



Statoil

# Capital Markets Update

London, 7 February 2014

Hilton London Tower Bridge Hotel



Statoil

# Execute for improved value creation

London, 7 February 2014

Helge Lund, President and CEO

# Forward-looking statements

This presentation material contains certain forward-looking statements that involve risks and uncertainties. In some cases, we use words such as "aim", "ambition", "believe", "continue", "could", "estimate", "expect", "focus", "intend", "likely", "may", "outlook", "plan", "potential", "strategy", "will", "guidance" and similar expressions to identify forward-looking statements. All statements other than statements of historical fact, including, among others, statements regarding future financial position, results of operations and cash flows; changes in the fair value of derivatives; future financial ratios and information; future financial or operational portfolio or performance; future market position and conditions; business strategy; growth strategy; future impact of accounting policy judgments; sales, trading and market strategies; research and development initiatives and strategy; market outlook and future economic projections and assumptions; competitive position; projected regularity and performance levels; expectations related to our recent transactions, projects and discoveries, such as discoveries in the Bay du Nord prospect in the Flemish Pass Basin offshore Newfoundland as well as on the NCS; the termination of the full-scale carbon capture project at Mongstad; Statoil's interest in the OMV-operated Wisting Central oil discovery in the Hoop area; completion and results of acquisitions, disposals and other contractual arrangements; reserve information; future margins; projected returns; future levels, timing or development of capacity, reserves or resources; future decline of mature fields; planned maintenance (and the effects thereof); oil and gas production forecasts and reporting; domestic and international growth, expectations and development of production, projects, pipelines or resources; estimates related to production and development levels and dates; operational expectations, estimates, schedules and costs; exploration and development activities, plans and expectations; projections and expectations for upstream and downstream activities; oil, gas, alternative fuel and energy prices; oil, gas, alternative fuel and energy supply and demand; natural gas contract prices; timing of gas off-take; technological innovation, implementation, position and expectations; projected operational costs or savings; projected unit of production cost; our ability to create or improve value; future sources of financing; exploration and project development expenditure; effectiveness of our internal policies and plans; our ability to manage our risk exposure; our liquidity levels and management; estimated or future liabilities, obligations or expenses and how such liabilities, obligations and expenses are structured; expected impact of currency and interest rate fluctuations; expectations related to contractual or financial counterparties; capital expenditure estimates and expectations; projected outcome, objectives of management for future operations; impact of PSA effects; projected impact or timing of administrative or governmental rules, standards, decisions, standards or laws (including taxation laws); estimated costs of removal and abandonment; estimated lease payments and gas transport commitments are forward-looking statements. You should not place undue reliance on these forward-looking statements. Our actual results could differ materially from those anticipated in the forward-looking statements for many reasons, including the risks described above in "Financial Risk update".

These forward-looking statements reflect current views about future events and are, by their nature, subject to significant risks and uncertainties because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including levels of industry product supply, demand and pricing; price and availability of alternative fuels; currency exchange rate and interest rate fluctuations; the political and economic policies of Norway and other oil-producing countries; EU directives; general economic conditions; political and social stability and economic growth in relevant areas of the world; Euro-zone uncertainty; global political events and actions, including war, terrorism and sanctions; security breaches, including breaches of our digital infrastructure (cybersecurity); changes or uncertainty in or non-compliance with laws and governmental regulations; the timing of bringing new fields on stream; an inability to exploit growth or investment opportunities; material differences from reserves estimates; unsuccessful drilling; an inability to find and develop reserves; ineffectiveness of crisis management systems; adverse changes in tax regimes; the development and use of new technology; geological or technical difficulties; operational problems; operator error; inadequate insurance coverage; the lack of necessary transportation infrastructure when a field is in a remote location and other transportation problems; the actions of competitors; the actions of field partners; the actions of governments (including the Norwegian state as majority shareholder); counterparty defaults; natural disasters and adverse weather conditions, climate change, and other changes to business conditions; failure to meet our ethical and social standards; an inability to attract and retain personnel; relevant governmental approvals (including in relation to the agreement with Wintershall); industrial actions by workers and other factors discussed elsewhere in this report. Additional information, including information on factors that may affect Statoil's business, is contained in Statoil's Annual Report on Form 20-F for the year ended December 31, 2012, filed with the U.S. Securities and Exchange Commission, which can be found on Statoil's website at [www.statoil.com](http://www.statoil.com).

