. We will continue to work hard to further reduce our costs and improve our efficiency, and this also includes capturing market effects.

Since 2013, we have taken down the annual capital expenditure by \$1.1 billion. The reduction has been achieved through utilizing the strength and the flexibility of our portfolio. We have divested our ownership share in Shah Deniz in Azerbaijan, Schieallion and Rosebank in UK, as well as block 15/06 in Angola.

We have postponed and improved projects like Peregrino phase 2 and Bressey, and we have also addressed the operational CapEx. In some, capital expenditure have been fiercely addressed. We started early to address the challenge and have experienced that all our main operators have followed. Our capital expenditure in 2015 is actually more than halved compared to the level it was forecasted to be when we entered 2013. And the spending level will be further reduced this year.

I look for improvements in all corners of our business. And our OpEx has been reduced by 16% since 2013. Approximately half of that reduction can be ascribed to lower oil prices than influencing royalty and diluent. The other half is due to the underlying stronger cost improvements both in our own operated assets as well as partner-operated assets.

Our administrative costs have seen a significant drop. Last two years, it's almost 40%. This has come as a result of several organizational efficiency initiatives both in our country organizations as well as in our central staff. And to give you some more color to the numbers. We have reduced manning and expats, renegotiated contracts, optimized vessels and logistics, and also implemented a more efficient maintenance work. We will continue to hunt for more cost savings, and also in this area, we expect further reduction this year.



Moving on to partner-operated licenses. About 80% of DPI's production is operated by others. I would love to operate more. However, based on benchmarks we have done, many of the assets in the portfolio are world-class. Overall, the production efficiency competes well with Arne Sigve and NCS.

During the last two years, we have seen a potential to further enhance value from our partner-operated assets. We have reorganized our teams to have a maximum impact in the licenses we are partnered and where we see an upside. We have set up a fit-for-purpose organization, extracted efficiency gains from our asset management resources, and we also have achieved greater impact from our activities. And tangible results have been achieved by reducing CapEx, improving reutilization, and by running more efficient drilling programs. This is due to us influencing and working with the operator. Seeing this effect is definitely rewarding, and we believe there is still a potential for further improvements. We will continue to challenge and support our operators.

Let me move from partner-operated assets to our joint ventures. A few words on Algeria, a very important country in our portfolio. We have a significant positioning in two legacy assets, In Amenas and In Salah, representing more than 15% of Algeria's total gas production. The two fields provides approximately 50,000 barrels equity per day to Statoil in 2015. We like our position.

And the PSAs that govern these activities demonstrates our reduced sensitivity to price fluctuations, which again is valuable when prices are low. Our production in Algeria is profitable even at current prices. And this year, we expect the In Amenas train 3 to come back on stream as well as the compression project to start up. For In Salah, we expect In Salah Southern Fields project to start off, and all this will increase Statoil's Algerian equity production by some 15% to 20% this year.

Moving from the Algerian desert to the beaches of Rio. Our strategic intent in Brazil remains the same. It's all about profitable growth. We believe scale is an enabler for synergies, cash flow, and value creation. But ultimately, only profitability, will earn us the right to growth. It starts with our operational performance, and I'm pleased to see the 5 percentage point improvement in production efficiency for Peregrino. This is in accordance with the Statoil Technical Efficiency Program's target.

For heavy oil fields like Peregrino, being efficient on the drilling side is critical for the ultimate recovery and value of the field. In 2013, we drilled an average of 136 meters per day. Last year, it was 193 meters per day. This, as a result of improvements we have made, especially standardized well concepts and repeatable operations.

We have sharpened performance management including common and tougher targets, and we have set an even clear expectation towards other suppliers. Two weeks ago, we decided to further optimize Peregrino drilling operations. It comes as a direct response to the current price level and to improve our financial position.

By moving from two to one drilling and workover operations, we have reduced CapEx with only minor effects on production. But we are also deepening our position in Brazil. Peregrino Phase 2 is under development, and we have delivered a number of improvements. This project was sanctioned late 2014, and we have seen such significant cost reduction, taking down the breakeven by 35%.

We have identified and worked on improvements in four main categories: in facilities and execution model, in drilling and well design, reduction of management costs, and we are also capturing market effects. We believe we are approaching a robust and solid project.

And it is more. We have seen the transaction we made with Repsol end of last year, allowing us to take over the operatorship of Pão de Açúcar. We are excited and look forward to use our deepwater and gas experience to develop BM-C-33. This is about value creation and capturing synergies. And we are also ready for a big exploration campaign in Espirito Santo Basin.



Ladies and gentlemen, let me sum up. My mandate is to deliver profitable international growth and to strengthen our competitiveness, and it always starts with our current portfolio. We are positioned in some of the most attractive areas in the world. We have substantial share of production from legacy assets operated by our partners, with high production efficiency, low breakevens, and attractive returns. But we also have assets not making money at current prices. And now moving forward, we need to and I will drive operational performance even harder, ensure faster and deeper cost reductions and continue influencing and working with our partners.

The future DPI portfolio will be more balanced in terms of partner positions and operatorships. We have several projects in our portfolio. In the current price environment, they require a lot of work. But with Peregrino phase 2 experience, we have demonstrated our ability to improve the value proposition, and we need to apply the same mind and skill set to all our projects, enabling us to capture the upturn in oil and gas prices. And I know Margareth, she has more examples to share with you later.

Finally, a global and competitive portfolio offers strength, economy of scale, flexibility, and resilience. Having activities and resources in different geographies and assets with different phasing provides optionality and creates a stronger company. This gives us a robust financial standing as Hans Jakob discussed earlier today.

And as we all know, this is particularly important in an uncertain macro environment. By that, I thank you for your attention and leave the word to Torgrim Reitan, Head of DPUSA. Thank you.

Torgrim Reitan

Executive Vice President DPUSA, Statoil ASA

Good afternoon, everyone. It is very good to see you. And, yes, I have missed you. I'm half year into this job, and we are reporting losses in the U.S. And we will do what it takes to make money in the U.S. business but also to create growth options.

So today, I will talk about how we are transforming to make money also at lower prices. And there is no better time than this to get business right. We have already made significant changes. In October, we restructured our business and we reduced manning by some 20%. We have taken down investments significantly and costs are coming down. And we have established a clear roadmap to making money.

We will transform the U.S. business from being dependent on high prices to making money at low prices. We needed \$90 per barrel in 2014. We will take it down to \$50 in 2018. We will need \$50 to have positive earnings. From \$90 to \$50.

So, how are we going to do that? First, we will step up our improvements. We have delivered more than we promised. But that is not enough. And I will present a new set of targets to you today. Second, we will grow with quality. We have the potential to grow by more than 50% by 2018. But much more important, the cash margin per barrel will double in the same period. So, this is an ambitious plan that I will show you today. It will not be easy, but it is very necessary.

So first, an overview of our business. Our U.S. business has been built over 10 years. It has been a step-wise growth starting with Gulf of Mexico assets acquired from EnCana in 2005. Over the years, we have built a portfolio of quality assets both offshore and onshore, and we are now operating in all our three onshore assets. This growth has been based on acquisitions and investments in a high price environment leading to high depreciations, and also significant impairments as prices dropped.



