



DETNORSKE

Q4 2014 Presentation

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25 February 2015

DET NORSKE

Highlights

- **Acquisition of Marathon Oil Norge AS completed**
- **Operations**
 - Total production of 62.6 mboepd in Q4 2014
- **Development Projects**
 - Bøyla on stream in January – on schedule
 - Ivar Aasen development on schedule
 - Johan Sverdrup PDO submitted
- **Finance and outlook**
 - Q4 EBITDA USD 239 million, EPS -1.42 USD
 - 2015 CAPEX guidance of USD 950-1,000 million
 - Cost efficiency program initiated



The PDO for Johan Sverdrup was submitted on 13 February 2015



Financials

Q4 2014



FINANCIALS

Highlights

Overview

- **Q4 Accounts**
 - Inclusion of Marathon Oil Norge
 - Purchase price allocation
 - Impairment charges
 - Change of functional currency to USD

- **Funding and liquidity**
 - RBL
 - DETNOR02
 - Long-term funding

- **Financial risk management**

- **2015 guidance**

Headline figures

	Q4 '14	FY 2014
Total production (boepd)	54,175	15,630
Oil price realised (USD/bbl)	74	78
Operating revenues (USDm)	346	464
EBITDA (USDm)	239	208
EBIT (USDm)	-184	-299
Net profit/loss (USDm)	-287	-279
EPS (USD)	-1.42	-1.68
NIBD (USDm)	1,994	1,994
Equity ratio (adj.)	15.5%	15.5%

FINANCIALS

Statement of income

Income statement (USD mill)	Q4 2014	Q4 2013	FY 2014
Revenues	346	43	464
Production costs	44	17	67
Payroll and payroll-related expenses	(10)	1	(17)
Other operating expenses	23	1	49
EBITDAX	289	25	365
Exploration expenses	50	93	158
EBITDA	239	(68)	208
Depreciation	104	21	160
Impairment losses	319	112	346
Operating profit/loss (EBIT)	(184)	(201)	(299)
Net financial items	(13)	18	(77)
Profit/loss before taxes	(197)	(219)	(376)
Tax (+) / Tax income (-)	90	(163)	(93)
Net profit/loss	(287)	(56)	(279)
EPS	(1.42)	(0.40)	(1.68)

FINANCIALS

Statement of financial position

Assets (USD mill)	31.12.14	31.12.13	Equity and Liabilities (USD mill)	31.12.14	31.12.13
Goodwill	1,187	53	Equity	652	524
Other intangible assets	940	444	Other provisions for liabilities incl. P&A (long)	503	155
Property, plant and equipment	2,549	437	Deferred tax	1,286	-
Calculated tax receivables (long)	-	47	Bonds	253	407
Deferred tax asset	-	104	Bank debt	2,037	335
Receivables and other assets	412	135	Exploration facility	-	79
Calculated tax receivables (short)	-	232	Other current liabilities incl. P&A (short)	464	233
Cash and cash equivalents	296	281	Tax payable	189	-
Total Assets	5,384	1,733	Total Equity and Liabilities	5,384	1,733

FINANCIALS

Statement of cash flow

Condensed statement of cash flows Q4-2014	USDm
Pre-tax profit	(197)
Taxes paid	(109)
Tax refund	191
DD&A + Impairment	423
Δ W/C and other	(13)
Net cash from operations	295
Investments in fixed assets	(255)
Purchase/sale fixed assets	(1 514)
Capitalised exploration / Other	(26)
Net cash from investments	(1 794)
Drawn on RBL	2 650
Repayment bank debt	(1 132)
Repayment bond debt	(88)
Transaction cost	(67)
Net cash from financing	1 363
Beginning cash (30.09.2014)	445
Exchange rate differences	(12)
End cash (31.12.2014)	296

- One tax payment in December and tax refund for 2013 exploration activity disbursed in Q4-2014
- Investments of USD 255 million in the quarter
- Cleaner debt structure at year-end consisting of RBL and DETNOR02 bond only
 - Repaid RCF in full (420 USDm)
 - Repaid DETNOR01 (88 USDm)
 - Repaid exploration facility (162 USDm)
 - Reduced drawn amount on RBL (550 USDm)
- Year-end cash consisted of about 50% USD, 50% in other currencies

