



DET**NORSKE**

# Q3 2014 Presentation

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Alexander Krane, CFO

*5 November 2014*

# DET NORSKE Highlights

## ■ Acquisition of Marathon Oil Norge AS completed

- Closing on Oct 15, 2014 as per plan
- Integration process completed in 4 ½ months

## ■ Development Projects

- Bøyla to commence production early in 2015
- Ivar Aasen development on schedule
- Johan Sverdrup Impact Assessment submitted after the quarter, unitisation negotiations ongoing

## ■ Financing

- Rights issue of NOK 3bn completed this summer
- Signed the USD 3bn RBL facility
- Drew 2.65 bn on the RBL at closing and repaid the outstanding amount on the RCF facility
- Exercised the call option on bond DETNOR01



Ceremony on the Alvheim FPSO

## SHORT-TERM PRIORITIES

# Drive Execution and Build Optionality

### Drive execution:

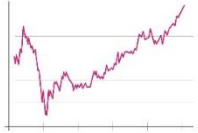
- Deliver Ivar Aasen
- Maximise value from the Alvheim area
- Secure position in Sverdrup unitisation
- Ensure successful integration of MONAS

### Build optionality:

- Continue to optimise the capital structure
- Cost efficiency
- Long-term reserve replacement strategy

# STRATEGIC DIRECTION

## Det norske way



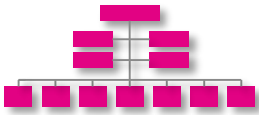
Value driven and disciplined in everything we do



Focused around our core areas



Efficient in how we run our operations



Agile and flexible in the way we are organised

# Financials

Q3 2014



## FINANCIALS

# Statement of Income

Income statement (NOK mill)	Q3 2014	Q3 2013	Q2 2014
Revenues	112	324	454
Production costs	48	53	45
Payroll and payroll-related expenses	(52)	4	5
Other operating expenses	71	25	79
<b>EBITDAX</b>	<b>45</b>	<b>241</b>	<b>325</b>
Exploration expenses	426	588	123
<b>EBITDA</b>	<b>(381)</b>	<b>(348)</b>	<b>202</b>
Depreciation	172	164	82
Impairment losses	0	7	-
<b>Operating profit/loss (EBIT)</b>	<b>(552)</b>	<b>(518)</b>	<b>119</b>
Net financial items	(184)	(131)	(146)
<b>Profit/loss before taxes</b>	<b>(736)</b>	<b>(649)</b>	<b>(27)</b>
Tax income	633	491	193
<b>Net profit/loss</b>	<b>(104)</b>	<b>(158)</b>	<b>167</b>