But still, the quality of the assets is solid, and they will be a significant part of Statoil's growth and cash flow going forward. And I'm proud of the assets we have in the Gulf of Mexico. High quality assets with mainly liquid production. Offshore production will be more than doubled over the next few years, and that's based on projects that are well underway. Heidelberg started a few weeks ago. Julia will start in the first half of the year, and Stampede will come in 2018. And our offshore growth will be important to Statoil's cash flow after tax.

Our operators, except for the unfortunate situation with Big Foot, have executed our projects on time, on cost, and with good overall safety results. And I'm glad to see that the operators want to put our experience to work like water injection on Tahiti, fines migration on Stampede, and subsea boosting on Jack and St. Malo.

We entered onshore early. High quality acreage that will work at lower prices. And we are well-positioned in three of the best U.S. plays. We have improved a lot, and we're now getting much more out of each dollar that we spend, and our investment program is profitable in the current price environment.

We also have a very solid and profitable downstream position in the U.S. This is reported through MMP and Jens is responsible for that, and that's not part of the numbers that you'll see today. So, our U.S. business is important to Statoil's future. Our income, cash flow and growth is without tax for quite some years still, and total resources in the U.S. is around 20% of Statoil's resources. So, we will grow, but we have a job to do. We must make money.

So we will transform our U.S. business to make money at lower prices. So let me explain. We built the portfolio at very different prices than we see today. In 2014, we needed an oil price of \$90 to make a net operating profit. And all these numbers exclude exploration and they exclude the downstream results.

The turning point has happened. We have already reduced the price needed to less than \$80 in 2015. And over the next year, we will get to \$50. And by 2018, we need about \$50 per barrel to have positive earnings. So how will we achieve this? There are three components to this transformation. First, we will cut - the costs need to be taken down further and we will step up our improvements across the organization even more. Secondly, there will be a higher liquid share going forward, and that will contribute strongly to this, and we are ramping up and bringing new production in from the Gulf of Mexico. And our onshore investments are also directed more towards liquids.

And third, our onshore wells that are now drilled and complete, are much more competitive, and they improve our earnings. The onshore and offshore portfolio contributes about equally to this transformation. We have been an important contributor to the corporate improvements. We achieved our targets one year ahead of time. What a great achievement by our people.

Onshore CapEx per barrel is reduced by 38%. We have reduced the drilling time. We have reduced the costs, and we are getting more resources out of every well that we complete. We stepped up regularity, and our SG&A per barrel has come down by 25%, or about \$1 to a barrel. And this comes from the restructuring and the reduction of staff. However, that is not enough. We will reduce onshore CapEx per barrel by further 35%, and in total our development costs will be more than halved.

We will have a laser focus on lease operating expenses and reduce our unit production costs by more than 25%. And this is in spite of moving towards more liquids, which have a higher value but also a higher unit cost. And we will keep administrative costs low and reduce further an additional 20% on a per barrel basis.

We have consolidated all onshore operations in Austin where we have our Bakken operations. And there are significant synergies to be taken. We have established one super asset, and this drives learning quickly across the three assets, taking out synergies rapidly, and we have created an onshore initiation with fit-for-purpose requirements, but that still will benefit from the knowledge and resources in the greater Statoil.



Based on our planned investment, we have the potential to grow production by more than 50% over the next three years. But more importantly, cash margin will more than double on flat prices from \$5 to more than \$10 per barrel after-tax at an oil price at \$50, and I do like that.

And I'm encouraged by what I see in our U.S. portfolio. We have many investment opportunities both onshore and offshore with breakeven below \$50. In the offshore portfolio, we work with partners to optimize the investments and reduce costs. And we will continue to use our flexibility onshore to time our CapEx and production: value over volume. We have reduced CapEx onshore with more than 60% since peak, 30% reduction over the last year, and we will further reduce it in 2016, as we adapt to the current price environment.

So, in summary, we will transform our business. In 2018, we will make money and have positive earnings at \$50. From \$90 to \$50. We will step up improvements. We have restructured our U.S. business. We have taken down costs, but this is not enough. We will step up further. And third, we will grow with quality.

And here is my summary slide. We will grow with quality, 50% growth over the next years, and we will double our after-tax cash margin to more than \$10 in a \$50 environment. So, this is an ambitious plan. It will not be easy, but it is necessary.

Thank you very much for your attention.

Peter W. Hutton
Senior Vice President-Investor Relations

If I just, sort of, interrupt a minute to put these into context, now you will be aware that we report the U.S. and the international part of the business together as international, and we will continue to do so. So, you won't see quarterly changes on these. But one of the things why - one of the reasons why we wanted to present these through today is because in an area at the moment where there's a lot going on and we get a lot of questions, we wanted to provide some visibility. And we will continue to do this. So, on an annual basis, you'll be able to see how we're doing and progressing against these targets and these challenges as we go forward, not on individual quarterly basis as we go forward. Okay?

Now, the other thing I want you to do before we go on with Margareth's presentation is just to remind if we can open up for polls for the questions in the presentations, two away from now, so there's plenty of time for people to register their questions ahead of those.

With that, I'll call Margaret. Thank you.

Margareth Øvrum
Executive Vice President-Technology, Projects & Drilling (TPD)

Okay. It's good to see you all. You've heard a lot of ambitious targets today and guess who has to deliver on most of them. My responsibility is to deliver project development and execution, drilling and well, procurement and technology globally.

Last year, we set the bar high and I can assure you, we have worked very hard to impress you today. So, if I talk too fast and too much, it's just because I'm so eager to tell you about our achievements. I have three messages for you today. We make very strong progress on the efficiency side. We continue to deliver competitive projects in execution and we capture significant cost reduction in the market.

In the following, I will elaborate on the three key messages and I will also give you some concrete examples to prove that we walk the talk. Through the Statoil Technical Efficiency Program, the STEP, we set ourselves tough and very ambitious targets. We defined actions and we have exceeded the 2016 targets one year ahead of time. And remember, this is real annual CapEx and OpEx efficiency effects, not activity postponements. In addition, increased production efficiency and accelerated production from wells add positive free cash flow effect.

But let me assure you just as Eldar did today. This does not mean we can relax. Instead, we step up and increase our targets. So, let me get into the details on what we have done to contribute to these results.

In 2015, we delivered 20 projects. Here it's showcased by a selection. Despite challenges with two of our Korean projects, we still managed to deliver on the overall project portfolio. The estimated cost from investment decision to start up is lower than the sanctions estimates. And this trend will continue beyond 2016 according to our forecast.

In particular, I'm excited to see how the projects have improved the recovery on existing fields: Åsgard Subsea Compression, Smørbukk South Extension and Troll 3 and 4 compression have increased the recovery with more than 845 million barrels of oil equivalents. And that is more than the expected production from Aasta Hansteen and Johan Castberg combined.

Going forward, we will focus on improving our project execution model even further. The first step has been to establish a leaner organization and the next step is to further develop the perfect project as a target for all project execution.