FINANCIALS

Funding and liquidity

■ Net debt of USD 2 billion

- Outstanding debt of USD 2.3 billion (bonds and bank debt) at year end 2014
- Cash and cash equivalents of ~USD 300 million at year end 2014

■ USD 3.0 bn RBL facility

- Drawn USD 2.65 bn at closing, reduced to USD 2.1 bn at year-end for cash management purposes
- Borrowing base availability of USD 2.7 billion at year end
- Leverage ratio covenant: Net debt / EBITDAX < 3.5x
- Interest cover ratio covenant: EBITDA / Interest expense > 3.5x
- Short and long-term liquidity tests

■ DETNOR02 (2013/2020) NOK 1.9 billion bond

- Adjusted equity covenant: Equity / (Total assets less goodwill) > 25% → Q4 2014 Adj. Equity ratio of 15.5%
- Work ongoing to address certain adjustments to the loan agreement

■ Work ongoing to optimize long-term capital structure

FINANCIALS

Financial risk management

- **Loss of Production Insurance**
 - A loss of production insurance for Alvheim in place
 - Reducing the impact of an accidental Alvheim FPSO shut-down
- **Increased exposure to market volatility**
 - No commodity hedges currently established
 - Some cross-currency swaps active in Q4
 - Escalated foreign exchange hedging activity in 2015
- **Det norske closely monitors its risk exposure and assesses risk-reducing measures**



Alvheim FPSO

Reserves & Production

Q4 2014



PRODUCTION

Actual production

Net actual production (boepd)



■ Q4 production

- Q4 2014 production of 62.6 mboepd
- Production from MONAS not accounted for in the income statement before 15 October 2014

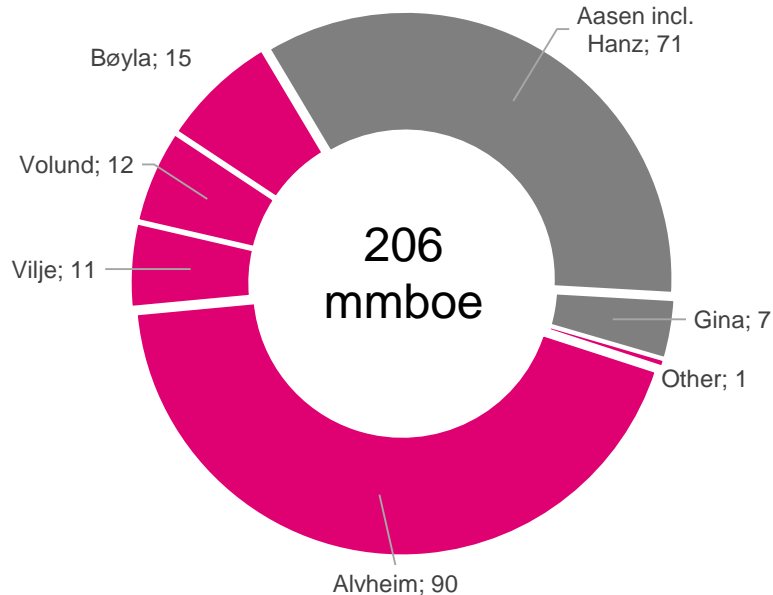
■ 2014 production

- Total 2014 production was 66.6 mboepd
- Greater Alvheim accounted for ~97% in 2014
- 2014 production: 88% oil, 12% gas
- Greater Alvheim has outperformed 2014 forecasts

