



Statoil

Aktuelle regnskaps- og rapporteringsmessige problemstillinger fra Statoil

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1. Impairment

Brent Crude Oil Prices - 10 Year Daily Chart



Impairments recognised

NA Unconventional	Impairment
2016	1,357 MUSD
2015	3,658 MUSD
Sum	5,015 MUSD

DPN	Impairment
2016	829 MUSD
2015	1,074 MUSD
Sum	1,903 MUSD

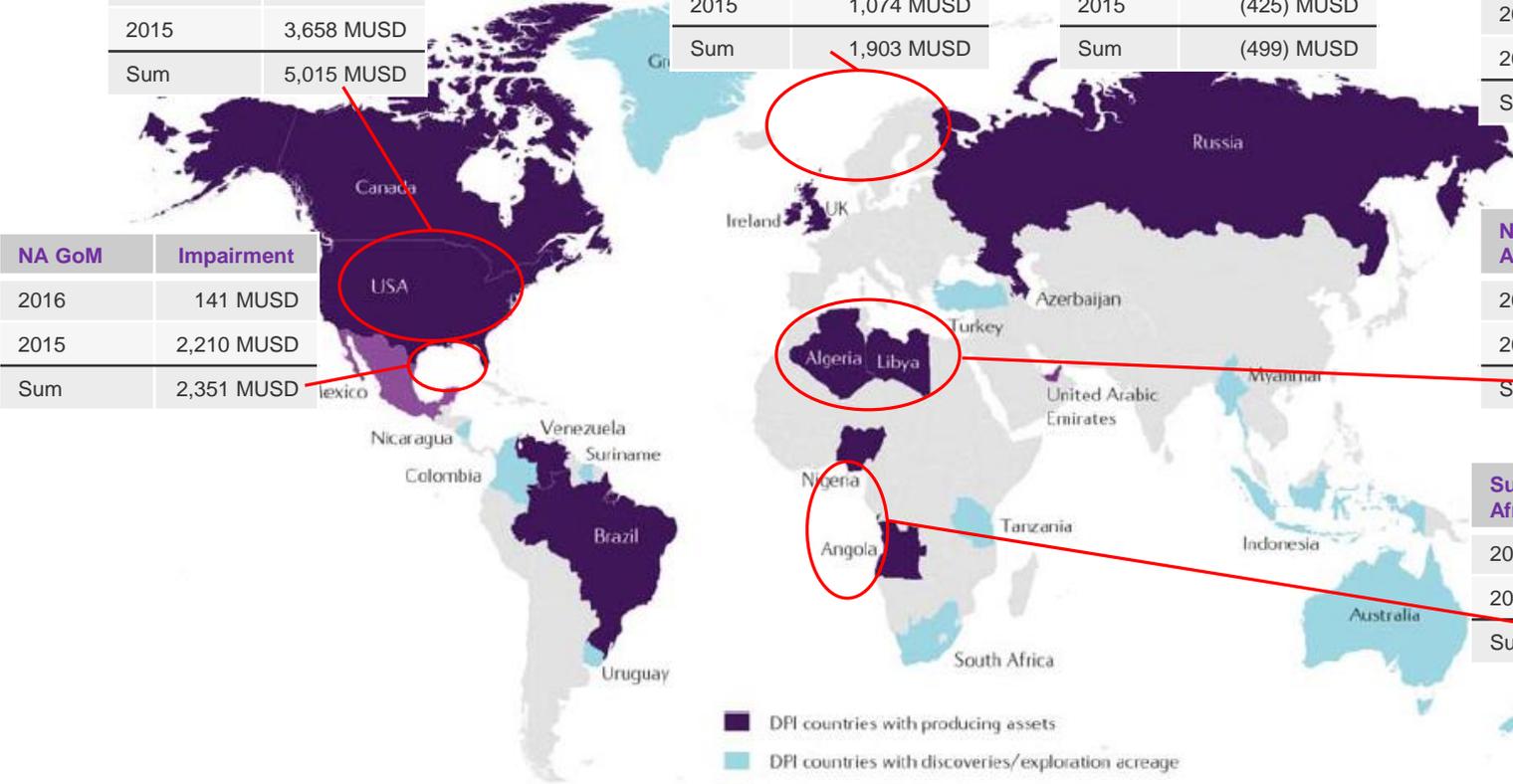
MMP	Impairment
2016	(74) MUSD
2015	(425) MUSD
Sum	(499) MUSD