We have had success with the perfect well approach in drilling and well and we believe the same methodology can be used for facility projects. We believe this means setting targets for each element of a project. For example, a target cost for subsea template and umbilicals, and work systematically towards these targets.

Based on our experience, I'm confident that the perfect project approach will reduce costs and increase efficiency. But maybe even more important we have made radical improvements or extreme makeover in our early-phase projects. Actually, so good that both Eldar and Hans Jakob included it in your presentations.

Early 2015, we set a target to reduce the break-even in below \$50 on our early-phase projects. This was, at that time, a very challenging target, but we mobilized all our efforts. And to the left, you see the break-even result for major project decisions from 2015 to 2017. We constantly work to improve the break-even for all our projects, and we are not finished.

We have increased the robustness in our non-sanctioned project portfolio by reducing the average break-even cost with almost \$30 per barrel from \$70 in 2013 to the current \$41. Numbers so good that it's worth repeating. A reduction of more than 40%.

I want to mention a few projects in particular and that is Oseberg Vestflanken and Trestakk. Oseberg Vestflanken is a very exciting achievement and it was sanctioned just before Christmas. Through several improvements, the break-even has been reduced by 52%. Currently, it is well below \$30.

A main reason is a concept change to a simplified subsea on slim legs, as I called it, an unmanned wellhead platform. The concept solution will also in itself increase our competitiveness because it is an alternative to subsea in shallow water.



On Trestakk, we have achieved 38% reduction in break-even; currently well below \$40. And that is due to standardization of the subsea concept is about optimized pipeline design, marine scope and schedule, utilization of existing infrastructure and changed contract strategies.

In my opinion, a break-even target of \$50 per barrel is not sufficient anymore. We will challenge, as Eldar said, every project to pursue profitability below \$40. And you know, in my younger days, I was used to call – be called the techno babe of Statoil. I think from now on, they will probably call me the mature break-even babe. So, I want to say a few more examples if that's okay.

On Johan Castberg, we postponed the concept selection to use more time to deliver the leanest possible development solution. The result is a reduction from above \$80 to below \$45 per barrel. But, we are still not finished. To the left, you see the CapEx reduction in some more details.

We have nearly halved the total cost estimate. Systematic work has led to a concept change from a semi to a lean production vessel, a FPSO. We have improved all elements of the project. Examples are a new drilling and reservoir strategy with simplified and standardized solutions, reducing the number of wells from 40 to 33. Changes in the subsidy size, the number of templates from 15 to 11. And in addition, capturing the deflation in the market.

Johan Castberg is the largest oil discovery in the Barents Sea. And when speaking about great projects, I have to talk about the North Sea giant, Johan Sverdrup. The Johan Sverdrup project is truly unique, a fantastic reservoir, and designed for 50 years of operation, and a project for generations. I'm soon to be a grandmother. So, now, it means even more for me to secure jobs, secure projects for the future generations.

We are currently executing phase 1 of the development, and in parallel we are planning for the future phases. In Phase 1, our current estimate is NOK 108.5 billion nominal, a reduction of NOK 14.5 billion compared to the PDO. This has contributed to a reduction in break-even, which is now below \$30 per barrel.

The reduction in CapEx are a result of proactive procurement strategies such as new contract format, performance-based incentives, bundling of contracts and, of course, market deflation, a reduction of the drilling and well cost by NOK 3 billion and also simplifications. As an example, I can mention the new improved routing of the oil export pipeline, which, alone, accounts for more than NOK 1 billion in savings.

We are also working hard to improve the future phases of the project. So far, the full field development cost range is reduced significantly, as you can see on the slide. But I still think there are more to go.

Within drilling and well, we truly made some groundbreaking improvements in 2015. And last year at the CMU, I promised you that we will further increase the drilling and well efficiency. And I kept my promises. Compared to our 2013 baseline for production wells, we have increased the meters per day by 50%. The days per well is reduced by 30% and the spend per barrel reduced by 20%. This is a result of continued focus on leaner well design, standardized solutions, operational efficiency, and the perfect well approach, which means setting targets from the best drilled sections ever and drive toward these targets.

On the right-hand side, we have included an external benchmark. This is the benchmark which is used in the oil and gas industry on drilling. The external benchmark is meters per day from different regions in the world and it's provided by Rushmore. Historically, it has been a close race, as you can see. But now, Statoil is taking the lead. Just have a look at the nice line, magenta line, shooting upward. You see it? However, the race is not finished and we will continue our efforts to make this gap even bigger.

Due to these improvements, we have been able to drill more for less. Our drill plan for 2015 included 95 wells. We finalized 117 and at a cost well below the original planned total spend. Other examples like Peregrino was



mentioned by Lars Christian. And Tim will give you more results on what we have achieved with our exploration wells.

But I hope you see that this is a cross BA effort. I lead Lars Christian and Arne Sigve's petroleum technology people. I need Anders challenging. I need the G&G people in Tim's part of the organization to be able to deliver such results. More and faster deliveries also led to accelerated production. The total amount is approximately \$200 million Statoil share for 2015.

In addition, we have also stepped up our well intervention activity with an increase of more than 20% last year. This gives us very cheap barrels at an average cost of \$5 per barrel. So far I have mostly showed you on how we have simplified, how we have standardized to increase efficiency. We are, of course, also capitalizing on the market opportunities, and we will continue to do so through renegotiating and rebidding contracts. So far we have had more than 550 initiatives towards our suppliers.

Achieved rate reduction in the contracts are seen across the portfolio with examples shown on the left hand side. Within for instance equipment, the Johan Sverdrup project has achieved very good prices on multi-discipline equipment packages. The reduction had been up to 25% compared to previous projects.

Other examples are steel and logistics where we have negotiated up to 30% in reduction. The captured market effects, which you see on the right-hand side, refers to Statoil's share on market savings on our operated fields. These numbers exclude currency effects and efficiency improvements. There is a time delay in realizing effects. This is of course due to the rolling over of the contract portfolio and project spend coming in later as the projects are maturing and developing and gets payable. We expect increased savings over time. For instance, the largest market effects for Johan Sverdrup will come in 2017 and onwards.

And lastly, I have to talk about the hunt for value-adding technologies. Even my technology nerds have stepped up and intensified their commercial drive. It is important to simplify and standardize to reduce costs. But to secure future competitiveness, we also have to develop radical and innovative solution to stay ahead of our peers. We need high impact technologies, we need to implement them broadly, and we have to make them the new standard.

And to succeed, we need to think outside the box. Innovation is not just new technologies, it's also existing technologies used in another way. In my 34 years with Statoil, we have made the impossible possible and profitable many times.

Many thought a subsea gas compression was too extreme. But, now, we have delivered the technology with the Åsgard Subsea Compression. It is the first and only subsea factory in the world. With an outstanding regularity. I want to share two more examples with you. Both of them have the potential of reducing the costs significantly and transform the industry.

Handling plug and abandonment of wells safe and efficient is crucial for our industry. Over the next 25 years, there will be more than 1,200 wells to be plugged on the Norwegian Continental Shelf. How we do it and at what cost will have a significant impact on our business.

Short term, we have reduced the cost by 25% through or by challenging and simplifying existing requirements and procedures. Through close collaboration with our suppliers, we work to develop new technologies and new solutions.