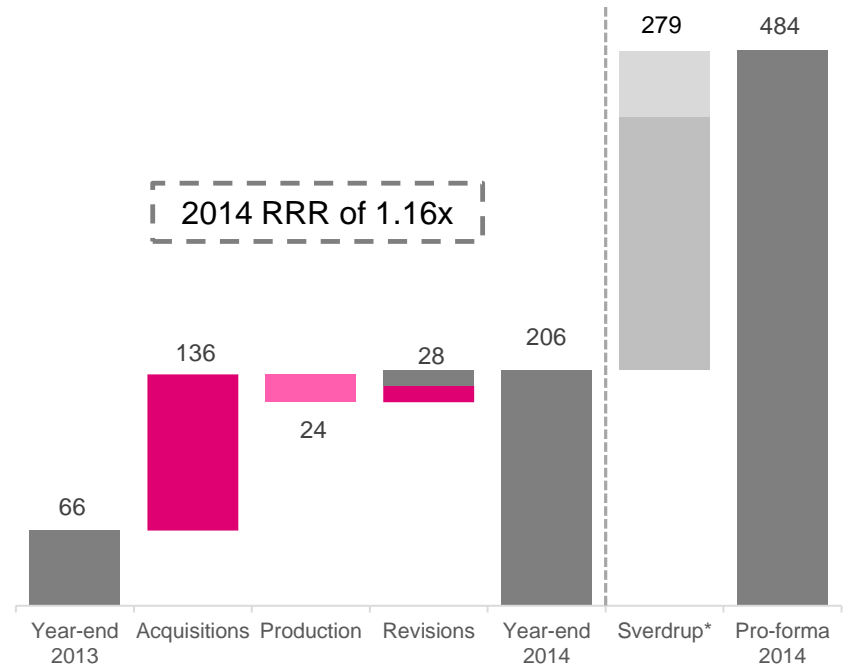
RESERVES

Year-end 2014 certified reserves of 206 mmboe

Proven & probable reserves (P50), end 2014



Development in P50 reserves (mmboe)



* Based on Operator's proposal for working interest (11.8933%)

Development Projects

Q4 2014

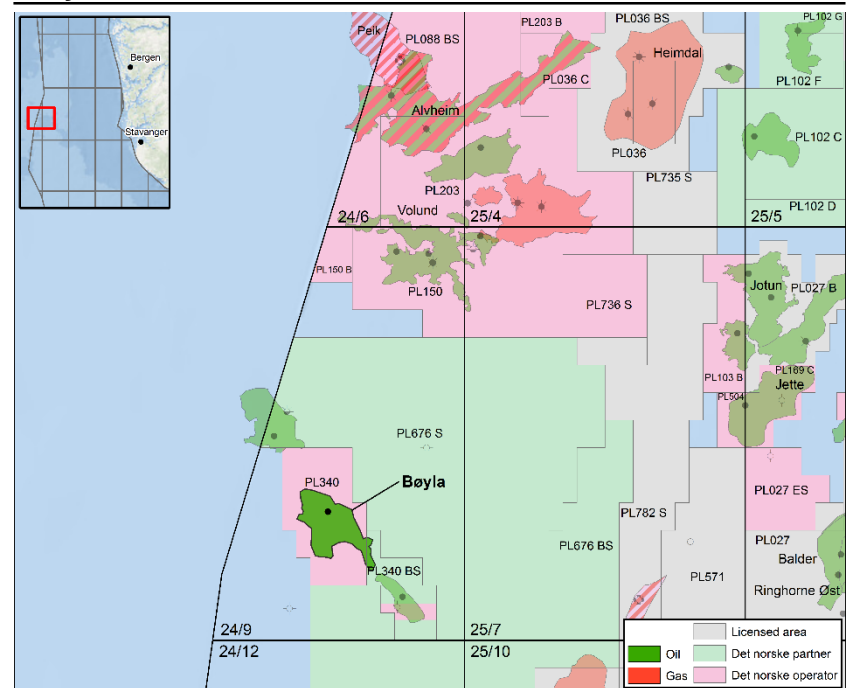


BØYLA

Bøyla production commenced in January

- **19 January, first oil flowed from the Bøyla field to the Alvheim FPSO – on schedule**
 - Hooked up with no shut-down on the Alvheim FPSO
 - The first well has produced above 18 mboepd (gross) in its first month of production
- **The second well will be completed in Q2**
- **Reserves estimated to 23 mmboe (gross)**