## FINANCIALS

# Statement of Financial Position

### Assets (NOK mill)

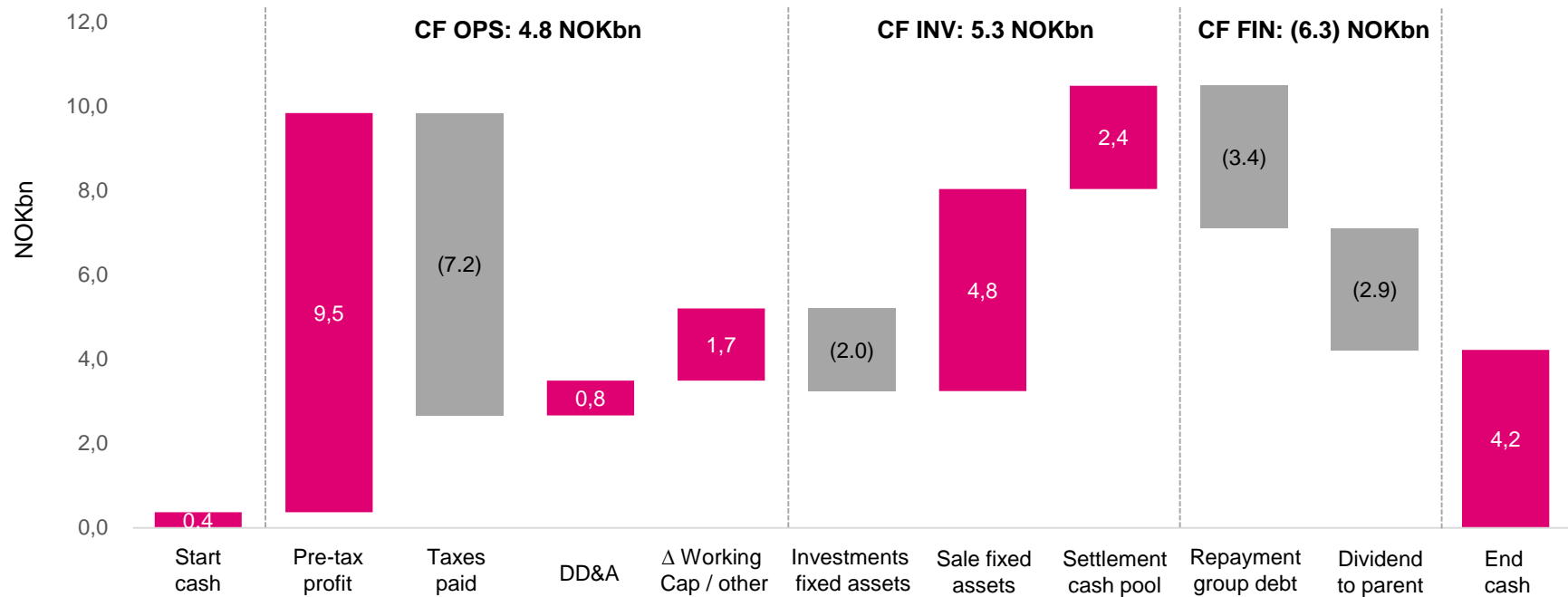
	30.09.14	30.09.13	30.06.14
Intangible assets	3 128	3 342	2 949
Property, plant and equipment	4 700	2 651	4 105
Calculated tax receivables (long)	0	1 057	415
Deferred tax asset	996	0	820
Receivables and other assets	1 507	916	1 221
Calculated tax receivables (short)	2 274	1 288	1 421
Cash and cash equivalents	2 870	835	966
<b>Total Assets</b>	<b>15 476</b>	<b>10 689</b>	<b>11 898</b>

### Equity and Liabilities (NOK mill)

	30.09.14	30.09.13	30.06.14
Equity	6 206	3 516	3 339
Other provisions for liabilities incl. P&A (long)	895	1 020	928
Bonds (long)	1 883	2 473	2 477
Revolving credit facility	2 616	1 324	2 470
Exploration facility	1 186	975	1 184
Bonds (short)	600	0	
Creditors, other current liabilities incl. P&A (short)	2 090	1 380	1 499
<b>Total Equity and Liabilities</b>	<b>15 476</b>	<b>10 689</b>	<b>11 898</b>