Would it be possible to melt the steel in the well to create a plug? Can you do it without the rig? In the medium term, we aim to reduce the costs by 75% and reduce the time for plug and abandonment from an average of 35 days to less than a week.



My last example is within digitalization. A large portion of Statoil's investments are related to offshore drilling and well activities, and about 80% of offshore well construction cost is time related. By developing automated drilling control, we can reduce costs by speeding up the process and avoid the risk of human failures.

Statoil has, as the first operator, installed a permanent or first drilling automation system, and the pilot shows real potential for increased drilling efficiency. The potential is significant. The journey ahead is very exciting. And, together with our suppliers, we are just getting started. I could have given you many more technology examples, but I'm not allowed. With this, I want to sum up the main messages.

We have exceeded the efficiency targets in all areas ahead of time, but we are stepping up. We deliver strong project execution and continuously strive to improve it. And we have a strong commitment and commercial mindset to hunt to capture all market effects. We are enthusiastic and proud of our results so far. But as Eldar said, we are not here to celebrate, we are here to accelerate.

So more to come and thank you for your attention and I would like to introduce - I'm supposed to introduce right? Yeah. Introduce my very best colleague Mr. Exploration, Tim Dodson. I'm going to tidy up.

Tim Dodson

Executive Vice President-Exploration

Thank you, Margareth, nice and tidy. Well, thank you. I thought that was a very impressive story and your messages were very clear, Margareth. So it's going to be a difficult act to follow, but I'll do my best.

Good afternoon, everyone. It's good to be back and to have the opportunity to give you an update on our exploration progress and plans. So let me start with our exploration strategy. I think it's fair to say that our exploration strategy has served us well, and it stands firm.

During the period 2011 to 2015, we delivered approximately 800 million barrels per year on average at a finding cost of approximately \$4 per barrel. And in total, we discovered 4.8 billion barrels of oil equivalent. Approximately 80% of those volumes came from impact discoveries.

And we were very successful at testing impact opportunities in 2011, 2012 and 2013. Since then, we have tested fewer such opportunities as we appraised and matured the discoveries and focused on replenishing our portfolio. Ultimately, exploration is about the ability to create value through the drill bit. And I'm very pleased to say that we have already moved 3.5 billion of these barrels through the value chain, delivering projects for Margareth to develop and Arne Sigve and Lars Christian to produce.

In 2015 alone, exploration passed on 16 new discoveries and more than 800 barrels of resources. And as you've seen in previous presentations, we've reduced the break-even for our next-generation portfolio to \$41, which gives me confidence that the majority of our discoveries in recent years will be profitable.

Continued replenishment of our exploration portfolio is needed to replace resources in order to sustain and grow production. And we intend to do that by, first, exploiting prolific basins, i.e., deepening our presence in core areas; second, by testing impact opportunities, i.e., testing new plays; and third, accessing at scale, i.e., positioning Statoil for transformational upside.

We aim to replenish our portfolio with high-quality opportunities that are robust at the level Eldar mentioned today. But to sustain such delivery, we have to be efficient in all we do also within exploration. Broadly speaking, exploration costs can be split into three main categories: wells, seismic, and our running costs.

When it comes to our running costs, we've reduced those by more than 20% since 2013. For example, we reduced the head count by 11%, number of expats by 56%, and our travel cost by 41%. We've also closed offices where we didn't see a long-term potential in places such as Kazakhstan, the Faroes and Alaska. In those four items alone, we saved approximately \$80 million compared with 2013, and that's equivalent to investing in two to three extra exploration wells.

Access to data is fundamental for exploration success, and we have acquired more seismic data for less. Again, compared to 2013, we have more than halved our 3D seismic acquisition unit cost, and that's been achieved through a dedicated effort. We focused on both commercial and operational improvements. And they include enhanced cooperation with our suppliers and the introduction of new techniques, new acquisition solutions, and new technologies to increase operational time.

However, well cost is the major cost item for exploration, typically 50% to 60%, so improving drilling efficiency is key. And as mentioned by Margareth, we've made some groundbreaking improvements within drilling a well. I'm pleased to say that exploration is no exception and, like production, we've improved well efficiency by 30% since 2013. One of the most impressive examples is the deep water exploration campaign on the Transocean Spitsbergen rig in Norway last year.

Compared with the Snefrid South well, which was drilled in 2008, all three wells you see to the right on the chart were drilled significantly faster. The Gynir well, which is the final of these three, was completed in just 15 days, three times faster than the Snefrid South well and three days ahead of the perfect well concept. By the way, and as Eldar mentioned, all three wells resulted in discoveries, adding 25% to the Aasta Hansteen reserve base.

I could also have talked about similar drilling efficiency gains in the Gulf of Mexico and Tanzania, where we've had first quartile high drilling performance, but unfortunately time does not allow. The main reason for drilling improvement is a new way of working, a new mindset. Instead of designing a well based on which data we want to collect and, I can guarantee you, geologists want to collect a lot of data. We plan for the most efficient well possible, the perfect well.

That's a slim well concept, allowing us to mitigate any shortcomings on data collection at the lowest possible cost. It's not only cheaper it was actually less likely to have technical issues and is therefore a safer way to execute operations. So, whilst we have to be efficient in all we do and at all times, our main task in exploration is to replenish the portfolio with high quality opportunities. And there is no better time than now to do exactly that. So, how are we doing in that respect?

2015 was a really good year for access to new acreage for Statoil. We entered five new basins in South Africa, Mozambique, Nicaragua, more recently in Uruguay, and Nova Scotia in Canada, truly shaping the future of our exploration portfolio. In Norway, as Arne Sigve mentioned, Statoil was awarded 24 licenses in the recent APA round, the highest number of licenses since 2005.

And in the Flemish Pass in Canada, we were awarded six new licenses. One of my top three priorities last year was to replenish and reshape our portfolio. So, I'm really pleased with our achievements. And I can assure you that we will continue these efforts in 2016. Last year, we delivered our exploration program \$300 million below our original guiding of \$3.2 billion.

We made one high-impact discovery in Tanzania, Mdalasini. We successfully appraised and tested the Pão de Açúcar discovery in Brazil. And I'm pleased to confirm today that Statoil has made an oil discovery in Statoil's part of the Power Nap structure in the Gulf of Mexico. We are in the process of assessing the size and potential of the



discovery and are currently in dialogue with Shell and Freeport-McMoRan on the way forward for Vito area regional development, including Vito.

As both Hans Jakob and Eldar already mentioned, we'll reduce our spend in 2016 to \$2 billion; still a significant exploration spend. We will drill fewer wells this year. But on the other hand, and as Hans Jakob mentioned, capital discipline is extremely important in times like this and cutting well cost is where exploration can contribute the most right now. But as I said, we will continue to work very hard to build the next wave of drilling candidates.

This will not prevent us from testing five new plays and I'm particularly happy about that, in Russia, in Australia, in Algeria and in Uruguay. And we will also continue to deepen our position in our core areas like Krafla area in Norway and Bay du Nord in Canada. We will continue our recent counter-cyclical access efforts, positioning ourselves for long-term growth. The 23rd round in Barents Sea in Norway, where new exploration acreage is available for the first time since 1994, is one of the most important.