Bøyla and the Greater Alvheim Area



ALVHEIM AREA DEVELOPMENTS

Viper-Kobra and IOR projects

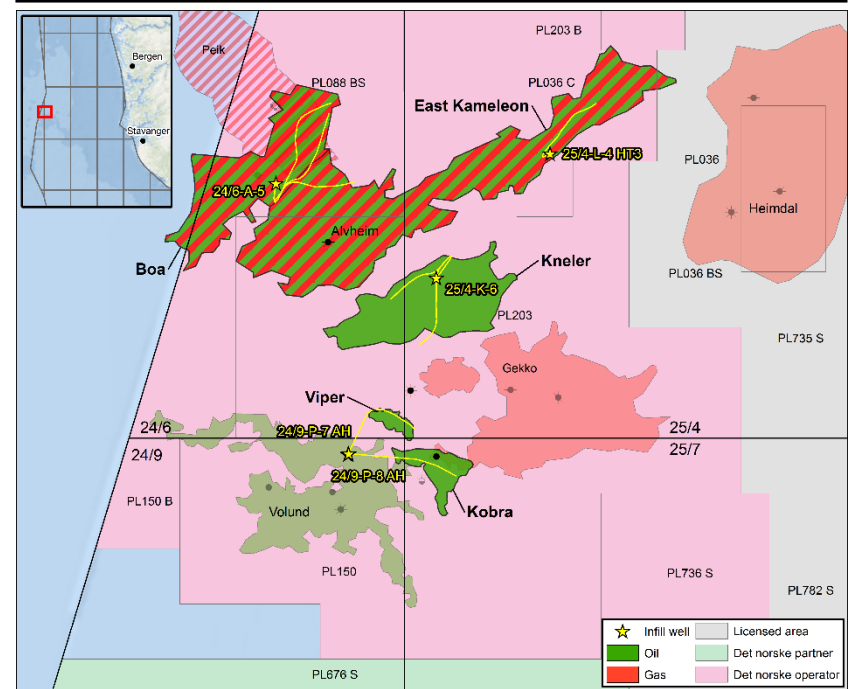
Viper-Kobra

- **Recoverable resources of approx. 9 mmboe**
 - 90% oil
 - Estimated average daily rate of 7 500 boed (gross)
- **Development project commenced**
 - Subsea tie back to the existing Volund manifold via a new extension manifold
 - Development costs estimated at approx. NOK 1.8 billion (gross)

Alvheim IOR Projects

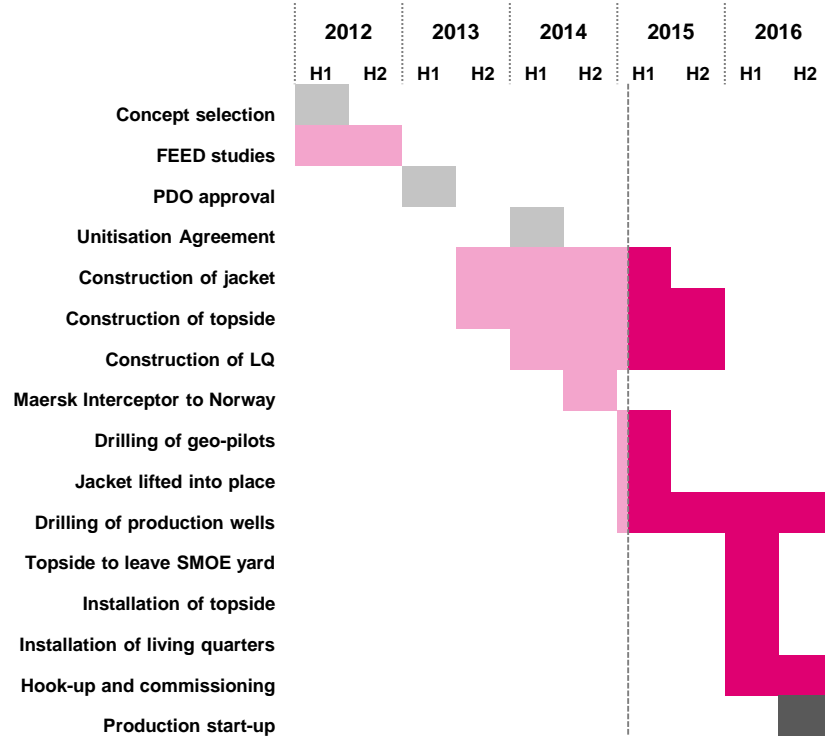
- **East Kameleon L4**
 - Production to commence in Q2 2015
- **BoaKam North**
 - To be completed in Q3 2015
- **Kneler K6**
 - Drilling to commence in Q3 '15, completed in 2016

Viper-Kobra and infill wells



IVAR AASEN

Development on track



Ivar Aasen development concept



IVAR AASEN

Drilling programme has commenced

- Drilling of the geo-pilots in Ivar Aasen has started
- First geo-pilot in line with expectations
- The well was optimized for the drilling of the pilot well, and the target of the Løvstakken prospect was not tested above the oil-water contact
- The drilling of the three pilot wells will be concluded by the summer of 2015
- After the pilot wells, the drilling of production wells will commence
 - The Ivar Aasen field is planned developed with a total of 15 wells; eight production wells and seven water injection wells.