## FINANCIALS

# MONAS Unaudited Cash Flow 01.01.14 - 30.09.14





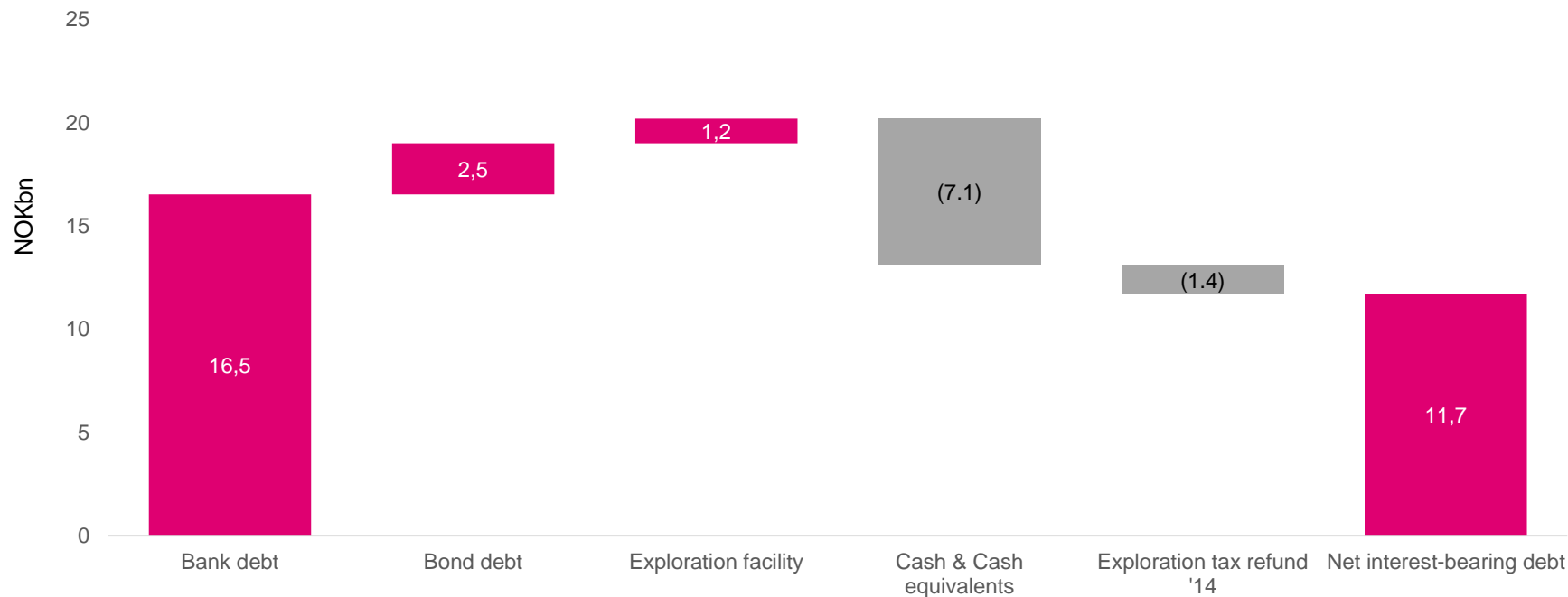
## FINANCIALS

# Unaudited Pro-forma Balance Sheet per Sept. 30

Assets (NOKbn)	DET NOR	MONAS	PPA & adjust.	Group	Equity and Liabilities (NOKbn)	DET NOR	MONAS	PPA & adjust.	Pro forma
Goodwill	0.32	-	9.80	10.12	Equity	6.21	0.10	(0.10)	6.21
Deferred tax asset	1.00	-	(1.00)	-	Deferred taxes	-	1.37	5.72	7.09
Other intangible assets	2.81	0.25	3.67	6.73	Other LT provisions for liabilities	0.85	2.50	-	3.35
Tangible fixed assets	4.70	8.34	2.92	15.96	Non-current liabilities	4.54	-	13.91	18.46
Financial assets	0.38	-	-	0.38	Tax payable	-	6.56	(2.57)	4.00
Cash & cash equivalents	2.87	4.22	-	7.09	Other current liabilities	3.88	3.84	(2.34)	5.37
Other current assets	3.40	1.56	(0.78)	4.19					
<b>Total Assets</b>	<b>15.48</b>	<b>14.37</b>	<b>14.61</b>	<b>44.46</b>	<b>Total Equity and Liabilities</b>	<b>15.48</b>	<b>14.37</b>	<b>14.61</b>	<b>44.46</b>

## FINANCIALS

# Pro-forma Net Interest-bearing Debt per Sept. 30

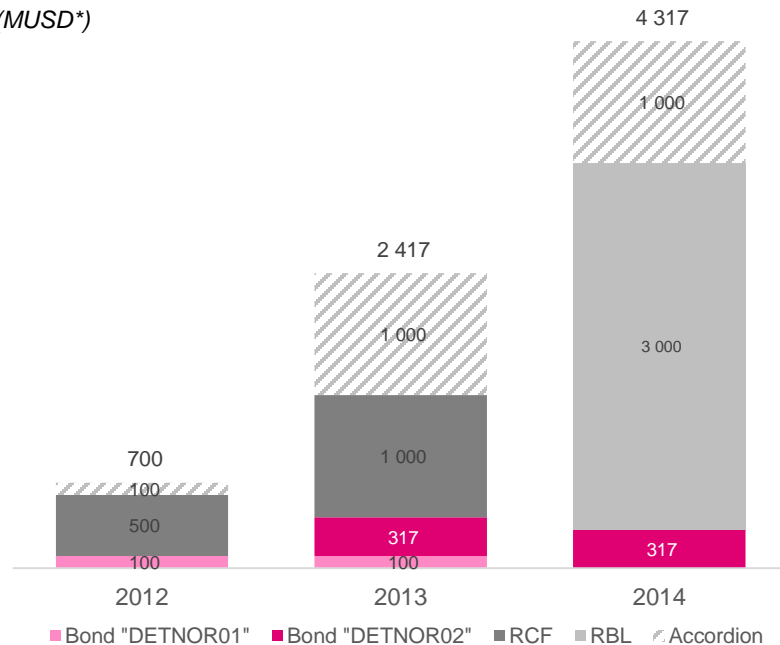


# FINANCIALS

## Debt financing

### Committed and uncommitted debt financing

End of Year  
(MUSD\*)