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

# Our priorities and deliveries

## High value growth

- ~3% organic CAGR 2013-16<sup>1)</sup>
- Capex estimate reduced<sup>2)</sup>
- Organic free cash flow to cover dividends from 2016<sup>3)</sup>

## Increase efficiency

- Maintaining ROACE
- Expected annual savings of USD 1.3 bn from 2016

## Prioritise capital distribution

- 2013 dividend at NOK 7.00<sup>4)</sup>
- Quarterly dividend from 2014<sup>4)</sup>
- Additional two payments this year
- Share buy backs more actively used



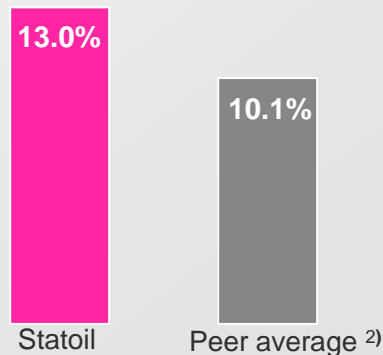
# A decade of transformation and value creation

**Scale:** Globally competitive through the merger

**Focus:** From integrated to technology focused upstream

**Resources:** From resource constrained to opportunity rich

## Total Shareholder Return <sup>1)</sup>

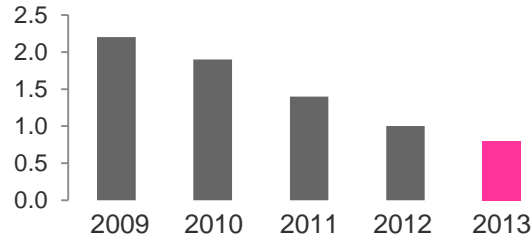


## Progress since the 2011 strategy reset

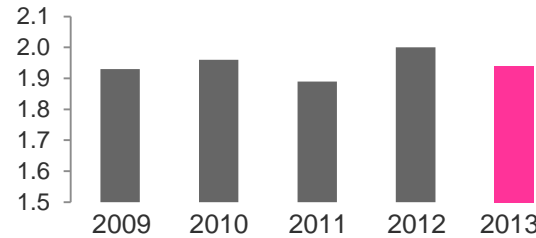
- World class **exploration** performance
- A revitalised **NCS** with longevity
- **Projects** executed on time and cost
- Successful **portfolio** management
- A modernised **gas** portfolio
- Competitive **unconventional** assets

# 2013 | Robust financial and operational performance

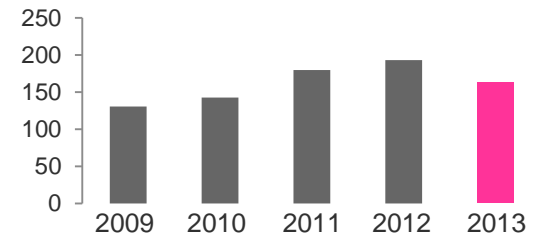
Safety improvement (SIF) <sup>1)</sup>



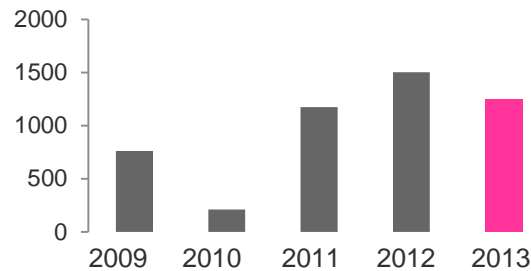
Production as expected (mmboe/d)



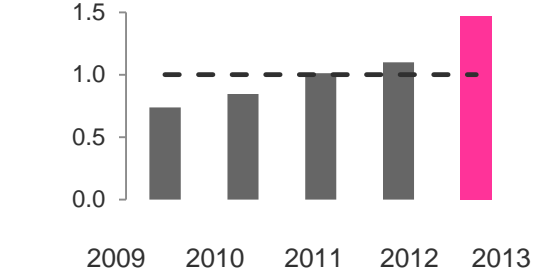
Solid adjusted earnings (NOK bn)



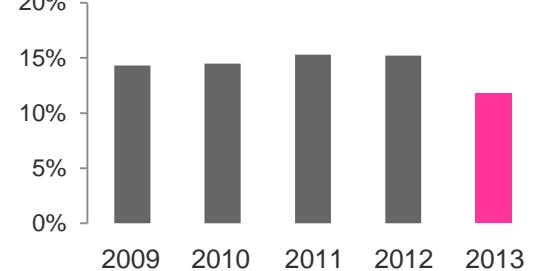
Discovered 3.9 bn boe last 3 years



Record RRR <sup>2)</sup> at 1.47 (3y average > 1)