Maersk Interceptor commenced drilling in January

IVAR AASEN

Jacket completed on time, below budget

- In Q4, the two last sections were rolled-up
- Construction completed in January 2015
 - On time and below budget
 - No serious incidents
- Jacket expected to sail to Norway this spring
- Installation on Ivar Aasen during Q2 2015



Jacket construction has been completed



IVAR AASEN

Construction of topside progressing as planned



30 January 2015: Lifting of the intermediate deck



The 3 500 m² intermediate deck fit well together with the cellar deck

JOHAN SVERDRUP

PDO submitted on 13 February 2015

■ PDO and PIOs submitted on 13 February 2015

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

■ Phase 1 capex includes:

- Four bridge-linked platforms (processing platform, drilling platform, riser platform and living quarter)
- Three subsea water injection templates
- Drilling, export of oil and gas, power from shore
- Contingencies and allowances for market adjustments

■ The partnership has recommended Statoil as the operator for all phases of field development and operation



The Johan Sverdrup development

JOHAN SVERDRUP

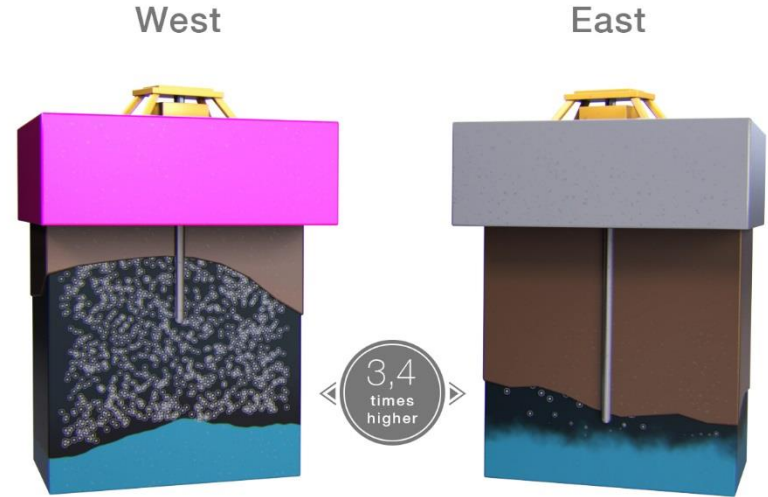
Det norske did not sign the unit agreement

- **Ownership interests in Johan Sverdrup should be distributed according to a combination of volume and value**

- The proposal from the operator did not reflect the underlying value in the various licenses in the Johan Sverdrup field
- Det norske could therefore not sign the proposed unitization agreement

- **Det norske could not sign the agreement**

- The other partners have asked the Ministry of Petroleum and Energy to conclude on the unitization
- Until then, Statoil's proposal will be used as a basis, awarding Det norske with a 11.8933 per cent interest in Johan Sverdrup