Europe and Asia	Impairment
2016	(330) MUSD
2015	511 MUSD
Sum	181 MUSD

NA GoM	Impairment
2016	141 MUSD
2015	2,210 MUSD
Sum	2,351 MUSD

North Africa	Impairment
2016	104 MUSD
2015	130 MUSD
Sum	234 MUSD

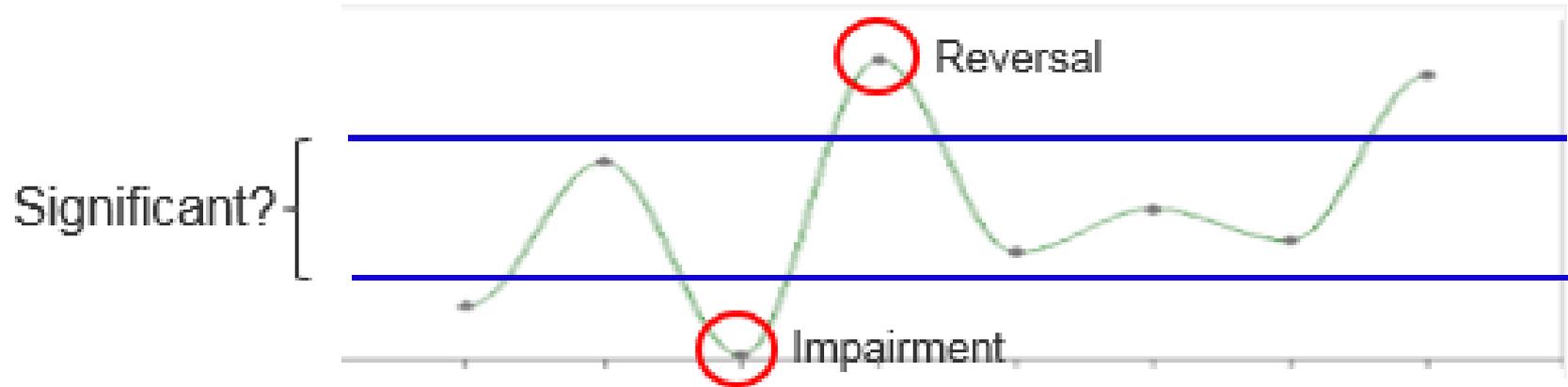
Sub-Sahara Africa	Impairment
2016	(137) MUSD
2015	169 MUSD
Sum	32 MUSD



- DPI countries with producing assets
- DPI countries with discoveries/exploration acreage
- DPI countries with representative office



Impairments – when to recognise?



Impairment process

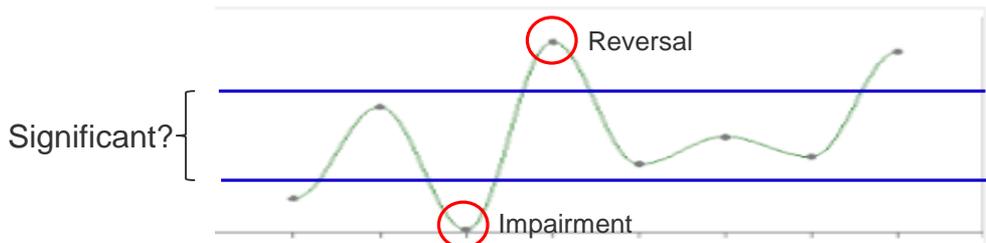
The main principle of IAS 36 *Impairment of assets* is that the value of an asset recognised in the balance sheet shall reflect what can be recovered through the use or the sale of the asset.

