

Into the great white open

Outlook without a clue

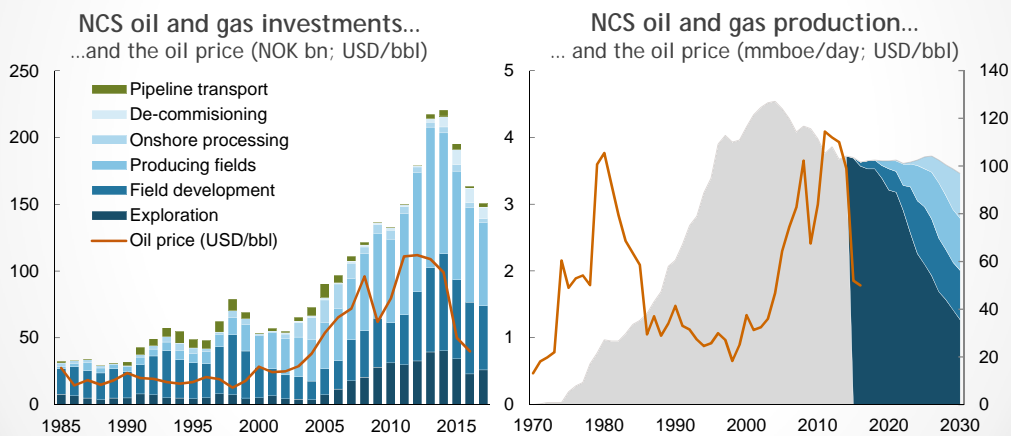
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Statoil Project Management Network
 Stavanger, 7 September 2016

The oil price matters...

... for NCS activity, production, revenues - and costs



Source: Statistics Norway, Norwegian Petroleum Directorate, Reuters EcoWin.

The paradox of plenty

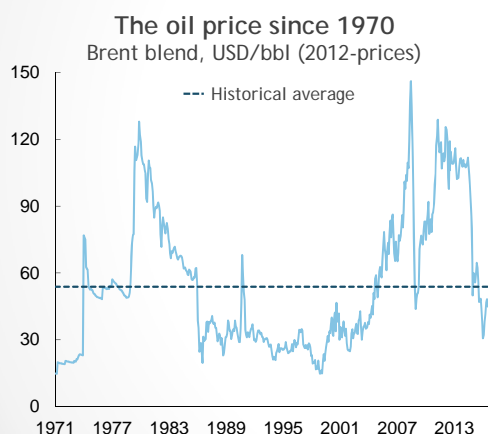
Resource revenues also involve challenges



- Resource windfalls tend to appreciate the RER
 - Erosion of competitiveness
 - Crowd-out of manufacturing
- Symptoms are bearable through the boom
 - Increase in vulnerability and risk
 - RER appreciation and de-industrialisation aggravate the cost of (structural) re-adjustment

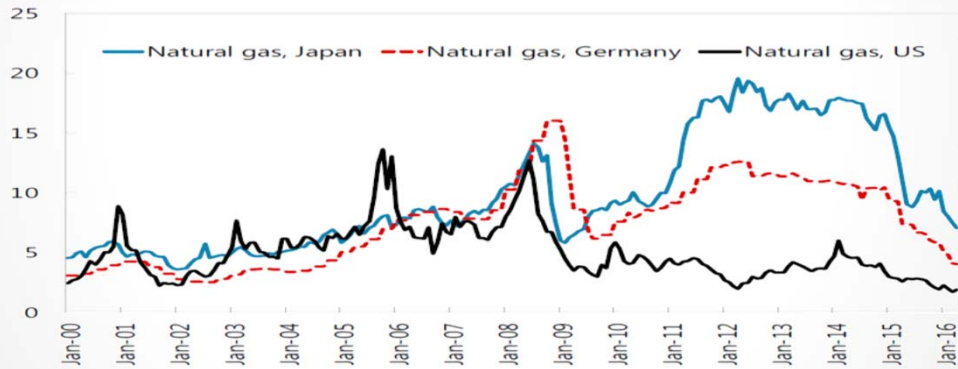
The great oil price plunge

Temporary setback or a new normal?