Competitive ROACE



# A consistent strategic roadmap

## Technology focused upstream company

### Exploration

- Continue to prioritise high value exploration
- Firm strategy
  - Deepen core areas
  - Drill high impact wells
  - Early access at scale

### Development & Production

- Safe and secure operations
- Drive cost and capital efficiency
- Capitalise on technology and operating experience to
  - Take out the full NCS value potential
  - Strengthen global offshore positions
  - Maximise value of onshore portfolio
  - Execute projects on time and cost

### Midstream & marketing

- Leverage European gas position
- Onshore access to premium markets
- Exploit global trading competence

### Portfolio management

- Realise value
- Sharpen our upstream profile
- Strengthen execution and financial resilience

# Adjusting to strengthened competitiveness

## Leverage exploration success

- World class performance last 3 years
  - 3.9 bn barrels
  - 11 high impact discoveries
- Strong portfolio with optionality
- In a position to prioritise

## Respond to industry challenges

- Cost increase
- Capital intensity
- Falling returns

## Strengthen our resilience

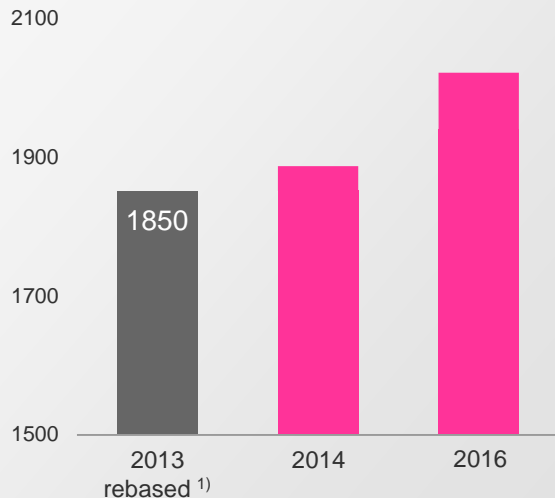
- Macro uncertainty and risks
- Cyclical industry
- Prepared for price fluctuations



# Balancing growth and returns

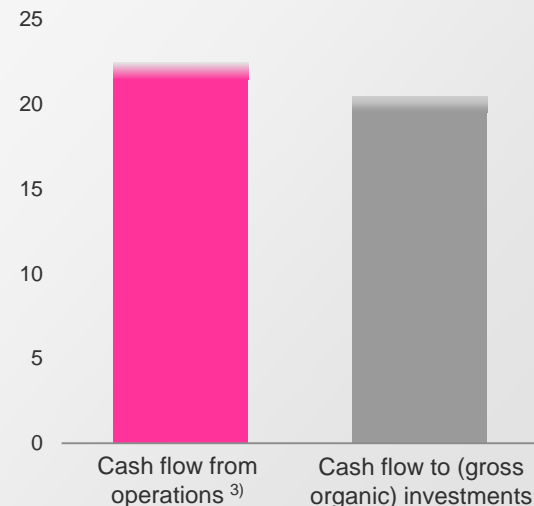
## Delivering growth...

(mmbob/d)



## ...and strong cash flow

(USD bn, expected average 2014-2016)



## Production outlook <sup>2)</sup>

- ~ 2% organic growth 2014 <sup>1)</sup>
- ~ 3% organic CAGR 2013-2016 <sup>1)</sup>

## Reduced capex outlook

- 2014: USD ~ 20 bn
- 2014-2016: USD ~ 20 bn

## Organic free cash flow

- Organic FCF covers dividend from 2016 at USD 100/bbl real

# Directing our capital to priority projects

## Competitive portfolio

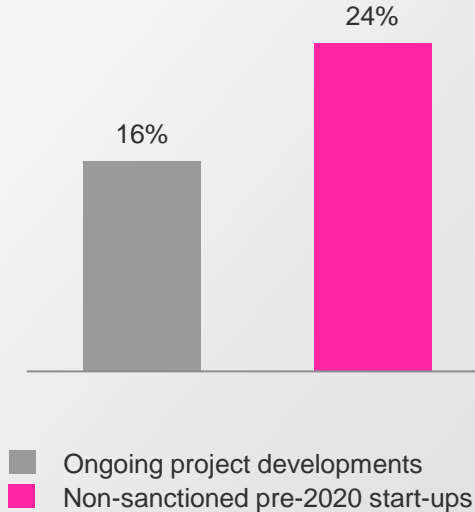
- High value barrels
- Flexible and robust
- Proven execution track record