Exploration

Q4 2014

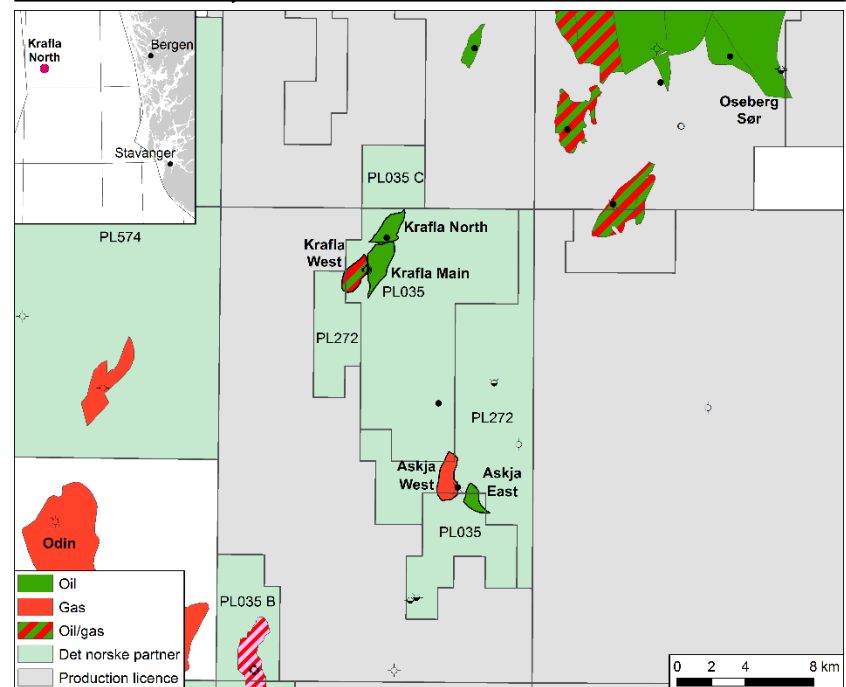


EXPLORATION & APPRAISAL

More resources at Krafla

- Krafla North discovery in Q4 2014 and Krafla Main appraisal in Q1 2015
- Five discoveries made in PL035/272 since 2011
- Recoverable resources in PL035/272 expected to be 140 – 220 mmbœ after well results and updated evaluations in the licenses

Krafla area¹, North Sea



¹ Det norske is partner with 25% in PL035/272. Statoil is operator with 50% and Svenska Exploration AS with 25%.

EXPLORATION & APPRAISAL

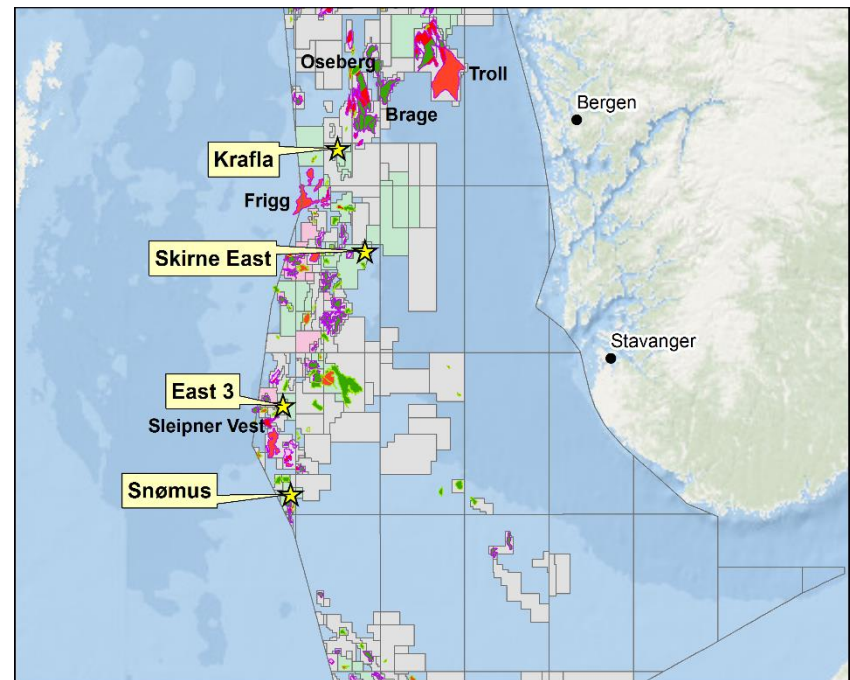
2015 drilling activity

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	TBC	TBC
PL 672	Snømus	25 %	14-94	Maersk Giant	Q2 15

- **Prioritising near field exploration (ILX)**
 - Mature existing discoveries
 - Value creation from tie-back candidates
- **2015 exploration budget of USD 115 – 125 million**
 - Wells, seismic, G&G, area fee

