

# Q3 2015

DET NORSKE OLJESELSKAP

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4 NOVEMBER 2015



# DET NORSKE

## Highlights

### ■ Production

- Total production of 62.8 mboepd in Q3 2015

### ■ Finance

- Q3 EBITDA USD 225 million, EPS -0.82 (USD)
- USD 1.7 billion in cash and undrawn debt facilities

### ■ Development projects

- Ivar Aasen development on schedule
- Johan Sverdrup PDO approved, CAPEX reductions

### ■ Business development

- Acquisition of Svenska Petroleum Exploration AS

### ■ 2015 guidance revised

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Two production wells completed on Ivar Aasen

# Financials

Q3 2015



## FINANCIALS

# Statement of income

| Income statement (USD mill)         | Q3 2015      | Q3 2014      | YTD 2015     |
|-------------------------------------|--------------|--------------|--------------|
| Revenues                            | 281          | 18           | 942          |
| Production costs                    | 27           | 8            | 117          |
| Other operating expenses            | 11           | 1            | 48           |
| <b>EBITDAX</b>                      | <b>243</b>   | <b>9</b>     | <b>777</b>   |
| Exploration expenses                | 18           | 72           | 58           |
| <b>EBITDA</b>                       | <b>225</b>   | <b>(62)</b>  | <b>720</b>   |
| Depreciation                        | 130          | 28           | 369          |
| Impairment losses                   | 186          | -            | 239          |
| <b>Operating profit/loss (EBIT)</b> | <b>(91)</b>  | <b>(90)</b>  | <b>112</b>   |
| Net financial items                 | (16)         | (30)         | (74)         |
| <b>Profit/loss before taxes</b>     | <b>(107)</b> | <b>(121)</b> | <b>38</b>    |
| Tax (+) / Tax income (-)            | 59           | (104)        | 194          |
| <b>Net profit/loss</b>              | <b>(166)</b> | <b>(17)</b>  | <b>(156)</b> |
| EPS (USD)                           | (0.82)       | (0.09)       | (0.77)       |

## FINANCIALS

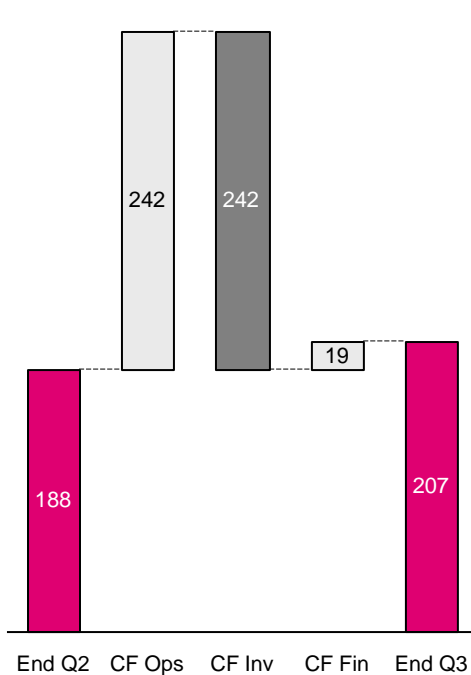
# Statement of financial position

| <b>Assets<br/>(USD mill)</b>       | <b>30.09.15</b> | <b>30.09.14</b> | <b>Assets<br/>(USD mill)</b>                         | <b>30.09.15</b> | <b>30.09.14</b> |
|------------------------------------|-----------------|-----------------|--|-----------------|-----------------|
| Goodwill                           | 948             | 50              | Equity   | 495             | 962             |
| Other intangible assets            | 898             | 435             | Other provisions for liabilities incl. P&A<br>(long) | 555             | 139             |
| Property, plant and equipment      | 2 929           | 728             | Deferred tax   | 1 424           | -               |
| Deferred tax asset                 | -               | 154             | Bonds  | 511             | 292             |
| Receivables and other assets       | 246             | 234             | Bank debt  | 1 842           | 405             |
| Calculated tax receivables (short) | 8               | 352             | Exploration facility                                 | -               | 184             |
| Cash and cash equivalents          | 207             | 445             | Other current liabilities incl. P&A (short)          | 409             | 417             |
| <b>Total Assets</b>                | <b>5 237</b>    | <b>2 398</b>    | <b>Total Assets</b>                                  | <b>5 237</b>    | <b>2 398</b>    |