Natural gas prices

From divergence to convergence

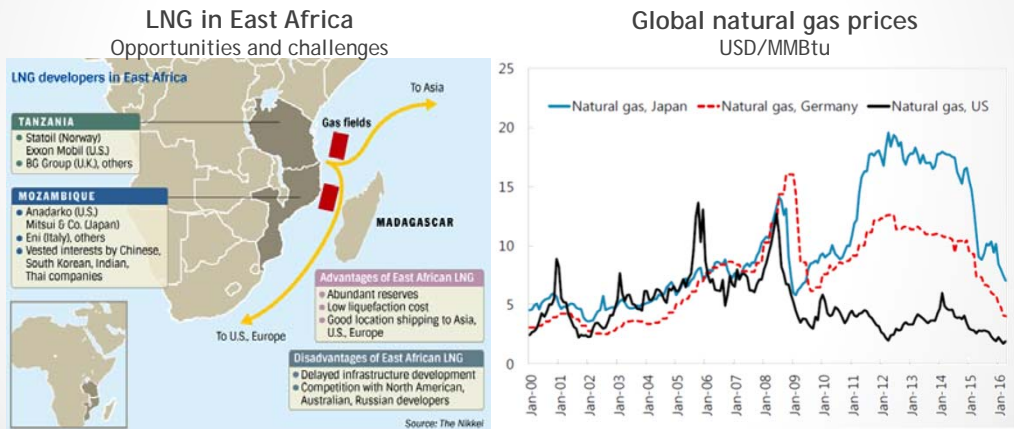


Source: International Monetary Fund.

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Tanzania's gas discoveries

Promises and perils

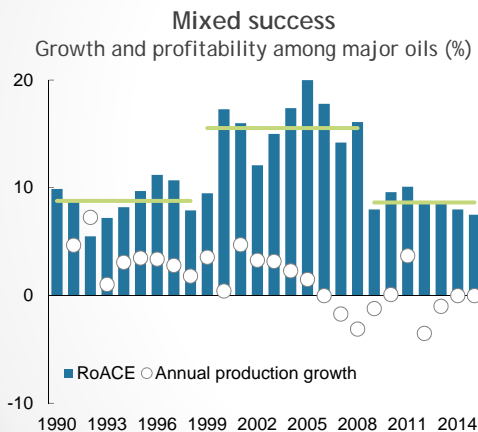


Source: International Monetary Fund (2016). United Republic of Tanzania: Selected Issues. Country Report 16/254.

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Oil industry challenges

Profitability and investment returns



- Disappointed shareholders
 - Oil price, cost, and returns
- Diverging market views...
 - ... and valuations
- Disputed business model
 - Scarcity and access
 - Stranded assets (?)



*Sources: Deutsche Bank, UBS Warburg.

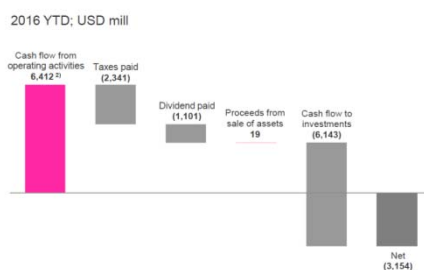
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Capital discipline

Investment and growth constrained by cash availability

Cash flow 2016

- Reducing capital expenditure reflecting efficiency and strict prioritisation¹⁾
- Adjusted net debt to capital employed of 31.2%
- Lower tax payments in second half of the year



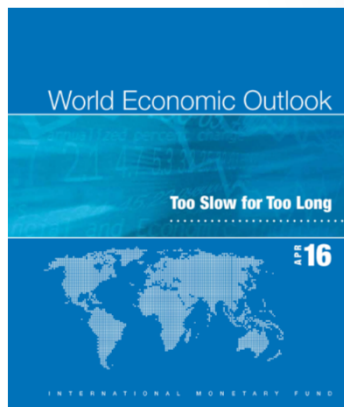
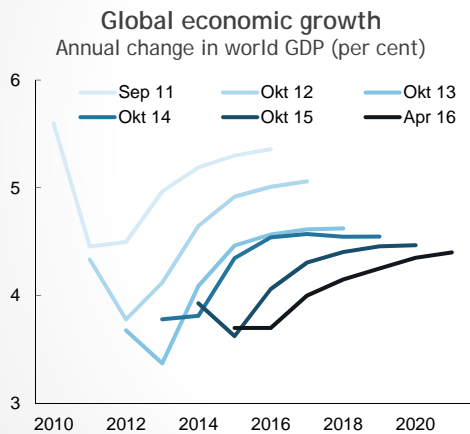
1) Cash flow to investments include financial investment with cash impact of USD 541 mill for the initial 11.93% in Lundin Petroleum
 2) Income before tax (1596) + Non cash items (4516)



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Waiting for the world to recover

The recovery is delayed, again and again



Source: International Monetary Fund.

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