

# Q4 2015

DET NORSKE OLJESELSKAP

KARL JOHNNY HERSVIK, CEO  
ALEXANDER KRANE, CFO  
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# DET NORSKE

## Highlights

### ■ Production

- Q4 production of 54.0 mboepd

### ■ Finance

- Q4 EBITDA USD 208 million, EPS -0.77 (USD)
- USD 1.37 billion in cash and undrawn debt facilities

### ■ Business development

- Acquisitions of Svenska Petroleum Exploration AS and Premier Oil Norge AS completed

### ■ Development projects

- Ivar Aasen development on plan and budget
- Johan Sverdrup CAPEX reductions, break-even oil price below 30 USD/bbl for phase 1
- Alvheim BoaKamNorth IOR well completed



Alvheim FPSO



# Financials

Q4 2015



## FINANCIALS

# Statement of income

| Income statement (USD mill)         | Q4 2015      | Q4 2014      | FY 2015      |
|-------------------------------------|--------------|--------------|--------------|
| Revenues                            | 255          | 346          | 1,222        |
| Production costs                    | 24           | 44           | 141          |
| Other operating expenses            | 3            | 11           | 52           |
| <b>EBITDAX</b>                      | <b>227</b>   | <b>291</b>   | <b>1,029</b> |
| Exploration expenses                | 19           | 51           | 76           |
| <b>EBITDA</b>                       | <b>208</b>   | <b>239</b>   | <b>953</b>   |
| Depreciation                        | 112          | 104          | 481          |
| Impairment losses                   | 192          | 319          | 430          |
| <b>Operating profit/loss (EBIT)</b> | <b>(95)</b>  | <b>(184)</b> | <b>41</b>    |
| Net financial items                 | (56)         | (13)         | (155)        |
| <b>Profit/loss before taxes</b>     | <b>(151)</b> | <b>(197)</b> | <b>(114)</b> |
| Tax (+) / Tax income (-)            | 5            | 90           | 199          |
| <b>Net profit/loss</b>              | <b>(156)</b> | <b>(287)</b> | <b>(313)</b> |
| EPS (USD)                           | (0.77)       | (1.42)       | (1.54)       |

## FINANCIALS

# Statement of financial position

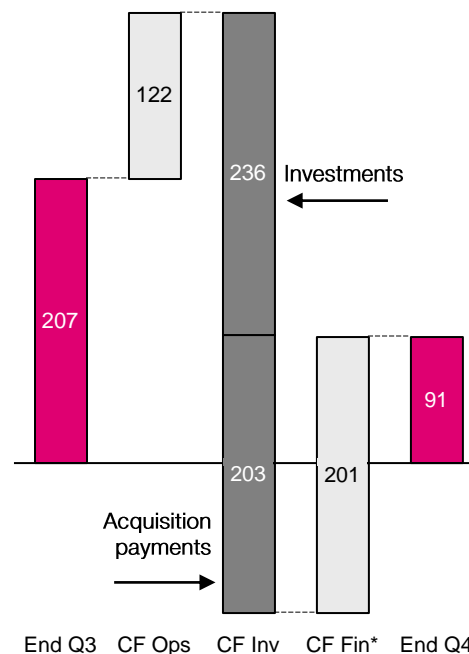
| <b>Assets<br/>(USD mill)</b>       | <b>31.12.15</b> | <b>31.12.14</b> | <b>Equity and liabilities<br/>(USD mill)</b>         | <b>31.12.15</b> | <b>31.12.14</b> |
|------------------------------------|-----------------|-----------------|--|-----------------|-----------------|
| Goodwill                           | 768             | 1,187           | Equity   | 339             | 652             |
| Other intangible assets            | 938             | 940             | Other provisions for liabilities incl. P&A<br>(long) | 476             | 503             |
| Property, plant and equipment      | 2,979           | 2,549           | Deferred tax   | 1,356           | 1,286           |
| Receivables and other assets       | 287             | 412             | Bonds  | 503             | 253             |
| Calculated tax receivables (short) | 126             | -               | Bank debt  | 2,119           | 2,037           |
| Cash and cash equivalents          | 91              | 296             | Tax payable  | -               | 189             |
|                                    |                 |                 | Other current liabilities incl. P&A (short)          | 395             | 464             |
| <b>Total Assets</b>                | <b>5,189</b>    | <b>5,384</b>    | <b>Total equity and liabilities</b>                  | <b>5,189</b>    | <b>5,384</b>    |