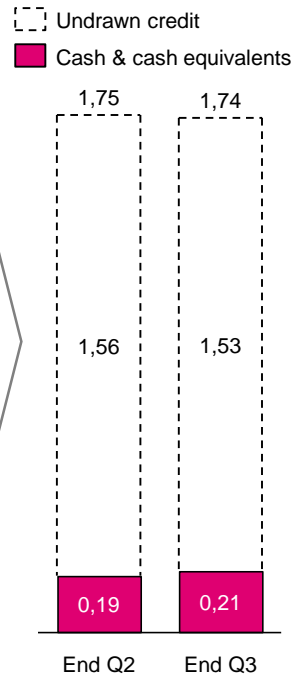
# FINANCIALS AND FUNDING

## Cash flow and liquidity

### Cash flow (USDm)



### Liquidity (USDbn)

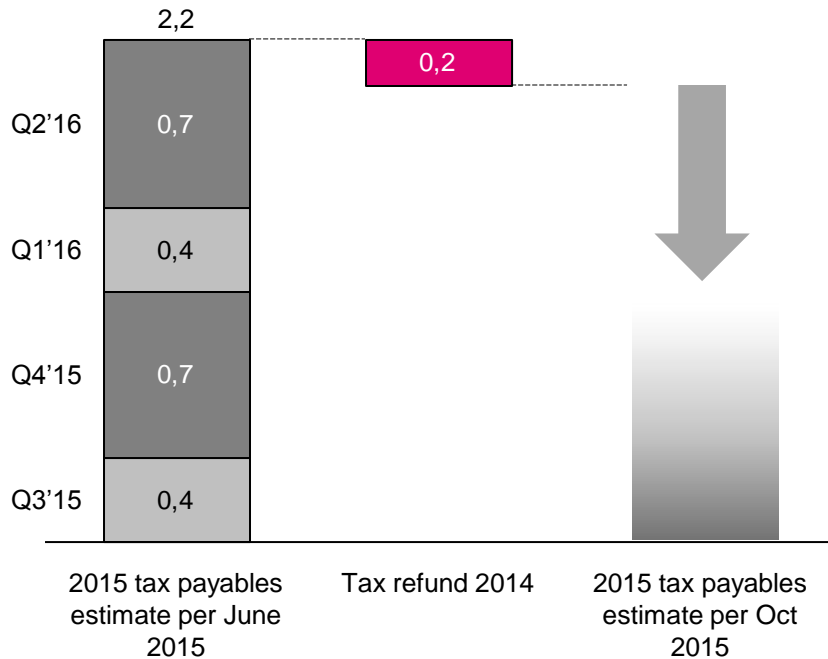


- Cash flow from operations covered cash flow from investing in the quarter
- Net interest-bearing debt (book value) of USD 2.15 billion
- Cash and undrawn debt facilities of USD 1.74 billion at the end of Q3

# FINANCIALS

## 2015 taxes

### Estimated tax payable for 2015 (NOKbn)



- 2015 tax payable was estimated to be NOK 2.2 billion in mid-2015
- Refund for tax year 2014 estimated at NOK 0.2 bn (to be dispersed in Dec. 2015)
- At the current USD/NOK FX rate, the company expects to make no tax payments during the first half of 2016 due to:
  - Unrealised losses on foreign exchange
  - Sustained low oil prices
  - Inclusion of tax losses from Svenska Petroleum AS