1. Assets at Risk

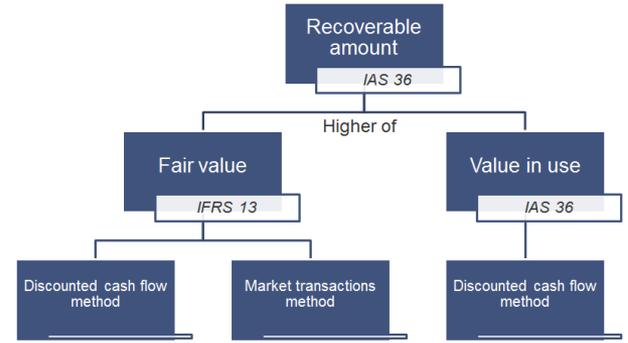
Assets at risk

Assets at risk or previously impaired	Previously impaired	Assets at risk or previously impaired	Previously impaired
Development and Production International		Development and Production United States	
Asset A	Yes	Asset A	Yes
Asset B	Yes	Asset B	Yes
Asset C	Yes	Asset C	Yes
Asset D	No	Asset D	Yes
Asset E	Yes	Asset E	Yes
Asset F	Yes	Asset F	Yes
Asset G	Yes	Asset G	Yes
Asset H	Yes	Asset H	Yes
Asset I	No	Asset I	Yes
		Asset J	No
Assets at risk or previously impaired	Previously impaired	Assets at risk or previously impaired	Previously impaired
Development and Production Norway		Marketing, Midstream and Processing	
Asset A	Yes	Asset A	Yes
Asset B	Yes	Asset B	Yes
Asset C	Yes	Asset C	Yes
Asset D	Yes	Asset D	Yes
Asset E	No	Asset E	No
Asset F	No	Asset F	No

2. Impairment Indicators



3. Calculate Recoverable Amount



Impairment disclosures

The price assumptions used for impairment calculations were as follows (prices used in 2015 impairment calculations for the respective years are indicated in brackets):

Year (Prices in real terms)	2017	2020	2025	2030
Brent Blend - USD/bbl	55 (45)	75 (83)	78 (92)	80 (100)
NBP - USD/mmBtu	6.0 (4.9)	6.0 (8.0)	8.0 (9.0)	8.0 (9.2)
Henry Hub - USD/mmBtu	3.4 (2.7)	4.0 (4.2)	4.0 (4.4)	4.0 (4.6)

(in USD million)	Impairment method	2016		2015	
		Carrying amount after impairment ¹⁾	Net impairment loss	Carrying amount after impairment ¹⁾	Net impairment loss
At 31 December					
Development and Production Norway	VIU	3,115	760	1,427	454
	FVLCOD	1,401	69	2,010	620
North America - unconventional	VIU	3,887	945	5,733	3,119
	FVLCOD	483	412	1,240	539
North America Conventional offshore Gulf of Mexico	VIU	4,459	141	3,699	2,210