# FINANCIALS

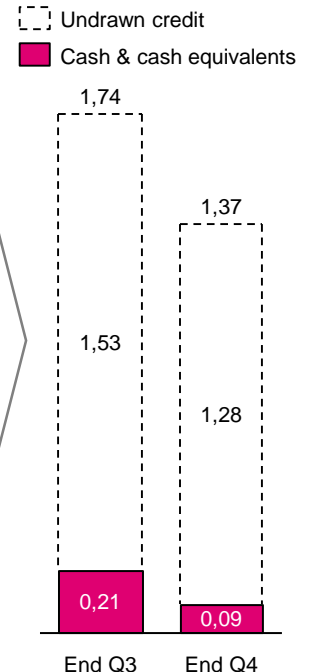
## Cash flow and liquidity

- Cash flow from investments include payment for the Svenska and Premier Norge acquisitions
- Net interest-bearing debt (book value) of USD 2.53 billion at year-end 2015
- Cash and undrawn debt facilities of USD 1.37 billion at year-end 2015
- Leverage ratio of 2.2x and interest cover ratio of 8.7x at year-end 2015
- Discussions with creditors ongoing with aim to ease covenant thresholds

Cash flow (USDm)



Liquidity (USDbn)



# FINANCIALS

## Guidance

| Item            | Latest 2015 guidance | Actual 2015     | 2016 guidance <sup>1</sup><br>(no change from CMD) |
|-----------------|----------------------|-----------------|--|
| CAPEX           | USD ~925 million     | USD 877 million | USD 925 – 975 million                              |
| EXPEX           | USD ~95 million      | USD 97 million  | USD 160 – 170 million                              |
| Production cost | USD ~6.5 per boe     | USD 6.4 per boe | USD 8 – 9 per boe <sup>2</sup>                     |
| Production      | 59 - 60 mboepd       | 60.0 mboepd     | 55 – 60 mboepd                                     |

<sup>1</sup> Based on USD/NOK 8.8

<sup>2</sup> Includes shipping and handling cost budgeted at USD 1.2 per bbl after Det norske started to sell its own crude and is thus not directly comparable to 2015

# Operations

Q4 2015



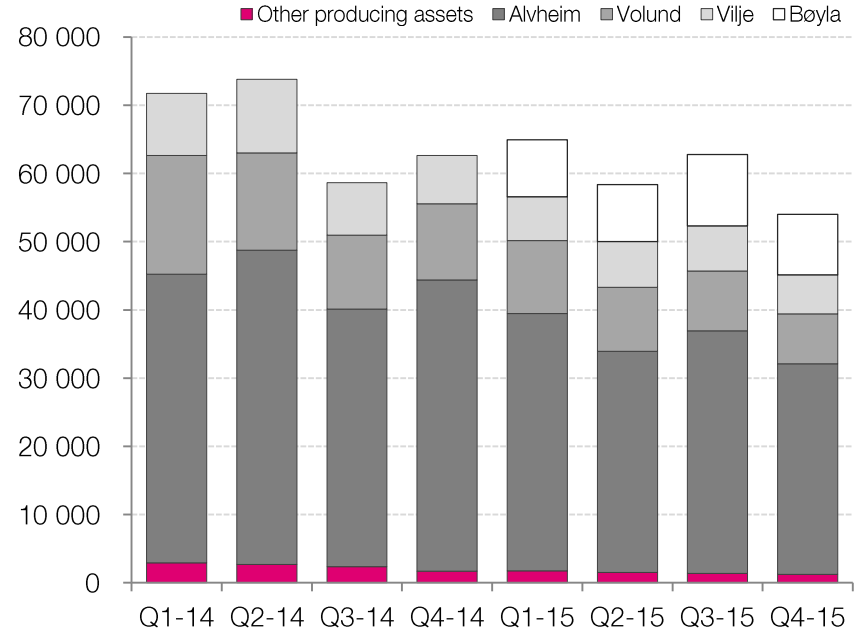


## PRODUCTION

# Oil and gas production in Q4 2015

- **Q4 2015 production of 54.0 mboepd**
  - Realized oil price of USD 45/bbl
  - Production efficiency was 86.7%, below target
- **Production capacity reduced in the quarter**
  - Electric fault at in high voltage drive motor for one of the gas compressors at the Alvhheim FPSO
- **Production guidance**
  - 2016 production expected between 55 – 60 mboepd