# Operations

Q3 2015

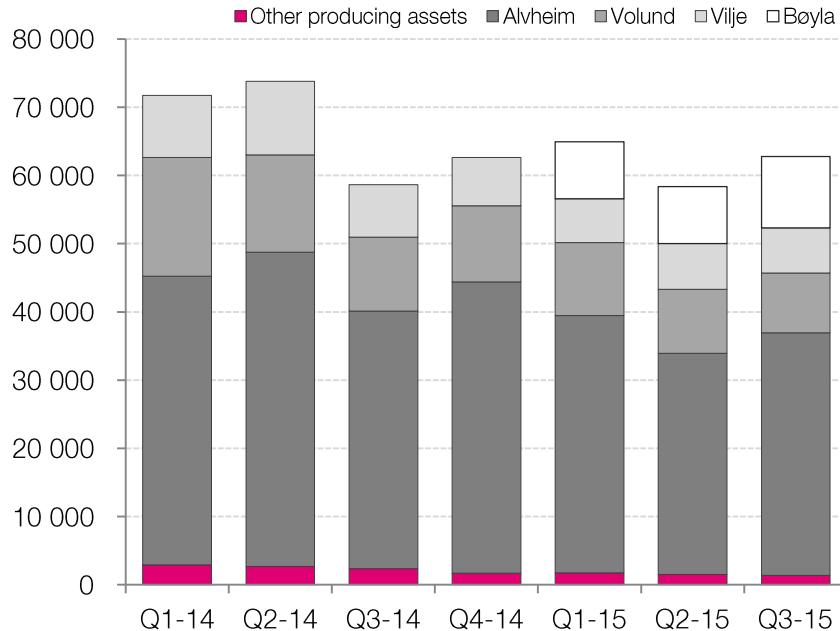




# PRODUCTION

## Oil and gas production in Q3 2015

### Net production (boepd)



### Q3 production

- Q3 2015 production of 62.8 mboepd
- Production efficiency was 98.1%, above target
- Realized oil price of USD 52/bbl

### Production was positively impacted by

- Bøyla M2 start-up
- Full quarter production from KB3 well
- KA1 well resumed production

### Production guidance

- Revised 2015 guidance of ~62 mboepd
- Preliminary 2016 guidance of 55 – 60 mboepd

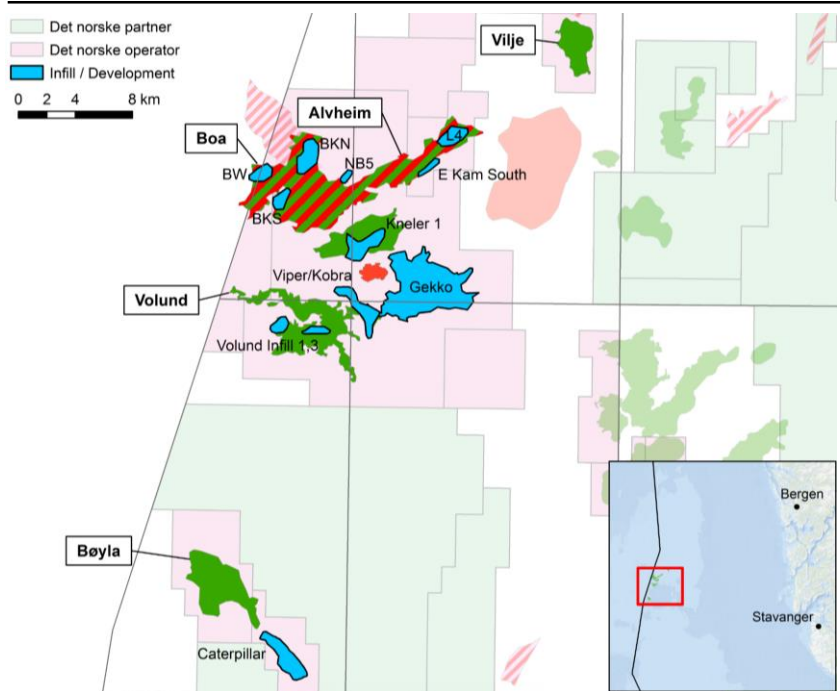
# GREATER ALVHEIM AREA

## Further developing the Alvheim area

### New projects in the Alvheim area

- **4 new wells planned to come on stream in 2015**
  - Bøyla M1 on stream in January
  - East Kameleon L4 on stream in April
  - Bøyla M2 on stream in August
  - Kneler 1 planned to come on stream in November
- **Rig tendering process close to completion**
- **Future infill wells and developments**
  - BoaKamNorth commenced drilling
  - Viper/Kobra development ongoing
  - Infill wells to Volund and Boa
  - Attic oil
- **More discoveries being matured and numerous exploration targets identified**

