

# Q1 2015

DET NORSKE OLJESELSKAP

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6 MAY 2015



# DET NORSKE

## Highlights

### ■ Finance

- Q1 EBITDA USD 256 million, EPS 0.01 (USD)
- DETNOR02 loan agreement amended
- USD 500 million RCF fully underwritten
- Contemplating USD 300 million subordinated bond issue

### ■ Operations

- Total production of 64.9 mboepd in Q1 2015
- Production commenced on Bøyla in January

### ■ Development Projects

- Ivar Aasen development on schedule
- Johan Sverdrup PDO submitted, contracts currently being awarded
- Viper-Kobra project sanctioned



Ivar Aasen: The intermediate and weather decks stacked



# Financials

Q1 2015



## FINANCIALS

# Statement of income

Income statement (USD mill)	Q1 2015	Q1 2014	FY 2014
Revenues	324	26	464
Production costs	39	7	67
Other operating expenses	14	1	49
<b>EBITDAX</b>	<b>271</b>	<b>18</b>	<b>365</b>
Exploration expenses	15	20	158
<b>EBITDA</b>	<b>256</b>	<b>-2</b>	<b>208</b>
Depreciation	122	15	160
Impairment losses	53	27	346
<b>Operating profit/loss (EBIT)</b>	<b>81</b>	<b>-44</b>	<b>(299)</b>
Net financial items	0	-10	(77)
<b>Profit/loss before taxes</b>	<b>81</b>	<b>-54</b>	<b>(376)</b>
Tax (+) / Tax income (-)	79	-51	(93)
<b>Net profit/loss</b>	<b>2</b>	<b>-3</b>	<b>(279)</b>
EPS	0.01	-0.02	(1.68)

## FINANCIALS

# Statement of financial position

Assets (USD mill)	31.03.15	31.03.14	Equity and Liabilities (USD mill)	31.03.15	31.03.14
Goodwill	1 134	54	Equity	654	530
Other intangible assets	940	367	Other provisions for liabilities incl. P&A (long)	498	145
Property, plant and equipment	2 679	591	Deferred tax	1 363	-
Calculated tax receivables (long)	-	25	Bonds	233	413
Deferred tax asset	-	133	Bank debt	2 144	359
Receivables and other assets	314	205	Exploration facility	-	114
Calculated tax receivables (short)	-	237	Other current liabilities incl. P&A (short)	478	187
Cash and cash equivalents	412	137	Tax payable	110	-
<b>Total Assets</b>	<b>5 480</b>	<b>1 748</b>	<b>Total Equity and Liabilities</b>	<b>5 480</b>	<b>1 748</b>

## FINANCIALS

# Amending current debt instruments

### ■ Net debt of USD 2 billion

- Outstanding debt of USD 2.4 billion (bonds and bank debt) at the end of Q1 2015
- Cash, cash equivalents and undrawn credit of about USD 1.0 billion at the end of Q1 2015

### ■ DETNOR02 (2013/2020) NOK 1.9 billion bond

- Amended loan agreement to harmonize with the RBL facility covenants
- Margin increased to NIBOR + 6.5%

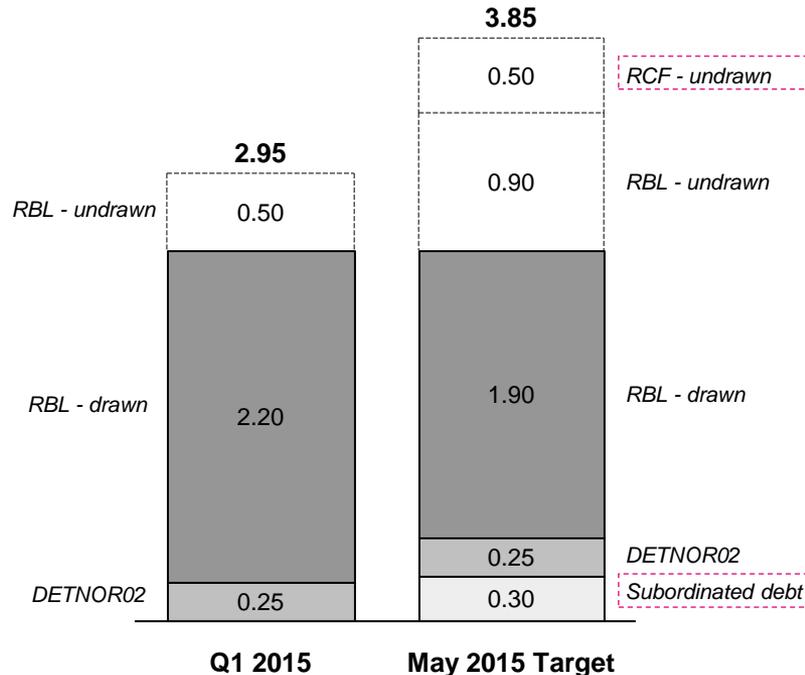
### ■ USD 3.0 bn RBL facility

- The company had drawn USD 2.2 billion at the end of Q1 2015
- Amendments in the RBL loan agreement result in more predictable availability
- Borrowing base availability increased to USD 2.8 billion