At the other end of the exploration value chain, we will continue to mature our discovered resources in Norway, Canada and Brazil, and I guess I can add to that, the U.S. Following the successful appraisal and testing of Pão de Açúcar where as you know, we are overtaking the operatorship. I expect to handover that significant discovery to Lars Christian later this year.

So, let me further exemplify how we create value through deepening into our core areas and testing new plays. I have always said and I always say that where lots of oil and gas has been found, more will be discovered. Prolific basins tend to get more prolific. So we will continue to exploit our core areas where we are well-positioned to create more value.

Oseberg is one of our core producing assets. And we believe the Oseberg area holds an attractive remaining potential. In the Krafla area, just south of Oseberg, we made five discoveries between 2011 and 2015 and proved up somewhere between 140 million barrels and 220 million barrels.

We've identified several new prospects and we plan to drill four exploration wells in multiple targets this year. Depending on the results of those wells, the volume potential could support the stand-alone development of Krafla rather than the tieback solution as originally thought.

My second example of exploiting prolific basins is in East Coast Canada, where Statoil has built a very strong acreage position in the frontier Flemish Pass Basin. Starting back in November 2014, we are undertaking an 18-month exploration and appraisal drilling program in the Flemish Pass. The program will appraise the Bay du Nord discovery. It will also test new prospects in the greater area.

And we plan to communicate the results of that campaign upon completion in second quarter. Our aim, our primary aim is prove a robust resource base for a future development of Bay du Nord. And in parallel, of course, we will mature our six new licenses.

So, let me now turn to some of the frontier positions, which we will be testing in 2016. Exploration is a portfolio game and you have to place a number of select bets on high-risk, high-reward opportunities in order to open up new place with transformational upside.

Recently, we have taken a number of positions along the South Atlantic margin. As previously mentioned, we farmed into licenses in South Africa with ExxonMobil and finalized the farming deal with Total in Uruguay. Those, together with Mozambique, are access efforts which are guided by the same geological concept of play called Base of Slope that has proved successful elsewhere on the South Atlantic margin.



And I must say I'm really excited again to participate in the testing of a new geological concept with significant upside potential, all be it significant risks.

In Algeria, we are aiming to test the onshore rich gas potential of our Timissit license towards the end of this year. And should the results be positive, the license could provide low-cost hydrocarbons for profitable development in a low price environment.

And then, finally, as an example, in Australia, we will participate in two wells in the Ceduna Basin, an underexplored basin, but which has a proven hydrocarbon system, but no commercial discovery yet. So we have a diverse set of play-opening opportunities in our portfolio, five of which will be tested this year, a situation not dissimilar to the one back in 2010 and 2011.

So let me sum up. The industry at large is facing tough times, and exploration is no exception. For many years, the industry has produced more, actually, much more than has been discovered, and this is likely to continue, especially as exploration investments have been cut significantly.

We, too, have cut annual spend, but that does not alter our fundamental belief in exploration as an important vehicle for creating long-term value. We are committed to exploration. Our exploration strategy stands firm, and we will continue to capture and invest in high quality opportunities, shaping and replacing the next generation portfolio, a portfolio of the future, competitive at all times.

Thank you for your attention.

Peter W. Hutton

Senior Vice President-Investor Relations

Thanks, Tim, and thanks to all the presenters this afternoon. We're going to move a table here so that we can get some – get everybody on stage who's presented here for the Q&A over the next half an hour or so.

I hope that the presentations this afternoon have given you a bit of a clearer picture about all the things that are going on in Statoil and how they conform to the themes of faster and deeper cost reduction, capital discipline and flexibility and positioning competitively for the upside.

So lots to cover in one afternoon, but it's that part of the day-to-day in Statoil that we want to give you a picture of while you're here with us this afternoon. So if I can ask people to come and stand on stage, again, before we'll take some questions from the floor, we've opened up for questions on the phones. We've got people with the mics and we'll have an opportunity for people to ask the various EVPs or what they wish to do, okay?

So let people get comfortable.

QUESTION AND ANSWER SECTION

Peter W. Hutton

Senior Vice President-Investor Relations

Right. Okay. Haythem. We got this mic coming.

Haythem M. Rashed

Morgan Stanley & Co. International Plc

Thank you and thanks for the presentations. My question is, to the extent that it can be answered by the various different business units, but of the CapEx reduction targets that are in place, can you give us a sense of how much of that is cost deflation, you've sort of given in some parts of this presentation about some of your operating projects how much of that is relating to the market deflation, but overall, how much are you now baking into the numbers you've given us for, say, 2016 and beyond?

Eldar Sætre

President & Chief Executive Officer

Maybe I should start on that one. First of all, looking at cost improvement program of NOK 2.5 billion that you have stepped up now, most of that is structural improvements, but there are some, it's very difficult to carve out all components and market impacts or any measurement. But there are some of around NOK 600 million that Margareth showed you in terms of market impact for 2016, let's say, NOK 200 million to NOK 300 million was likely incorporated...

Margareth Øvrum

Executive Vice President-Technology, Projects & Drilling (TPD)

Half.

Eldar Sætre

President & Chief Executive Officer

...or half is incorporated into the NOK 2.5 billion, and some of that goes also into the CapEx program. I would say, when it comes to CapEx program, in terms of market impact, there is not a lot. There are some impacts related to, I would say, drilling and well, maybe on modifications, not huge impact. As Margareth said, the major impact from the market side will come as we roll over these contracts into the new projects. So for instance, when it comes to the ongoing project like Mariner, Aasta Hansteen and so on, they are basically based on contracts that have been in place since these projects were launched. So I don't know, Margareth, if you would like to add to that.

Margareth Øvrum

Executive Vice President-Technology, Projects & Drilling (TPD)

Could I just add one thing? Yes. Well, because for instance, for the multi-discipline equipment packages for Johan Sverdrup, we've got very, very good prices. But prior to the bidding process, we issued much leaner technical requirements. And when you get the prices, is it due to the leaner technical requirements or is it due to the market side and you know it's a combination, so it's not a strict answer just for your information, and so, it's easier to



understand. But of course, the market-to-market or the market deflation is coming in when it's payable and of course, when we have rolled over the contract portfolio.

Eldar Sætre
President & Chief Executive Officer

From the U.S. position, Torgrim, you comment.

Margareth Øvrum
Executive Vice President-Technology, Projects & Drilling (TPD)

You have already locked in.

Torgrim Reitan
Executive Vice President DPUSA

No, well, yeah, I mean the improvements are mainly coming from more drilling efficiency. We drill much faster rigs, and we get more out of each reservoir. And that there are some cost improvements, but is limited onshore. It's mainly linked to performance and activity. We ran nine rigs last year, in our operations. We're around five now and we are likely to go down to three rigs across the three plays during the year. So that's mainly activity and performance.

Eldar Sætre
President & Chief Executive Officer

Would you like to add something, Hans Jakob?