### Alvheim area



## IVAR AASEN (~35%<sup>1</sup>)

# Ivar Aasen project on schedule for first oil in 2016

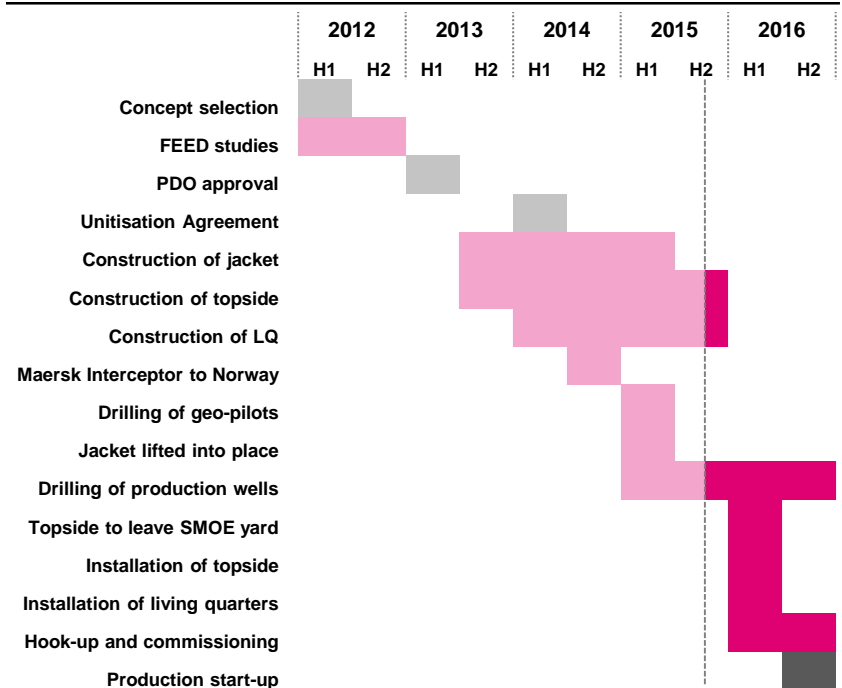
### Events in the quarter

- Production drilling commenced in July
- Pipelines between Edvard Grieg and Ivar Aasen installed
- Construction of topside reached 85% completion
- Helideck installed on living quarter

### Key milestones going forward

- Topside mechanical complete planned by Q1-2016
- Topside sail-away planned for spring 2016
- Hook-up and completion planned for summer and autumn 2016

### Detailed timeline



## IVAR AASEN (~35%<sup>1</sup>)

# Topside construction reached 85% completion

### ■ Construction progressed well in Q3

- Construction of the topside is about 85% complete
- First sub system handed over for commissioning in September
- Trial fit of the flare lower section took place in September
- Cable pulling and termination are progressing well

### ■ Topside on schedule

- Key equipment packages arrived on site as planned
- Mechanical complete scheduled by Q1-2016
- Sail-away scheduled for spring 2016