**Net production (boepd)**



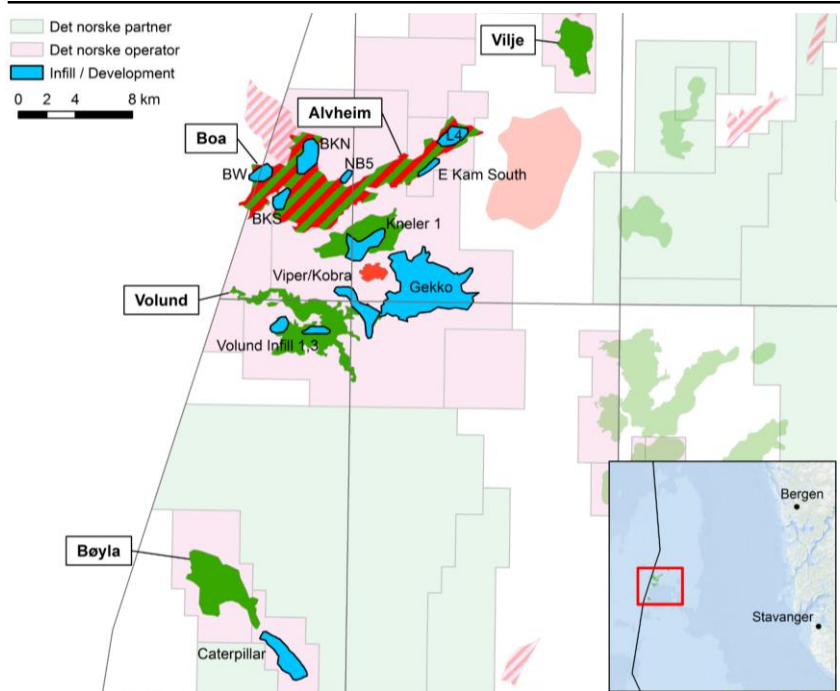
## GREATER ALVHEIM AREA

# Further developing the Alvheim area

### New projects in the Alvheim area

- **4 wells put on stream in 2015**
- **3 new wells planned to come on stream in 2016**
  - BoaKamNorth – Q2
  - Viper and Kobra – Q4
- **Transocean Arctic contract from December 2016**
  - Two Volund infill wells
  - One Alvheim Attic well
  - One exploration well at West Volund
- **Secure continuous development to fill the FPSO**
  - Further maturing opportunities for the area

### Alvheim area



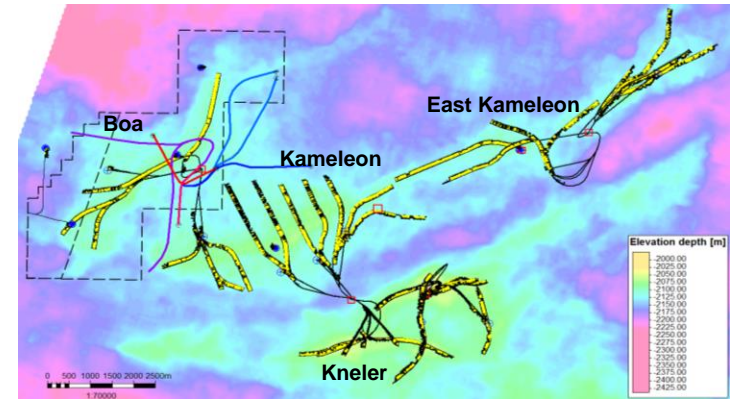
## GREATER ALVHEIM AREA

# BoaKamNorth IOR well completed

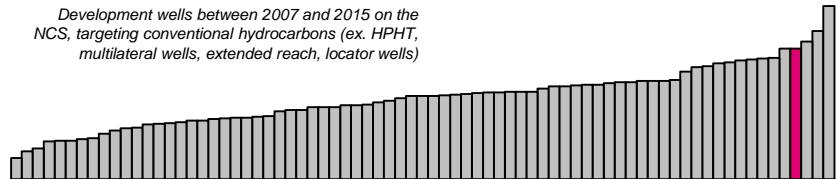
### Successful operation

- **Tri-lateral well 24/6-A5 completed in February by Transocean Winner**
- **Total drill-length of 14,473 meters**
  - One landing pilot and two geo-pilot wells drilled
  - Three lateral producers drilled and completed
  - Mainbore lateral 6,290 m - longest well on Alvheim to date
- **Well completed within time and cost**
  - AFE – 169 days vs Actual – 141 days
- **Last well in 2015 IOR campaign**
  - Boa A5 gross reserve estimate 14 mmbbls
  - Planned production start is Q2-2016