# FINANCIALS

## Further diversifying the capital structure

### Debt capital structure



### Overview

- **New USD 500 million RCF fully underwritten by bank consortium**
  - Four-year tenor and 1+1 extension option
  - Utilization fee of 1.5% and margin of 4%, stepping up by 0.5% after 3, 4 and 5 years
  - Completion expected in May
- **Contemplating subordinated bond issue of USD 300 million**
  - Roadshow in the coming days
- **These initiatives represent an integral part of diversifying the company's capital structure**

# Production

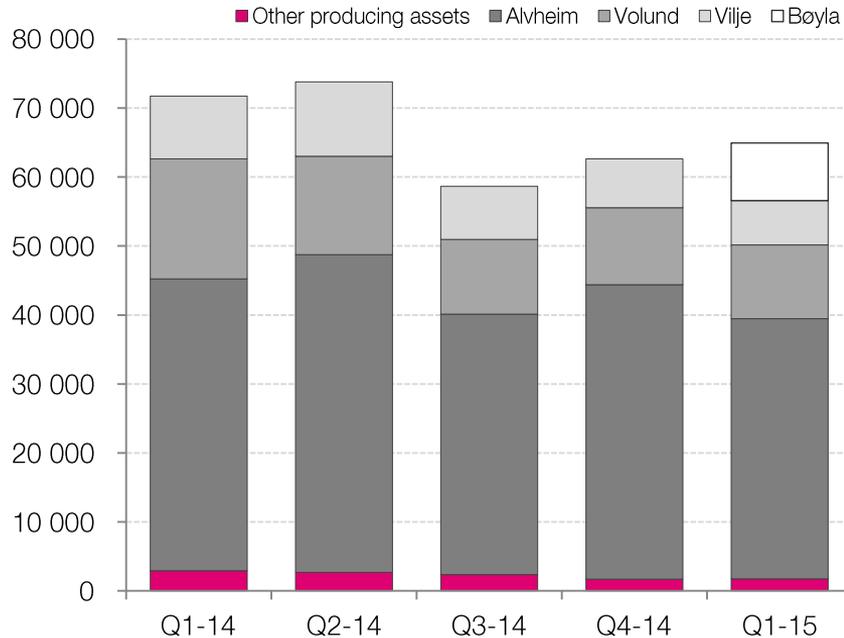
Q1 2015



# PRODUCTION

## Net production

### Net production (boepd)



### Q1 production

- Q1 2015 production of 64.9 mboepd
- Production availability was 96.4%, above target
- Realized oil price of USD 58/bbl

### New wells and work-overs

- Bøyla put on stream in January, and had an average production of 8,300 boepd (net) in Q1
- Drilling of second Bøyla well completed and is expected to commence production in Q3 2015
- East Kameleon L4 came on stream mid April
- KB3 work-over ongoing