Ivar Aasen Topside

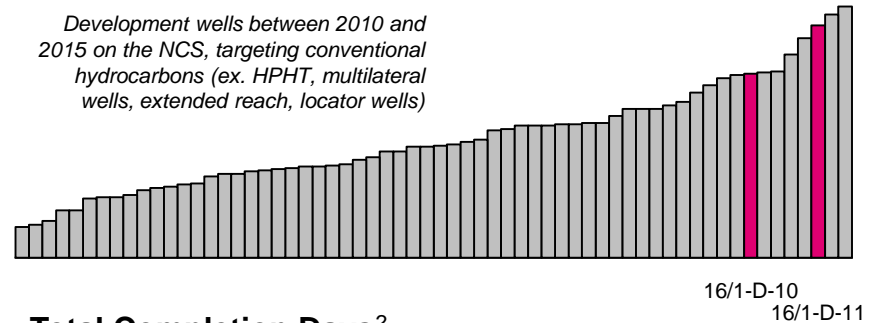


## IVAR AASEN (~35%<sup>1</sup>)

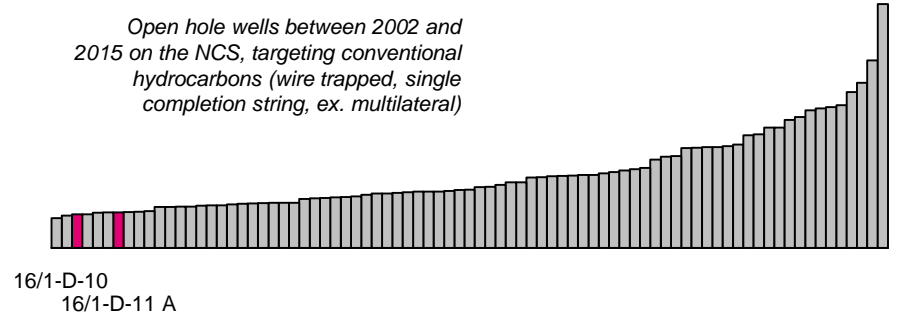
# Drilling of production wells

- **Initiated drilling of production wells through jacket in mid-July**
  - Batch set five conductors
  - Two producers drilled and completed by mid-October
- **World class drilling performance**
  - Rig move and preparations for drilling completed in six days
  - Batch setting of five conductors well ahead of plan and budget
  - Top drilling and completion performance
- **Targeting further performance improvements**

### Meters/dry hole day (ex. core&log) by well<sup>2</sup>



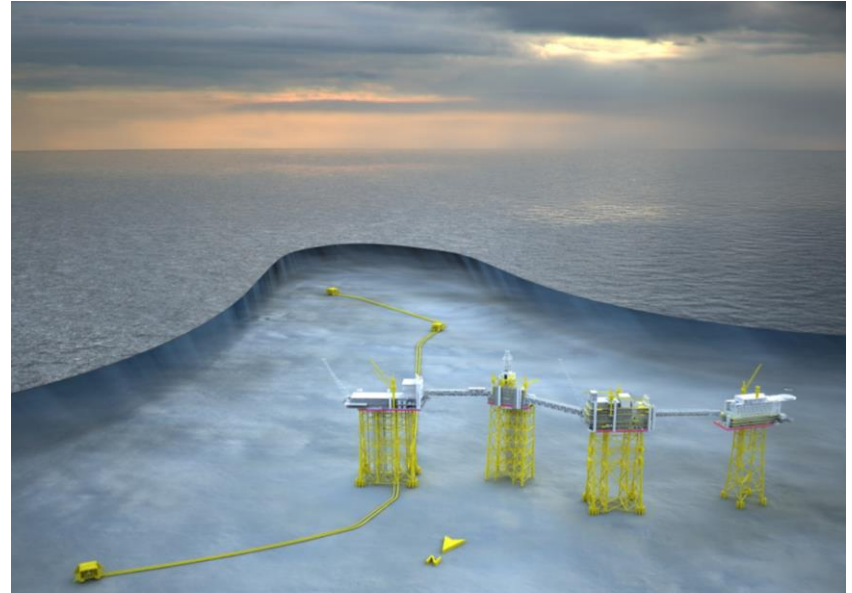
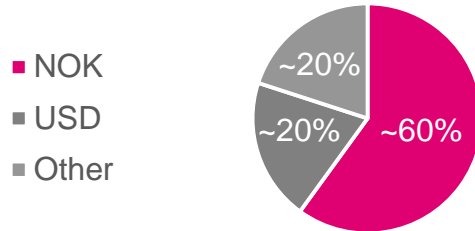
### Total Completion Days<sup>2</sup>



## JOHAN SVERDRUP (11.5733%)

# Johan Sverdrup project progressing as planned

- **PDO approved by MPE in August**
  - Production start-up: Q4 2019
  - Volumes: 1.7-3.0bn boe (~80% from Phase 1)
- **Cost estimates are coming down**
  - Phase 1 CAPEX reduced from NOK 123 billion (nom.) to NOK 114 billion (nom.)<sup>1</sup>
- **Operator's Phase 1 indicative FX split on CAPEX**