Sensitivities

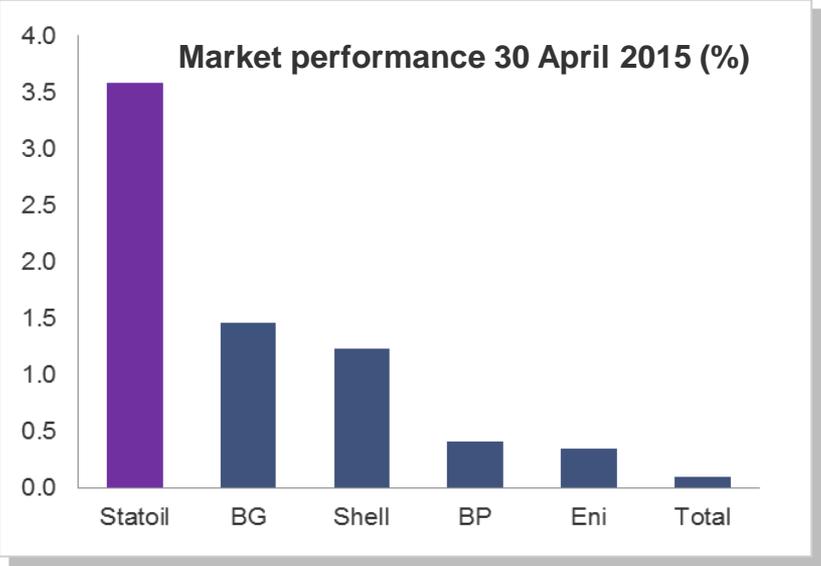
Commodity prices have historically been volatile. Significant further downward adjustments of Statoil's commodity price assumptions would result in impairment losses on certain producing and development assets in Statoil's portfolio. If a further decline in commodity price forecasts over the lifetime of the assets were 20%, considered to represent a reasonably likely change, the impairment amount to be recognised could illustratively be in the region of USD 8 billion before tax effects. This illustrative impairment sensitivity assumes no changes to input factors other than prices; however, a price reduction of 20% is likely to result in changes in business plans as well as other factors used when estimating an asset's recoverable amount. Changes in such input factors would likely significantly reduce the actual impairment amount compared to the illustrative sensitivity above. Changes that could be expected would include a reduction in the cost level in the oil and gas industry as well as offsetting currency effects, both of which have historically occurred following significant changes in commodity prices. The illustrative sensitivity is therefore not considered to represent a best estimate of an expected impairment impact, nor an estimated impact on revenues or operating income in such a scenario. A significant and prolonged reduction in oil and gas prices would also result in mitigating actions by Statoil and its license partners, as a reduction of oil and gas prices would impact drilling plans and production profiles for new and existing assets. Quantifying such impacts is considered impracticable, as it requires detailed technical, geological and economical evaluations based on hypothetical scenarios and not based on existing business or development plans.

Total

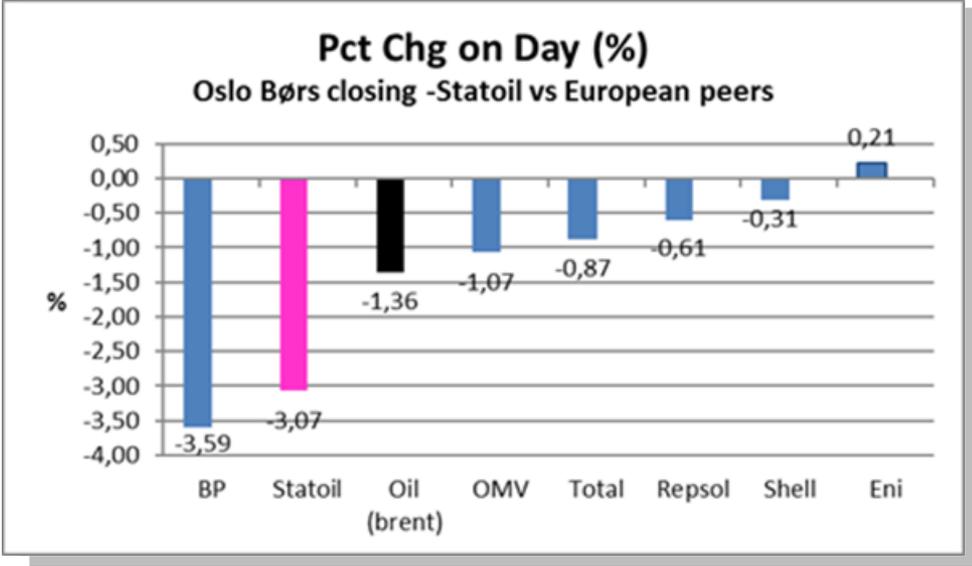
1) Carrying amount relates to assets impaired

Recognised impairments and market impact

1Q 2015



4Q 2016



2. Relevance of financial information in annual reports?

- Extent and relevance of financial reporting
- Statoil 2016 Annual Report and Form-20-F
 - Annual Report on Form 20-F
 - Statutory Report
 - Board statements on Corporate Governance
 - Declaration on Remuneration
 - Payments to Governments
- Additional reports
 - Sustainability Report
 - Climate related risk (new initiative)



One Company – One Report

3. Equity method and impairment

- Consolidation method or valuation method?
- Example:
 - Ltd acquire 25% ownership interest in company A for 1.000.