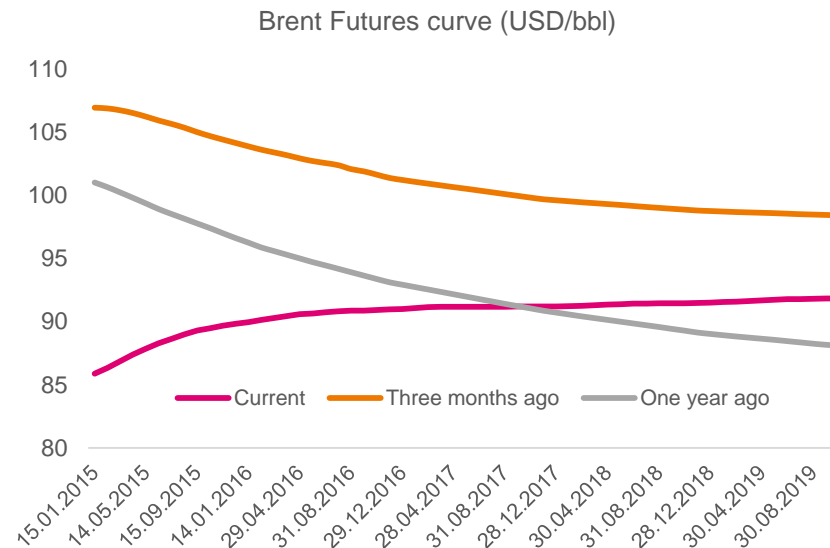
### Funding secured for current programme

- **USD 3.0 bn reserve based lending (RBL) facility**
  - 17 bank consortium led by DNB, BNP Paribas, Nordea and SEB
  - Senior seven-year facility
  - Drawn USD 2.65 bn at closing
  - Improved terms versus previous credit facility:
    - LIBOR plus a margin of 2.75%, plus a utilisation fee of 0.25%/0.5% based on the amount drawn under the facility
  - Covenants
    - Leverage ratio
    - Interest cover ratio
  - The facility includes an additional USD 1.0 billion uncommitted accordion option
  
- **Exercised the DETNOR 01 call option and raised NOK 3bn in equity during the quarter**

## FINANCIALS

# Financial Risk Management

- Increased exposure to commodity price volatility
- No commodity hedges currently established, but some cross-currency in place
- Det norske closely monitors its risk exposure and assesses risk-reducing measures incl.:
  - Hedging
  - Loss of production insurance