Hans Jakob Hegge
Chief Financial Officer & Executive Vice President

Yeah. A more specific one is in fourth quarter in DPI, we had a 22% reduction in the OpEx SG&A, and less than NOK 100 million is related to price-driven production fee and diluents.

Peter W. Hutton
Senior Vice President-Investor Relations

Rob and then Hamish.

Rob West
Redburn (Europe) Ltd.

Hi, there. Thanks for taking another of my questions. If I think about Statoil over the last five years, one of the trends has been is of internationalization, right, moving out of Norway and going more and more to far-flung interesting places. I think roughly in my head, I had something like a 60/40 split of CapEx internationally versus Norway upstream.

Looking at some of the ideas you presented today, and the profitability and the costs, and particularly the deflating breakevens, doing as a Norway-ization coming ahead, it's reverting back to putting much more of the incremental



CapEx back into that core business rather than internationally, is that the right thing? That's a question for everyone on the stage.

Eldar Sætre

President & Chief Executive Officer

I think I'll try to cover it first, then everyone can add. That's a corporate type of question as well. The Norwegian Continental Shelf has been and still is and will be the backbone of our company for a long time. There's no doubt about it. The CapEx program that we presented for this year, approximately half of that is going to be Norwegian continental shelf. So despite as we are sort of reducing our overall CapEx, at the Norwegian side, we are pretty much maintaining the CapEx level.

So right now, we are in a position where we have a lot of opportunities on the Norwegian Continental Shelf coming from the exploration efforts that Tim talked about earlier. But that's more - and the Norwegian Continental Shelf, our knowledge, our competence I learned at business school that to leverage your competitive edge is a good idea. So we would like to do that to the extent possible, but it will just take us that far, and we would like to grow and extend the company and that means we will have to continue to look outside the Norwegian Continental Shelf to leverage our competence. And we see a lot of opportunities; Tim has showed you this on the exploration side. We have the project portfolio also outside of Norway.

So there's no change in strategy as such, but the opportunities that are here now puts a lot of emphasis on the Norwegian Continental Shelf. Strategically, our company would like to grow definitely based on a growing international portfolio and then you would like to add. Lars Christian first.

Lars Christian Bacher

EVP-Development & Production International

Yes. I mean we are having In Salah Southern fields coming on stream this year, In Amenas compression project. Next year is Hebron, then it's Mariner. And we are very close to put things out of Peregrino Phase 2 into execution, so I have several projects. The good thing that I like is that we compete the three DPs with good help from Margareth. And the best project always wins, and that is the way it should be.

Eldar Sætre

President & Chief Executive Officer

I think Norwegian Continental Shelf, would like to add.

Arne Sigve Nylund

Executive VP-Development & Norway Production

So as Lars Christian says, we are competing for good projects and to really when it comes to Norwegian Continental Shelf, as well as to work on the concepts together with Margareth's organization to make them as robust as possible, and we have several examples, Margareth touched upon them, and by working with the solutions concept, driving down costs by almost 50%. So it's really to make the most robust as possible, either you're on Norwegian Continental Shelf or internationally.

Margareth Øvrum

Executive Vice President-Technology, Projects & Drilling (TPD)



But Eldar - when he was the backbone, what are we then? Must be the brain and the body, right?

Eldar Sætre
President & Chief Executive Officer

Margareth. So Torgrim, your comment.

Torgrim Reitan
Executive Vice President DPUSA, Statoil ASA

Okay. So I don't feel privileged. So I have to compete everyday with the rest of the team. And I'm actually very glad to see that both offshore and onshore, we have assets and programs that really compete on equal terms with the rest of the company. But, we are not done yet. We have a big job to do, and we are not satisfied. I'm sure that we can prove ourselves to be an important part of Statoil's future, and I'm very confident that we are going to be a very important contributor.

Peter W. Hutton
Senior Vice President-Investor Relations

Okay. I think we are heading for the next questioner.

Hamish.

Hamish Clegg
Bank of America Merrill Lynch

Thanks very much. Actually, I'm going to just focus on the U.S. because I think it was the most exciting slide, actually, of the day Torgrim's slide six, 50% growth potential and the cash margin doubling \$50 oil. So just first of all, on the cash margin, I wondered if you could maybe tell us, you talked about the oil price required for that. Could you give us some insight to gas, because this is quite a large element of your U.S. portfolio of gas, if I'm not mistaken?

Eldar Sætre
President & Chief Executive Officer

Okay, great.

Hamish Clegg
Bank of America Merrill Lynch

And shall I ask the other bit on your volume growth or you want me to wait.

Eldar Sætre
President & Chief Executive Officer

Sure. Torgrim?



Hamish Clegg

Bank of America Merrill Lynch

So just on the volume growth, I wondered if you could maybe specify a little bit on what basins you think would be the biggest contributors to that and where the CapEx would be, in theory, if the potential is fully realized, and can you just confirm that's an organic target?

Torgrim Reitan

Executive Vice President DPUSA

All right. Fantastic, that's the best question I have ever had. So first, let me start with the cash margin. This is on a \$50 WTI basis. In that price, we have weighted in our gas production and the gas price, meaning that our realized price is actually significantly below the WTI. A bit technical here, but it's a very important assumption. And we also used local prices in a realized price, while Jens is getting the market prices. So all realized prices are actually approximately half of WTI.

So when I say \$50 WTI, my revenue is actually close to \$25 to \$30 in that amount. And in that environment that we are generating a positive cash margin of more than \$10 by 2018 and that is after the tax, because we are not in a tax position in the U.S. And that's why the U.S. business will be so important for the growth in the cash flow and operating cash flow for Statoil for the years to come. When it comes to the production mix, it will be more liquid. We are currently running around 50% gas today that will be down to some - no, 43% liquid today that will be up to 50% by 2018. This requires a limited investment program to make this happen.

We have taken on CapEx significantly, and it is a level that we are spending this year, approximately over the next three years. And there's a potential to grow substantially more. We will double the offshore production from 40% to maybe around 80% by those three years. And onshore, we will focus our investments into Bakken mainly and also some into Eagle Ford, while we are keeping a low production growth within our Marcellus assets.

Yeah. Was there more in the question?

Eldar Sætre

President & Chief Executive Officer

I think that was it.

Torgrim Reitan

Executive Vice President DPUSA, Statoil ASA

Okay. Yeah. It is organic, all organic.

Peter W. Hutton

Senior Vice President-Investor Relations

All organic. Okay. We're going to go from over there, to over here. Anish.

Anish Kapadia

Tudor, Pickering, Holt & Co. International LLP



Thank you. It's Anish Kapadia from Tudor, Pickering. Also wanted to focus somewhat on the U.S. business. It seems like some of your peers are focusing a bit more on short-cycle CapEx versus longer cycle CapEx in this environment. I just wanted to see if you could contrast the risk adjusted returns and capital allocation in your portfolio between longer cycle projects such as offshore and some of the shorter cycle projects such as the U.S. or infill drilling.

And then, just on the U.S., I just wanted to get a better idea in terms of that outlook for U.S. onshore. So what – in terms of getting to that 50% growth in U.S. onshore, how many rigs do you think you need to run in the U.S. from that three that you're expecting to be running now? And what's the amount of CapEx that you're planning to spend in the U.S. over the next few years?