### Alvheim area well branches



### Meters/dry hole day (ex. core&log) by well<sup>1</sup>



24/6-A-5

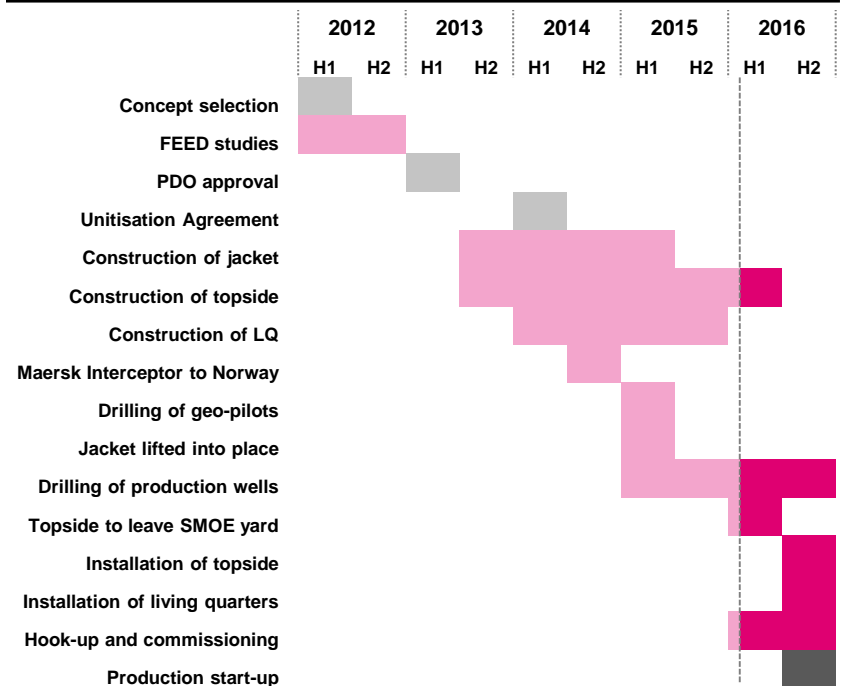
## IVAR AASEN (~35%<sup>1</sup>)

# Ivar Aasen project on plan and budget

### Recent events

- Production drilling continued ahead of schedule with top quartile performance
- Construction of topside has reached 94% completion in Singapore
- Topside installation decided for July 2016
- Handover of sub-systems for commissioning and testing for topside and living quarters commenced

### Detailed timeline



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

# Upcoming milestones



Hand over of sub-systems for commissioning and testing: Q1 2016



Topside installation – July 2016



Installation of power cable – Q2 2016



Offshore commissioning, testing and preparation for first oil – H2 2016



Load out of topside and sail away from Singapore – Q2 2016



First oil – December 2016

## JOHAN SVERDRUP (11.5733%)

# Benefitting from current market conditions

- **Project progressing according to plan**
  - Major contracts have been awarded
  - Pre-drilling of wells to commence in Q1 2016
- **Cost estimates continue to come down**
  - Phase 1 CAPEX reduced from NOK 123 billion (nom.) to NOK 108.5 billion (nom.)
  - Break-even oil price for phase 1 below 30 USD/bbl
- **Debottlenecking decided with aim to increase phase 1 production capacity above 380 mboepd**
- **Phase 2 concept selection planned for Q4 2016**