2015 wells in the North Sea and the Barents



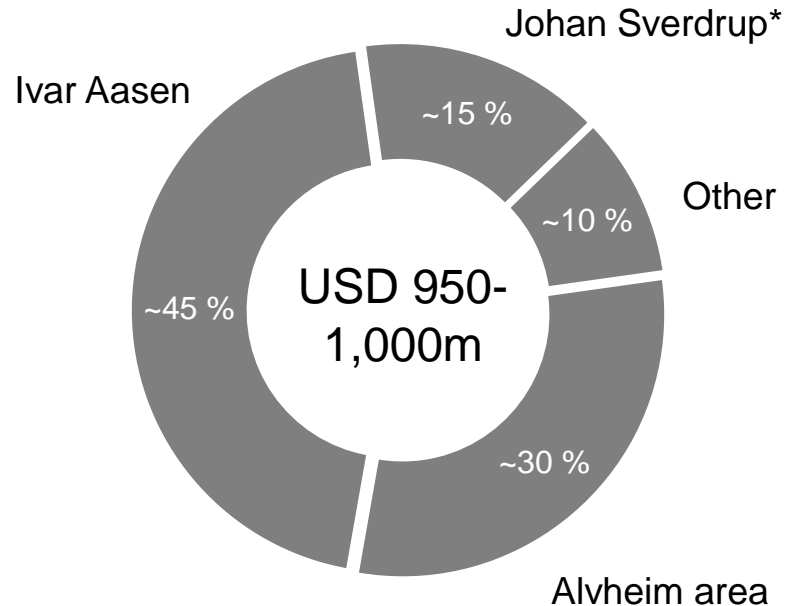
Outlook

Q4 2014



OUTLOOK

Investment budget of USD 950-1,000 million



Assumes USDNOK = 7.50

*Assuming 11.8933% ownership

■ Ivar Aasen

- Drilling of geo-pilots, construction of topsides and living quarters, misc. project costs

■ Alvheim area

- **Alvheim:** Three infill wells
- **Volund:** LLI's for two planned infill wells
- **Bøyla:** Completion of third development well
- **Viper-Kobra:** Manufacturing new subsea manifold, preparations for 2016 drilling campaign

■ Johan Sverdrup

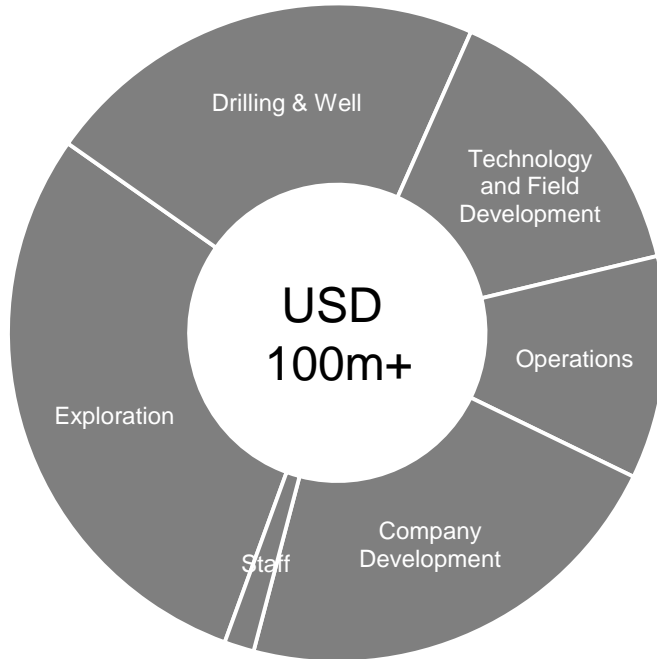
- Award of major contracts and start detailed engineering and procurement.
- Concept studies future phases

■ Other

- Gina Krog, Utsira pipelines, IT, misc.

OUTLOOK

Cost efficiency programme



- Cost efficiency programme initiated as a response to challenging market environment
- Costs to be reduced by USD 100+ mill for 2015
- Top management to run and own process
- To be concluded by the summer of 2015
- Continue to improve supply chain and optimize processes going forward
- Take advantage of the adverse market environment where we can

OUTLOOK

Overview of 2015 guidance

	Last guidance - as of Q3 2014	Current guidance
Financials		
CAPEX	N/A	USD 950 – 1,000 million
EXPEX	N/A	USD 115 – 125 million
Production cost per boe	N/A	USD 8 – 10 per boe
Operations		
2015 production	58 – 63 mboepd	58 – 63 mboepd
Ivar Aasen start-up	Q4 2016	Q4 2016
Ivar Aasen total CAPEX (gross)	NOK 27.4 bn (nominal)	NOK 27.4 bn (nominal)
Johan Sverdrup start-up	Q4 2019	Q4 2019
Johan Sverdrup Phase 1 CAPEX (gross)	NOK 100-120 bn (2014 value)	NOK 117 bn (2015 value)

OUTLOOK

Summary and outlook

■ Financial

- Continue to optimise the capital structure of the company going forward

■ Development projects

- Ivar Aasen progressing according to plan
- Johan Sverdrup PDO submitted, unit agreement not concluded
- Viper Kobra development has commenced

■ Cost Discipline

- Cost efficiency programme initiated



DETNORSKE

www.detnor.no