### 2015 production guidance:

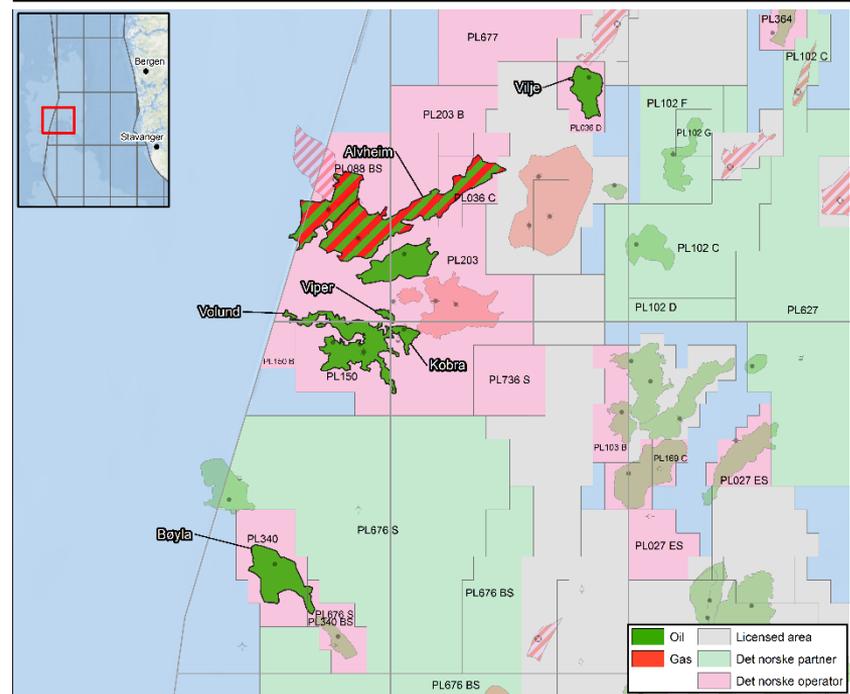
- 58-63,000 boepd

# PRODUCTION

## Continuing to develop the Alvheim area

- **Near-term wells on Alvheim**
  - **Kneler 1:** Planned to commence production around year-end
  - **BoaKamNorth:** Planned to commence drilling in Q4 2015 and to come on stream mid 2016
  - **Viper Kobra:** Development project ongoing, will come on stream Q4 2016
- **Extending rig capacity**
  - Tendering rig to secure drilling capacity from summer 2016 and onwards
  - Will enable the company to continue to develop profitable projects in the Alvheim area

Alvheim area



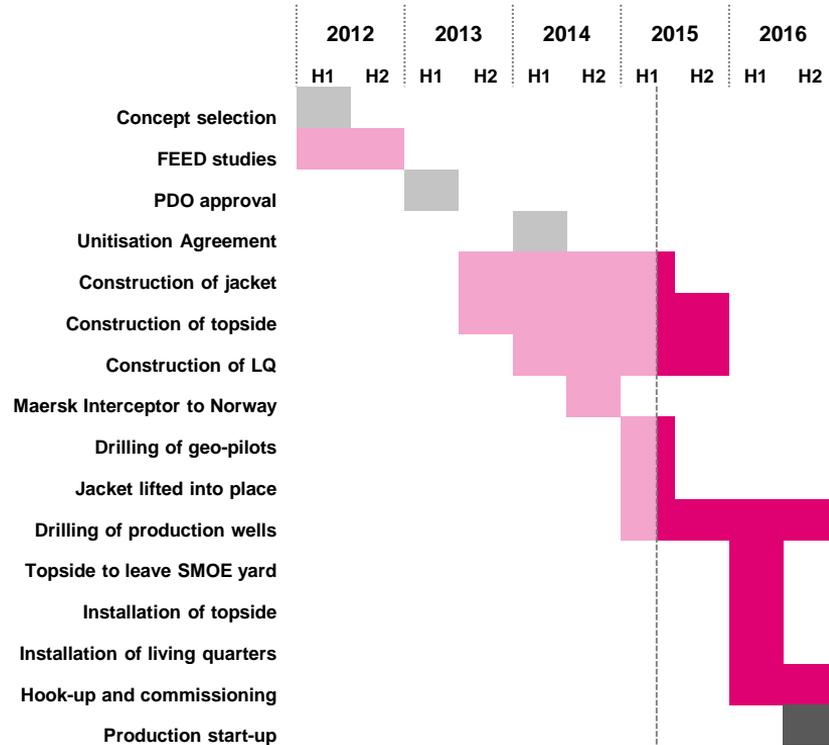
# Development Projects

Q1 2015



# IVAR AASEN (~35%\*)

## Development on track



Ivar Aasen development concept



## IVAR AASEN (~35%\*)

# First geo-pilots in line with expectations

- **Drilling of the geo-pilots in Ivar Aasen commenced in January**
- **First geo-pilots were broadly in line with expectations**
  - Provided valuable information for the placement of production wells
- **Drilling of pilot wells will be concluded by the summer**
  - After the pilot wells, the drilling of production wells will commence



Maersk Interceptor commenced drilling in January

## IVAR AASEN (~35%\*)

# Jacket ready for installation

- **Jacket completed in January 2015**
  - On time and on cost with no major incidents
- **Jacket has arrived in Rotterdam**
  - Will remain in Rotterdam until the installation on the Ivar Aasen field
- **The Thialf vessel will install the jacket**
  - The Wei-Li vessel will also be used during the jacket installation campaign
- **Jacket to be installed in Q2 2015**



Pacific Duchess has towed the jacket from Sardinia to Rotterdam



IVAR AASEN (~35%\*)