Eldar Sætre
President & Chief Executive Officer

So you want to give it a try, Torgrim, long question, many questions, try to be crisp.

Torgrim Reitan
Executive Vice President DPUSA

Yeah, I won't be carried away, I guess. So when it comes to the onshore part and the short cycle part of it, it's actually very useful to have a solid chunk of that in the current environment, because you can adapt and the environment, you can actually – the changing environment, you can actually have tied into your earnings pretty quickly. And so that's sort of a very good part of it, and we see that's happening.

But there is generally a good mix of long-term investments in there, actually much higher in the current program. There is like two-thirds offshore and one-third onshore. So it will take a limited number of rigs, over the next few years, to deliver this growth. We have quite a few wells behind pipe waiting for completion to happen over the next years.

Peter W. Hutton
Senior Vice President-Investor Relations

We're going to have one more question from the floor, then we'll open it to the telephone. Michael?

Michael J. Alsford
Citigroup Global Markets Ltd.

Thanks. Michael Alsford from Citi. Could I just go back to the CapEx? I guess one of the other drivers, I guess, is the currency. So could you maybe talk a little bit about how much of your spending is in NOK? What are you assuming in terms of your NOK rate in your CapEx numbers? I guess I just refer to the Johan Sverdrup slide, and I think the CapEx reduction looks like it's still down on the PDO number of NOK 6 to the dollar. And I just wanted to get a sense as to whether there's more potential for the CapEx to come down given where the kroner sits today, and whether you're changing your approach to maybe hedging the currency going forward? Thanks.

Eldar Sætre
President & Chief Executive Officer

Hans Jakob.



Hans Jakob Hegge
Chief Financial Officer & Executive Vice President

Yeah. You're right. In the Sverdrup numbers from NOK 123 billion nominal to NOK 108.5 billion, there is a significant portion of currency, but money is money in a way. So moving forward, and you're talking about the exchange rate for 2016. It's NOK 8.50.

Peter W. Hutton
Senior Vice President-Investor Relations

Can we have the next question from the phones, please?

Operator: We will now take our next question from Teodor Nilsen from Swedbank. Please go ahead. Your line is open.

Teodor Sveen Nilsen
Swedbank AB (Norway)

Hey. Good afternoon, and thanks for taking my question. Actually, yet another question to Torgrim and on the U.S. business. You showed on slide five that the onshore CapEx has declined by 38% from 2013 to 2015. What was actually the onshore CapEx per barrel, the absolute number in 2013? And how much of the decline, going forward, do you expect that will be market-driven, i.e. lower supplier prices?

Torgrim Reitan
Executive Vice President DPUSA

Okay. Thank you, Teodor. Quick answer is that the 38% improvement is very limited part of that, that is market-driven. We don't assume any further market effects in the targets we have put forward.

Peter W. Hutton
Senior Vice President-Investor Relations

Next from the phone.

Teodor Sveen Nilsen
Swedbank AB (Norway)

And then on the CapEx in 2013 per barrel, the starting point?

Torgrim Reitan
Executive Vice President DPUSA

Well, we won't go into that very detailed per well basis, but it's a 38% improvement from the level in 2013.

Peter W. Hutton
Senior Vice President-Investor Relations



Thanks, Teodor.

Teodor Sveen Nilsen
Swedbank AB (Norway)

Okay.

Peter W. Hutton
Senior Vice President-Investor Relations

Can we take another one from the phone?

Operator: We will now take our next question from Anne GjØen from Handelsbanken. Please go ahead. Your line is open.

Anne GjØen
Svenska Handelsbanken AB (Norway)

Thank you. I have a question related to tax, normally, you would give the tax guiding, but I understand that this is very difficult nowadays, particularly internationally. But let's say roughly like \$40. In Norway, I would assume it's not that difficult to give some indication on tax rate. Is that possible?

Eldar Sætre
President & Chief Executive Officer

Yes, it is. Hans Jakob?

Hans Jakob Hegge
Chief Financial Officer & Executive Vice President

Yeah. Thank you for the question. We paid NOK 66 billion in taxes for the full year, NOK 19 billion in the quarter, 89.5% effective tax rate and 75% for the full year. So this indicates the variations that you would see. We have indicated that MMP will be in the range of 55% to 60%, we have indicated DPN around 70% and we've also been quite clear that international is more exposed to variations as a subset of the lower prices.

Anne GjØen
Svenska Handelsbanken AB (Norway)

Okay. Is 70% also a fair assumption if we assume closer to the oil price level of today?

Hans Jakob Hegge
Chief Financial Officer & Executive Vice President

Yeah. We have not changed our communication around it, but the variations around profitability and the prices around international business is really creating the most risk related to being very specific on this.



Anne Gjøen
Svenska Handelsbanken AB (Norway)

I understand. Thank you.

Peter W. Hutton
Senior Vice President-Investor Relations

Thank you. Another question from the phone? And then, we'll come back to couple to wrap up on the floor.

Operator: There are no further questions on the phone.

Peter W. Hutton
Senior Vice President-Investor Relations

Okay. Then we got another couple of questions. I got Lydia and another one down here. And then, we'll start to wrap up. Thank you very much.

Lydia R. Rainforth
Barclays Capital Securities Ltd.

Can I ask a couple of questions on Norway, if I can come back to that one, and particularly, the field cost slide that you showed, I think, it was slide four. Just I think you mentioned in the presentation that the field cost was 40% of the OpEx number. I was just wondering what the other 60% actually is and what's happening on that bit.

And then, within that slide, you also show 2013 to 2015 field cost down 19%, but with subsea cost down 45%, the external cost down 35%, et cetera. So, given those numbers, what isn't going down quite so much? What is the sticky part there and what can you do about that?

Eldar Sætre
President & Chief Executive Officer

Okay. You got the question, Arne Sigve?

Arne Sigve Nylund
Executive VP-Development & Norway Production

Yes. When it comes to the field cost, as you said, it's 40% of the total OpEx. And apart from that, we have insurance, we have taxation on CO₂, for instance, and other issues. We also have well costs, modification costs linked to OpEx activities. So it's really - as I try to convey to you is to really also focus on those elements going forward. And the field cost is very important but focus on those elements.

And as Eldar alluded to the climate issue. We worked, I think, pretty systematically maybe with issues that can reduce taxation on CO₂ emissions which will be profitable. And we are working with those issues. We are working with other issues. And I think Margareth has very well conveyed what we are doing on the well cost. So it's those elements that we are focusing, in addition to the field costs.

And when it comes to the sticky part, of course, there are commitments that we have to comply with when it comes to cost as such with regards to we have contracts that we have to stick to and be compliant to and other issues. That really is also regarded as fixed cost when it comes to not only activity related cost.

Peter W. Hutton

Senior Vice President-Investor Relations

Okay. One more question and then...

I'm going to ask two actually if you don't mind. So one, just in terms of the NCS, the OpEx reductions that you are seeing, can you just help me understand? It seems to me, if I make some simple assumptions just on the FX, there's quite a bit of FX improvement in there. So just trying to understand how much of that OpEx reduction the NCS is benefiting from the weaker NOK.