PPA (25% share)	BV in Ass	Excess value	Fair value	
Asset A	400	400	800	
Asset B	200	300	500	
Debt	-300		-300	
Deferred tax		-168	-168	24% tax rate
GW		168	168	
	<hr/>	<hr/>	<hr/>	
	300	700	1 000	

- In a subsequent period Company A recognises an impairment charge on Asset B of 400 (100%). Asset A has in the same period had a significant increase in value (not recognised) evidenced by the share price of the company that is significantly higher than Ltd's book value of the investments
 - How will this impact share of result to be recognised by Ltd?

3. Equity method and impairment

- Company A recognises impairment of 400 (100%) related to asset B, our share 100

PPA (25% share)	BV in Ass	Excess value	Fair value
Asset A	400	400	800
Asset B	200	300	500
Debt	-300		-300
Deferred tax		-168	-168
GW		168	168
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	300	700	1 000

24% tax rate

– View A (consolidation method):

- Recognise share of impairment -100
- In addition, remaining excess value considered impaired with negative impact of -300, + tax impact on excess value of 72
- Total impact on Income statement is -328 (100+300-72)

3. Equity method and impairment

- Company A recognises impairment of 400 (100%) related to asset B, our share 100

PPA (25% share)	BV in Ass	Excess value	Fair value	
Asset A	400	400	800	
Asset B	200	300	500	
Debt	-300		-300	
Deferred tax		-168	-168	24% tax rate
GW		168	168	
	<hr/>	<hr/>	<hr/>	
	300	700	1 000	

- View B (CGU for impairment purposes is the equity accounted investment):
 - Recognise share of impairment -100
 - Recognised impairment by Company A considered an impairment trigger for the investments as a whole.
 - Fair value of Company A higher than Ltd's book value of investment, hence no additional impairment charge to be recognised
 - If fair value lower than book value, impairment amount not to be allocated to individual assets in Company A, but on the investment as a whole

3. Equity method and impairment

- How to treat the technical goodwill related to the acquisition?

PPA (25% share)	BV in Ass	Excess value	Fair value
Asset A	400	400	800
Asset B	200	300	500
Debt	-300		-300
Deferred tax		-168	-168
GW		168	168
	300	700	1 000

24% tax rate

Recognised through income statement in connection with the amortization of the related excess values



Hoveddelen av selskapets goodwill er relatert til kravet om å regnskapsføre utsatt skatt på forskjellen mellom virkelig verdi og de relaterte skattemessige verdier («teknisk goodwill»). Fastsettelsen av virkelig verdi på lisenser er basert på kontantstrømmer etter skatt. Dette skyldes at slike lisenser kun omsettes i markedet etter skatt basert på vedtak fra Finansdepartementet i tråd med § 10 i petroleumsskatteloven. Kjøper er derfor ikke berettiget til å kreve skattefradrag for den delen av vederlaget som overstiger overtatt skatteposisjon fra selger. Det foretas avsetning for utsatt skatt av differansen mellom anskaffelseskost og overtatt skattemessig avskrivningsbase i henhold til IAS 12 punkt 15 og 24. Motpost til denne utsatte skatten er goodwill, som også kalles «teknisk goodwill», grunnet at opphavet skyldes den utsatte skatten. Teknisk goodwill testes for nedskrivning separat for hver kontantgenererende enhet som har gitt opphav til den tekniske goodwill. En kontantgenererende enhet kan være individuelle oljefelt, eller en gruppe av oljefelt som er knyttet til den samme infrastruktur/produksjonsutstyr.

Statoil. The Power of Possible

Aktuelle regnskaps- og
rapporteringsmessige problemstillinger
fra Statoil

Morten Haukaas/Vice President
Accounting, Chief Accountant

www.statoil.com

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