The Johan Sverdrup development

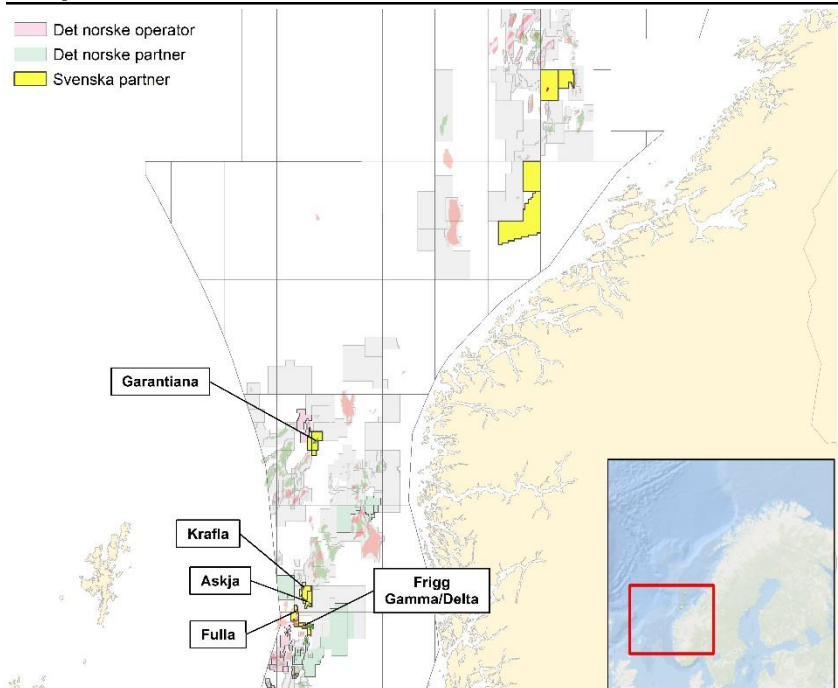
<sup>1</sup> Based on the PDO exchange rate of USD/NOK of 6.0

## BUSINESS DEVELOPMENT

# Acquisition of Svenska Petroleum Exploration AS

- **Cash consideration of USD 75 million**
- **Increased ownership in attractive assets with resource upside potential**
- **13 licenses and 15 employees**
  - Krafla/Askja (25%), Garantiana (20%), Frigg Gamma Delta (40%) and Fulla/Lille-Frigg (25%) discoveries in the North Sea
  - Four exploration licenses in the Norwegian Sea
- **Tax effect from fiscal year 2015**
  - After-tax value of tax loss carry forward of NOK 130 million (end 2014)
- **Closing in Q4 2015**

### Map of assets

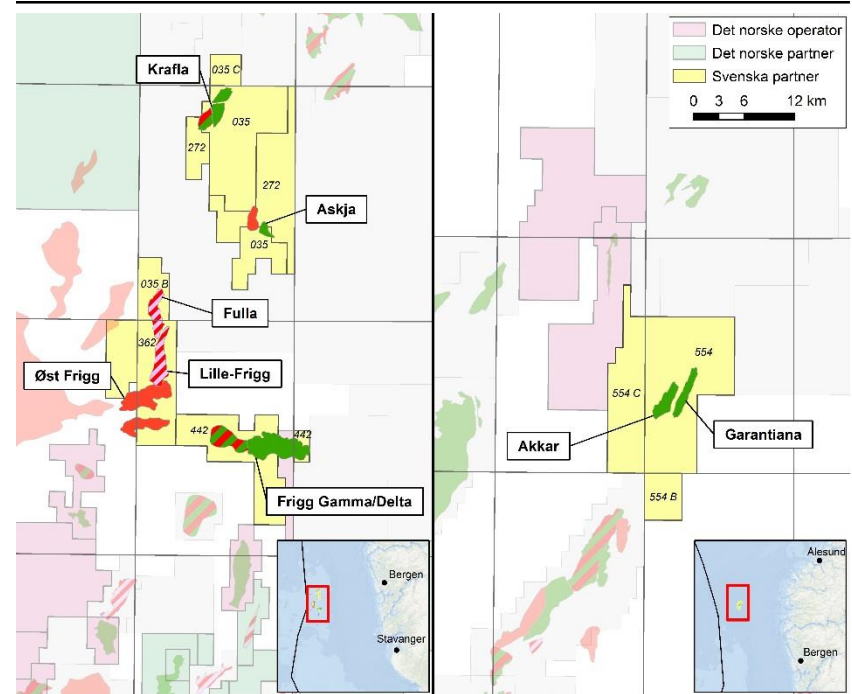


## BUSINESS DEVELOPMENT

# Acquisition of Svenska Petroleum Exploration AS

- Krafla/Askja and Garantiana are both being matured for development
- Good fit with existing portfolio as investment decisions will occur after first oil at Ivar Aasen
- Investment decisions expected around 2018
- Majority of CAPEX to be funded by cash flow from Johan Sverdrup
- Further exploration drilling in both areas expected in 2016