And then, on Sverdrup as well, I think some of your partners have spoken about potential debottlenecking and perhaps increasing the first phase of Sverdrup. Just wondered if that's possible. And then I think, Margareth, you made one point on market effects in 2017 for Sverdrup potentially accelerating. I assume that's in the NOK 108 billion number, but I just wanted clarification on that, if you don't mind.

Eldar Sætre

President & Chief Executive Officer

So on the foreign exchange part of your operating cost...

Arne Sigve Nylund

Executive VP-Development & Norway Production

Maybe...

Eldar Sætre

President & Chief Executive Officer

You speak about it and Johan Sverdrup, Margareth?

Margareth Øvrum

Executive Vice President-Technology, Projects & Drilling (TPD)

We are working hard on the Phase 2 and the further phases for Johan Sverdrup, and we have been looking at different alternatives. The base alternatives as of today is a new production platform. But the production is connected to the field center, and the production platform is much leaner than it used to be in the PDO. But at the same time, we are looking at debottlenecking and increasing the capacity of the Phase 1. So that's true.

Arne Sigve Nylund

Executive VP-Development & Norway Production

When it comes to - if I understand your question correctly, when it comes to the currency issue on field cost or operating cost, mostly those are linked to Norwegian kroner. Just a small, small portion maybe in other currency, but mostly on Norwegian kroner.



Peter W. Hutton
Senior Vice President-Investor Relations

With that, ladies and gentlemen, one last one from Neill Morton, just under the wire there.

Neill W. Morton
Investec Bank Plc (Broker)

Thank you, Peter. It's Neill Morton of Investec. I just wanted to go back to some of the cost reductions you're achieving. You showed quite remarkable reductions, for example, at Castberg. I guess my question is really, you talked about leaner concepts and simplification, et cetera, that's been driven by a change in mindset which has been driven by the fall in the oil price. But if oil prices are cyclical and they go back up, why doesn't that mindset change and costs go back up? Alternatively, if you and the industry can change its mindset, then doesn't that imply that the oil prices don't go up?

Eldar Sætre
President & Chief Executive Officer

So I will cover that question. I will not allow that to happen. It simply cannot happen. In this industry, for so long time, I've seen it happen before. This time, it will not happen. I know the heat will be turned on, so I know there will be pressure. So the market out there, the rates and so on, there will be pressure on rates. But what you apply those rates on is that is sustainable.

We're going really this time in making sure that we are integrating institutionalizing the improvements into our system, into the way we are organized into how we structure our requirements and the culture that we work on sustainable and continued improvement. So it's not going to happen. We will not allow it, but I know that there will be pressure on this. But that's the whole idea, get down there, find ways of working new approaches and I believe a subject like standardization, we haven't talked about that, I think there's a huge potential in the industry. But it's basically an industry, so we can standardize within Statoil, but we need to bring that outside of Statoil and into the industry. And I think the industry collectively will pursue that route forcefully as we move forward and that is also will add support to a continued low price environment. Margareth?

Margareth Øvrum
Executive Vice President-Technology, Projects & Drilling (TPD)

You remember, we started the STEP program very early and long term before the downturn. And I think for us, it has been so important to really work on the efficiency side, because that is sustainable. But at the same time, we just have to capture market effects as well. And I hope it goes through how much we are working on the market effects and the deflation as well.

But I could give you one example. I was talking about the perfect well approach and the perfect project approach. This is you will never ever be satisfied, because when you are exceeding one target, you get a new target. And then if you're exceeding in that one, you get a new one. So this is where we try to drive it. So Tim alluded to that we have beaten the perfect well, but then we have a new perfect well. So I think this is the way of continuous improvement.



Peter W. Hutton

Senior Vice President-Investor Relations

Yeah. Thank you, Margareth. Lars Christian and then Arne Sigve

Lars Christian Bacher

EVP-Development & Production International

It's a very good question and this is something that we discuss internally a lot how to avoid this from happening. And Eldar has been internally as clear as he was now on this is not going to happen. And part of the way we are thinking is let's assume this project to be marginal, regardless of price. Let's assume it to be marginal. Let's improve it and then we develop it. And then, if the oil price is \$60 or way higher, I mean this just means that we make even more money. So that's kind of the instilled mindset.

Arne Sigve Nylund

Executive VP-Development & Norway Production

Just a quick comment. This is a cultural journey, as Eldar says. And there have been lots of improvement initiatives around Statoil in the previous period. But what I see by introducing the STEP program, corporate wise, it has really been a muscle to drive this culture forward and that is what we will now make sustainable even if we have a shift in the market.

Peter W. Hutton

Senior Vice President-Investor Relations

Okay. I think that's a great moment to round off with the questions. So before Eldar just go and get some concluding remarks, I just like to, on my behalf, thank everybody for coming and thank all the corporate executive committee for coming through and being able to meet investors and analysts today. Eldar?

Eldar Sætre

President & Chief Executive Officer

So thank you, Peter, and thanks to all of you for coming. I know it's a busy time. And I really appreciate that you took time that you have shared with us. So allow me just to give you a personal reflection actually. I've been in the industry for even longer than Margareth, so it's more than 35 years now. And I might be starting to forget things, but I don't think so.

So - and honestly - to be - what we are experiencing now, what we are trying to do in the company, and we are well on way is really the biggest transformation I've seen, really changing the nature of the curve, turning them downwards and really moving them, and wanting to do even more. That's the biggest transformation I've ever seen.

So we could stand here, all of us will talk about numbers, even more numbers the whole day, but what I will say to you, and this is something I feel very strongly about as a CEO, is that what really matters if we're going to make all these changes is that the organization, all the people, 22,000 people are with us, that they are engaged, that they are energized, that they could bring up the ideas, they want to improve, they collaborate. And that's exactly what I see I've spent a lot of time out there, I see exactly these things happening. We are addressing the cultural components of our company. And it's surprising to see the energy level and the enthusiasm on this journey throughout the organization.



So today, you have met the management team part of it, the rest of it is here. So we have all been here for you today. Monday, I will gather the remaining part of the top management, so approximately 120, 130 leaders. And guess what we will discuss? Basically what we have promised here today, the messages that we have given and the messages are clear. It's faster and deeper and we are stepping up. And we will do more on our project portfolio and there are more projects to be worked on.

So that's obvious, we will pursue these efforts, but there's one more thing. We will talk about the last thing that we mentioned, the culture, because this is - to make this sustainable, we really also have to build the culture. It takes time, but if we do that by actions, what we do, not just what we say and talk about, but what we actually do over time, consistency over time, that is what creates the culture. That's what we need to do and that's what we also are going to talk about on Monday.

So, one leadership, as Arne Sigve said, one message, one culture. And one of the most important components of that culture is to drive the continuous improvement. This is what we're doing now. We could say in many ways, this is a program type of approach. We will move on with that, but I have to translate that into a consistent, continuous way of working which is about continued improvements. That's what this journey is about. So I will never allow it to happen that we will - when the heat is turned back on, the cost is coming back.

So with that, thank you, again, very much for coming. I wish you a safe journey wherever you're going. Safety first. So thank you very much.