# Topside construction about 60% completed

## ■ Topside on schedule

- Detailed engineering in its final stage
- Key equipment packages arrived on site as planned
- Start commissioning this autumn
- Mechanical complete by year-end 2015
- Sail-away during spring 2016



Process module



Flare boom



Cellar, intermediate and weather deck



## JOHAN SVERDRUP (11.89%, preliminary working interest)

# PDO submitted, contracts being awarded

### ■ PDO submitted in February 2015

- Production start-up: Q4 2019
- Volumes: 1.7-3.0bn boe (~80% from Phase 1)
- Capex: NOK 117bn in Phase 1, NOK 170-220bn in total

### ■ First contracts have been awarded

- Aker Solutions
- Kværner
- Aibel
- ABB

### ■ NPD is reviewing the working interest distribution

- MPE to decide on the unitization split



The Johan Sverdrup development

# Exploration

Q1 2015



# EXPLORATION & APPRAISAL

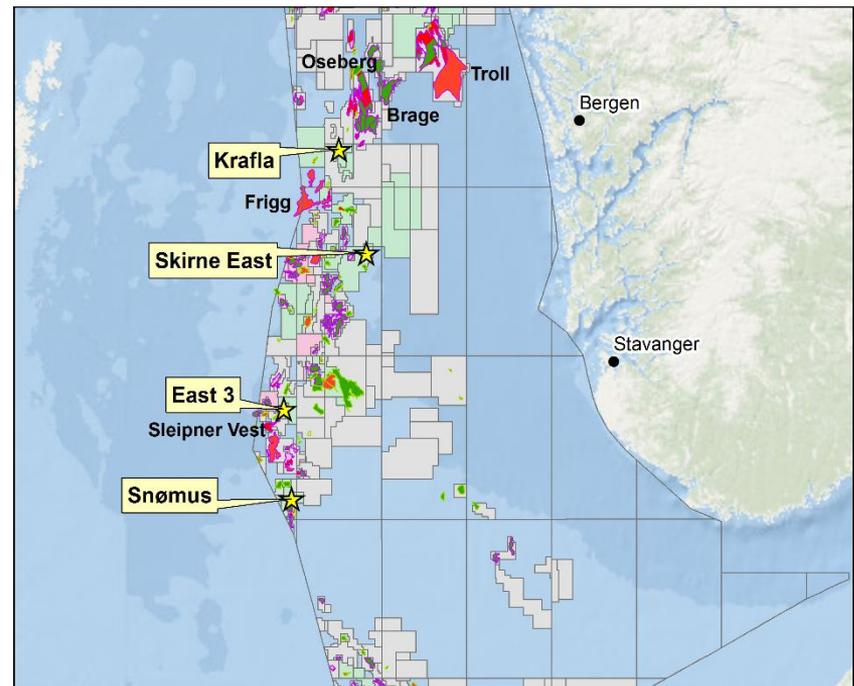
## 2015 drilling activity

### 2015 Drilling schedule

License	Prospect	Share	mmboe	Rig	Timing
PL 272/035	Krafla North & Main	25 %	-	Transocean Leader	Q4 14/Q1 15
PL 001B	Løvstakken	35%	-	Maersk Interceptor	Q1 15
PL 627	Skirne East	20 %	50-171	Leiv Eiriksson	Q2 15
Gina Krog	East 3	3.3 %	27-82	Songa Trym	Q2 15
PL 672	Snømus	25 %	14-94	Maersk Giant	Q2 15

- Discoveries at Krafla North and Main
- Small gas discovery at Skirne East:
  - Encountered a 10-metre gross gas column
  - Preliminary volume estimates of 3-10 mboe
- Drilling commenced on Snømus and Gina Krog East 3 in April

### 2015 wells in the North Sea



# Outlook

Q1 2015



## COST EFFICIENCY PROGRAMME

# Identified 2015 reductions exceed USD 100m

- Cost efficiency programme progressing well
- Measures identified currently exceed USD 100 million
- 35 people offered redundancy packages or early retirement packages
- Will continue to improve supply chain and optimize work processes going forward
- Take advantage of the adverse market environment where we can



Working to improve the supply chain management



## OUTLOOK

# Summary and outlook

### ■ Financial

- Finalize the USD 300 million subordinated bond issue and the USD 500 million RCF
- Continue to optimize the capital structure of the company going forward

### ■ Development projects

- Ivar Aasen progressing according to plan
- Johan Sverdrup PDO submitted, unit agreement to be concluded
- Viper Kobra development has commenced

### ■ Cost Efficiency

- Measures identified currently exceed USD 100 million
- Will continue to improve supply chain and optimize work processes going forward



**DETNORSKE**

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