The Johan Sverdrup development

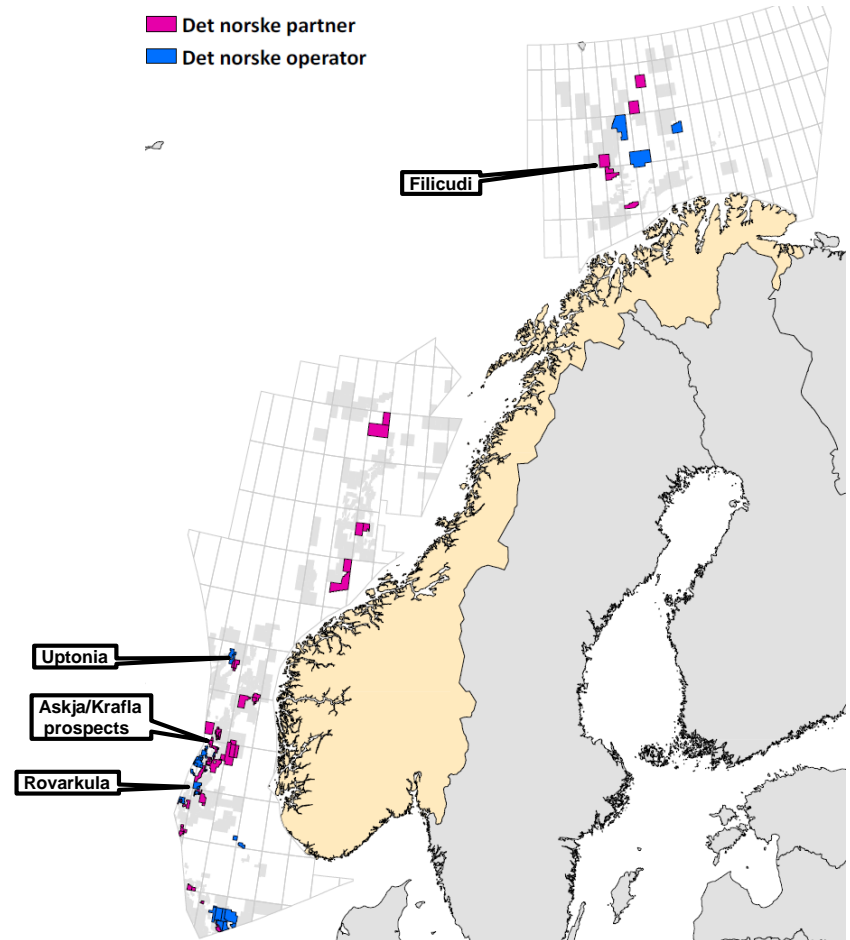
# EXPLORATION

## Stepping up activity

■ Det norske partner  
■ Det norske operator

- **Focus near existing discoveries in the North Sea**
  - Uptonia well currently drilling reservoir section
  - ILX prospect near Ivar Aasen
  - Confirm volumes in Krafla/Aska area
- **Test prospective trend in Loppa South**
- **Offered ownership in 10 licenses, including 6 operatorships in APA 2015**

| License   | Prospect    | Operator | DETNOR Share | Pre-drill mmboe* | Rig                | Time |
|-----------|-------------|----------|--------------|------------------|--------------------|------|
| PL554B&C  | Uptonia     | Total    | 30%          | 11 - 38          | Leiv Eriksson      | Q1   |
| PL626     | Rovarkula   | DETNOR   | 50%          | 8 - 79           | Maersk Interceptor | Q2   |
| PL272/035 | Madam Felle | Statoil  | 50%          | 20 - 49          | TBA                | Q2   |
|           | Askja SE    |          |              | 24 - 79          |                    |      |
|           | Beerenberg  |          |              | 13 - 46          |                    |      |
|           | Slemmestad  |          |              | 29 - 86          |                    |      |
| PL533     | Filicudi    | Lundin   | 20%          | 24 - 146         | TBA                | Q3   |



# Outlook

Q4 2015

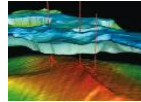




# IMPROVEMENT

## Key improvement themes

### Exploration Effectiveness



- Enable **G&G process efficiency**
- Optimize **Exploration well drilling methodology**

### Project Delivery



- Develop the next **Project delivery model**

### Operations Excellence



- Capture synergies from **Alvheim & Ivar Aasen integration**
- Optimize **Maintenance and modifications**
- Increase **Offshore efficiency**

### Drilling Performance



- Maximize **Well delivery performance**
- Enable **Work process efficiency**

### Supply Chain Management



- Enable **Supply Chain Management excellence**
- Manage **Supplier Spend**

### Organizational Effectiveness



- Increase **Organization efficiency**
- Increase **IT efficiency**

# OUTLOOK

## Summary and outlook

### ■ Development projects

- Ivar Aasen on plan and budget
- Johan Sverdrup progressing according to schedule, costs continue to come down
- Continue to develop the Alvheim area

### ■ Financing

- Available liquidity of USD 1.37 billion
- Discussions with creditors regarding covenant thresholds ongoing

### ■ Improvement

- Improvement measures implemented to strengthen long-term competitiveness





**DETNORSKE**

[www.detnor.no](http://www.detnor.no)