## Optimising capital allocation

- Value creation potential
- Return on capital
- Strategic fit and portfolio composition

## Strengthening profitability

IRR<sup>1)</sup> (\$100/bbl; capex-weighted)

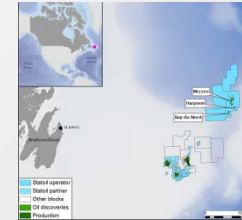


## Execution of premium assets



Johan Sverdrup

Ownership 40%  
Start-up 2019  
Resources 1.8-2.9  
bn boe



East Coast Canada

Ownership 65%  
Start-up 2020+  
Resources 300-600  
mmboe

# Reducing cost and improving efficiency

## Proven track record

- NCS: new operating model, fast track projects, rig ownership
- US Onshore efficiency improvements
- Leveraged global supplier market
- Optimised staffs and services
- **Delivering results: Stable NCS field cost last 12 quarters**

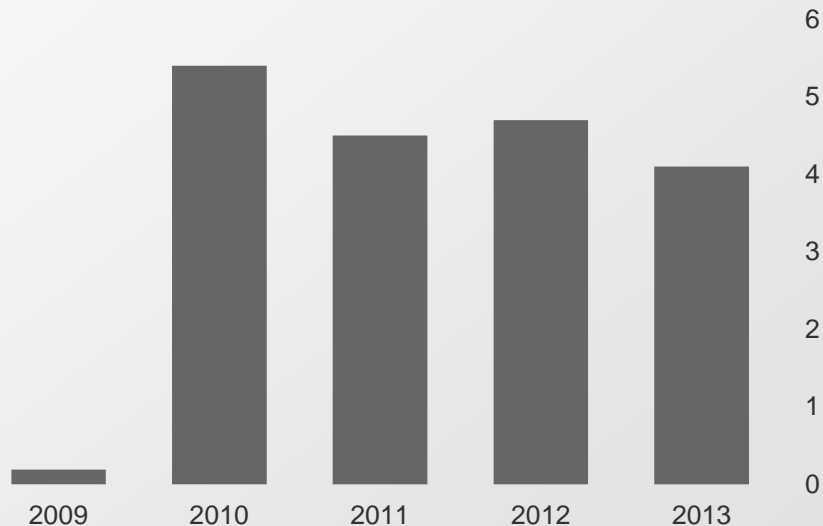
## Further efficiency potential

- Drilling efficiency offshore and onshore
- Development and modification project portfolio
- Improving efficiency in upstream operation
- Optimise midstream and downstream assets
- **Identified: Expected annual savings of USD 1.3 bn from 2016**