# Production

Q3 2014



## PRODUCTION

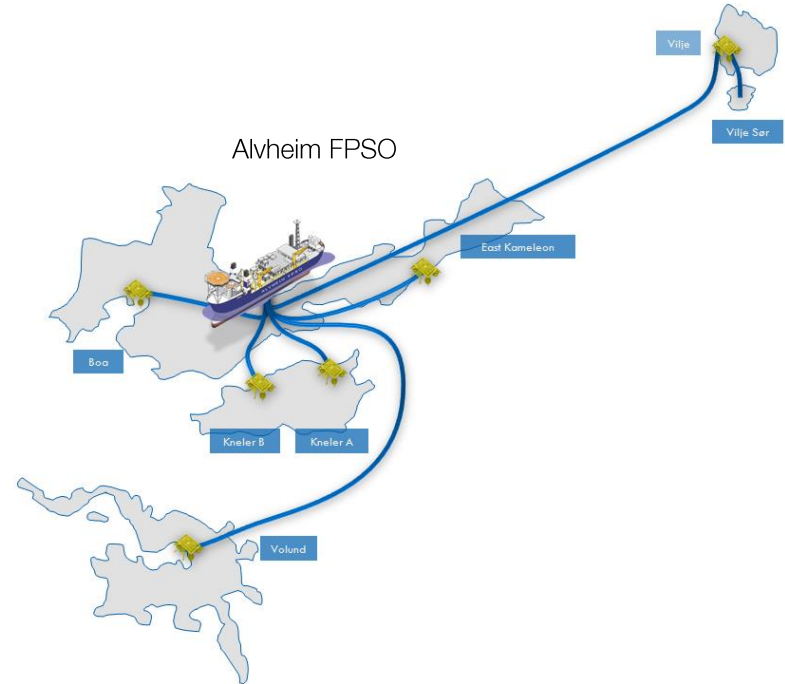
# Det norske's Producing Assets

### ■ The Greater Alvheim area (Alvheim incl. Boa, Volund & Vilje)

- Production from Alvheim not accounted for in the first three quarters of 2014, as the acquisition of MONAS closed in Q4 (15/10)
- Deal effective from 01.01.2014, so the operational performance from these assets will be reflected in the Q4 financial statements
- Around 90% oil

### ■ Other producing assets

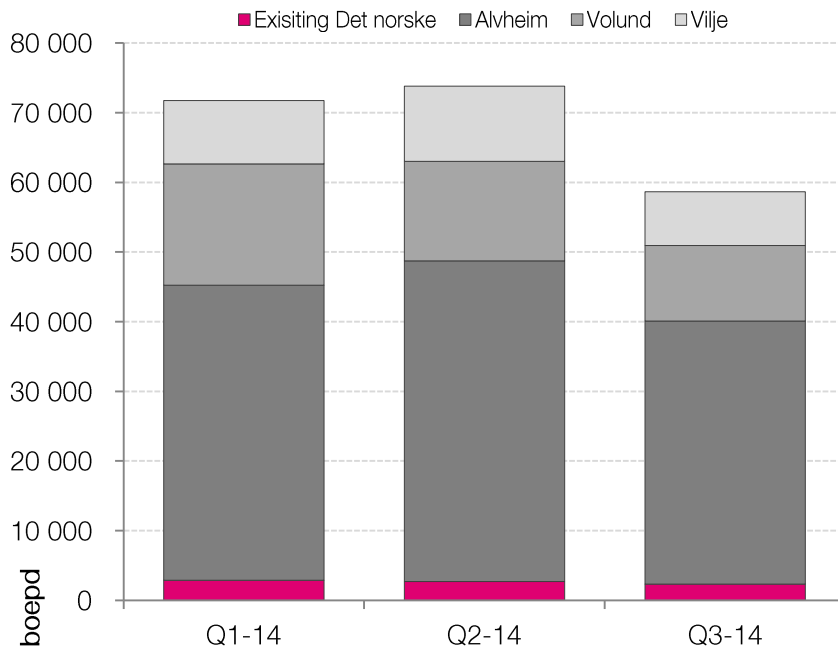
- Jette, Jotun, Varg and Atla



## PRODUCTION

# Actual and Forecasted Production

### Net Actual Production (including MONAS)



- **Det norske's production in the first nine months was 2,641 barrels per day**

- **Net production from the Greater Alvheim area (ex-MONAS) has averaged 65,400 boepd in the first nine months of 2014**

- Not accounted for until the closing date 15/10
- Planned FPSO shut-in in Q3 completed according to schedule