Map of North Sea discoveries



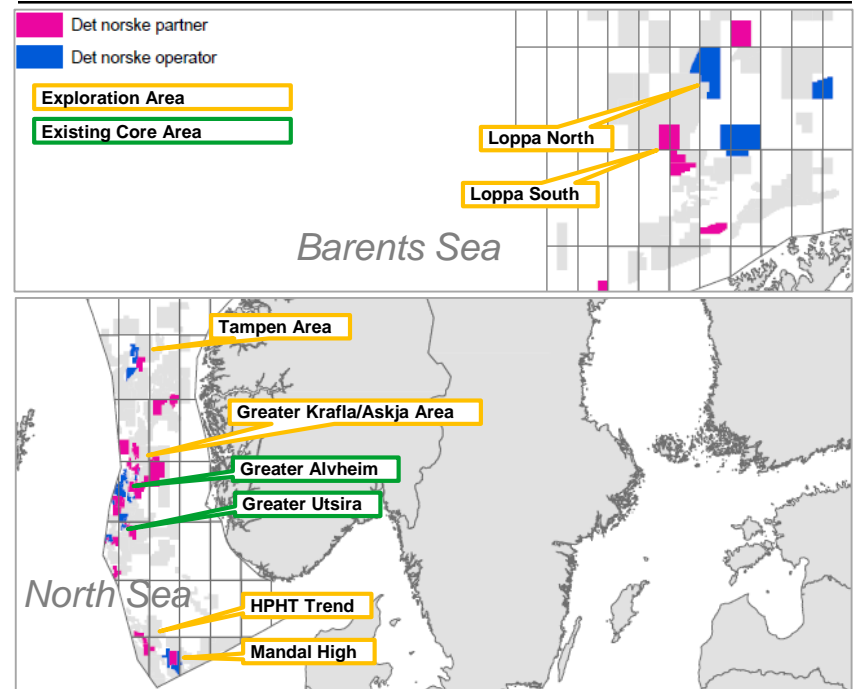


## EXPLORATION

# Key focus areas in 2016

- **Securing new acreage**
  - **23<sup>rd</sup> licensing round**  
Prepare upcoming 23<sup>rd</sup> licensing round  
Assessing opportunities in the Barents Sea
  - **Awards in Pre-defined Areas (APA)**  
Applied in 2015 APA with aim to secure additional acreage in core areas
  
- **Focus on ILX in core areas in 2016 and onwards**
  - Working to optimise 2016 exploration drilling schedule
  - Rovarkula to be drilled in 2016
  - Krafla/Askja and Garantiana areas expected to be further explored in 2016
  - Potential Barents Sea drilling

### Overview of existing core and exploration areas



# Outlook

Q3 2015



## OUTLOOK

# Revised guidance

| Item                          | Actual first 9 months 2015 | Previous guidance       | Revised guidance |
|-------------------------------|----------------------------|-------------------------|------------------|
| 2015 CAPEX                    | USD 645 million            | USD 950 – 1,000 million | USD ~925 million |
| 2015 EXPEX                    | USD 76 million             | USD 115 – 125 million   | USD ~95 million  |
| 2015 Production cost per boe  | USD 6.9 per boe            | USD 8 – 10 per boe      | USD ~6.5 per boe |
| 2015 production               | 62.0 mboepd                | 58 – 63 mboepd          | ~62 mboepd       |
| 2016 production (preliminary) | -                          | -                       | 55 – 60 mboepd   |

# OUTLOOK

## Summary and outlook

### ■ Development projects

- Ivar Aasen progressing according to plan
- Johan Sverdrup progressing according to schedule, awaiting the outcome of the complaint regarding ownership
- Continue to develop the Alvheim area

### ■ Financing

- Available liquidity of USD 1.74 billion
- Secured funding for work programme until first oil at Johan Sverdrup

### ■ Improvement program ongoing

- Realized 2015 savings in excess of the targeted USD 100 million
- Aiming to reduce costs, streamline work processes and improve the way we operate by securing run-rate savings





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