# Optimising our portfolio to create value

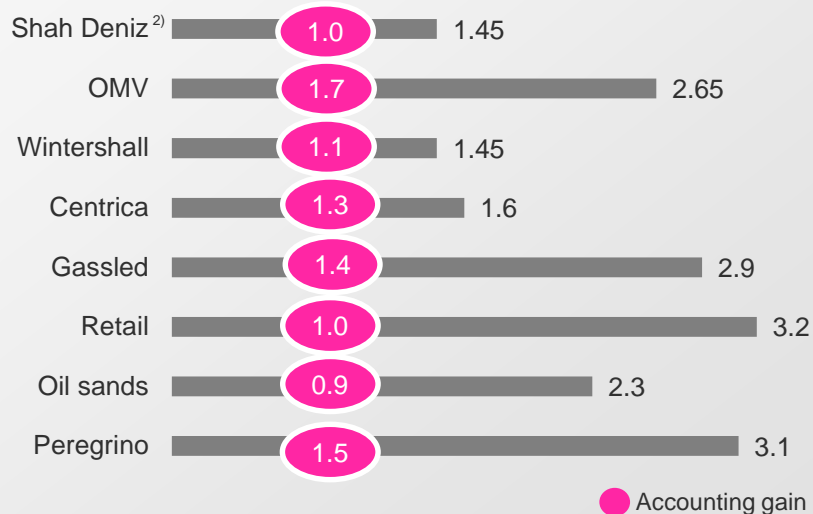
## Realised > USD 18 bn in proceeds

Proceeds from divestments (USD bn) <sup>1)</sup>



## Delivered ~USD 10bn in capital gains

Proceeds (USD bn), main divestments 2009-2013



# Competitive capital distribution



## Firm dividend policy <sup>1)</sup>

- 2013 dividend at NOK 7.00 per share to be paid in 2014

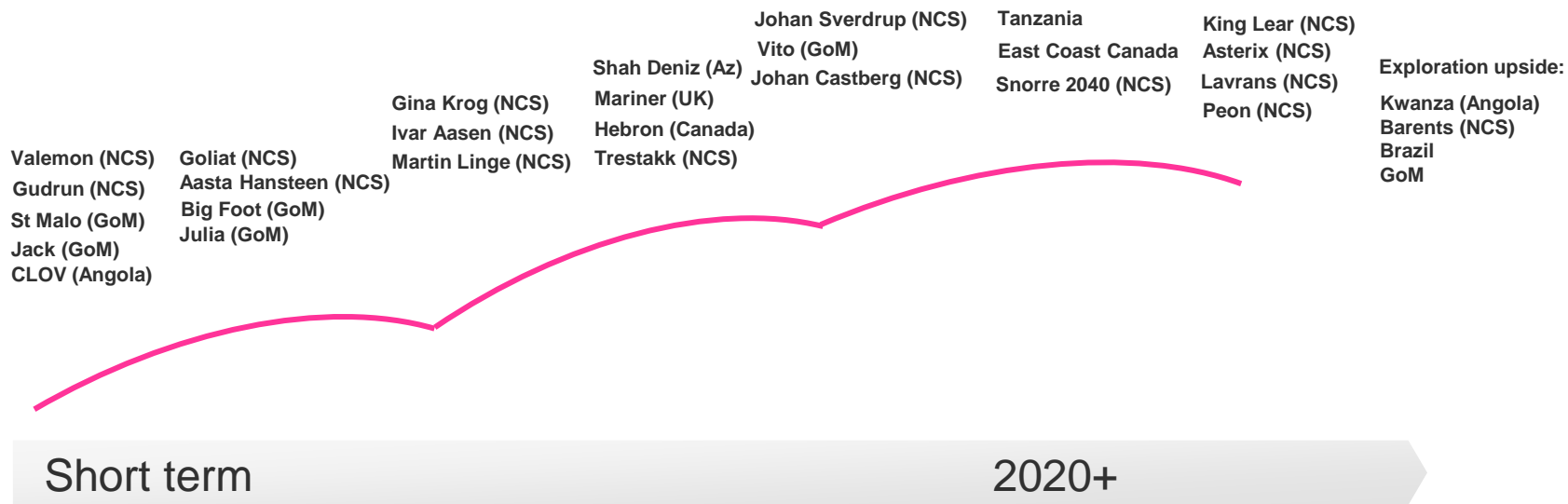
## Quarterly dividend from 2014 <sup>1)</sup>

- Two quarterly dividends to be paid in 2014

## Share buy back more actively used

- Will depend on proceeds, cash flow and balance sheet

# Long term growth from a strong portfolio <sup>1)</sup>



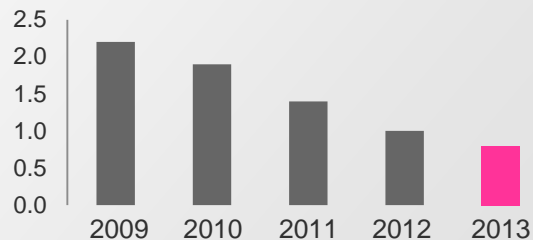


# Robust platform for sustainable performance

## Safety & security



Serious incidents per million working hours



## Strong resource base

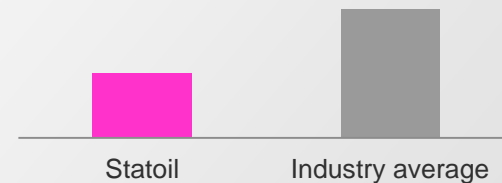


- 22 bn boe
- 75% OECD exposure
- Robust NCS base load

## Sustainability and transparency



Low carbon footprint <sup>1)</sup>



#1 in Transparency International's ranking 2012 on corporate reporting

# Summary

## Competing from **strengths**

- Solid strategic progress
- Strong resource base with optionality

## Increasing our **value creation**

- Delivering growth
- Strengthening efficiency and reducing capex estimate
- Improving free cash flow

## Prioritising **distribution**

- Firm policy
- Quarterly dividend
- Share buy back



Thank you