- **Expecting stable production from the Greater Alvheim area through Q4**

- **Preliminary 2015 production guidance:**

- 58 - 63 kboepd

# Development Projects

Q3 2014



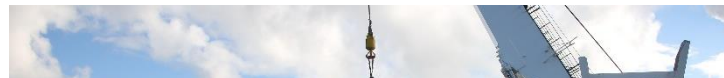


BØYLA

# Bøyla production to commence in Q1 2015



The diving support vessel Scandi Arctic prepares wells on Bøyla



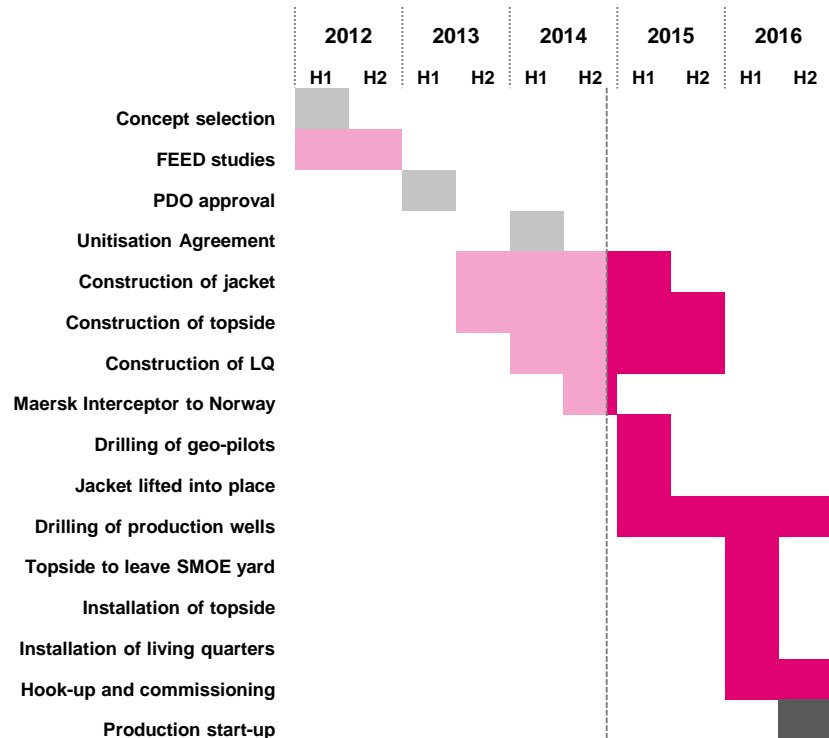
The diving campaign to continue through Q4



- **Project on schedule for a Q1 start-up**
  - January 2015 most likely given weather conditions in line with seasonal norms
- **Diving campaign ongoing**
- **The Alvheim FPSO is ready to receive Bøyla production**

# IVAR AASEN

## Development on Track



Ivar Aasen development concept



IVAR AASEN

# Maersk Interceptor Arrived in Norway



Maersk Interceptor left the yard in Singapore in August



The CJ70 rig arrived at outside Stavanger the morning of 10 October.  
Preparation, mobilisation and testing is ongoing.  
Drilling of geo-pilot wells is expected to commence early 2015.





# Fourth Jacket Roll-up Completed



Fourth roll-up finalised 25 September, ahead of schedule



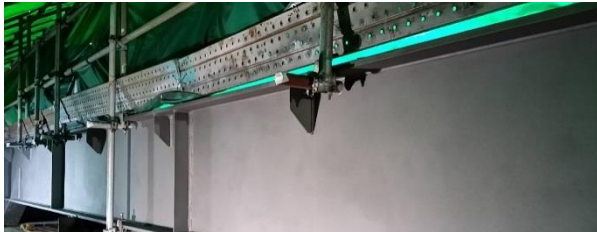
The last two roll-ups (bottom sections) scheduled for Q4



Jacket construction expected to be completed during the first quarter of 2015, before being transported to Norway



# Topside and LQ Construction Progressing Well



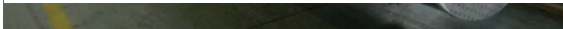
Blasting and painting of cellar deck



Shell & Tube Heat Exchanges



Piping fabrication



Construction progressing according to plan



Inlet and test separators



LQ Levels 1 & 2 beginning to take shape





# Impact Assessment – first oil in 2019



## ■ Impact Assessment submitted

- Submitted on Monday 3 November, as a part of the PDO that will be reviewed by the Norwegian Parliament during the 2015 spring session
- Production start-up planned for 2019
- Between 1.8-2.9 bn boe (95% oil, 5% rich gas)

## ■ A real giant

- The most profitable industrial projects for the Norwegian society in decades
- Approx. 51,000 FTEs employed in the development phase and approx. 3,400 in the operations phase

## ■ First phase

- First phase capex estimated to between NOK 100-120bn – estimated production of 315-380 kboepd
- More than 70% of the total resources can be produced from the first phase facilities

## ■ Future phases

- No concept or investment decision made with regards to future phases, and estimates for future phases are therefore largely uncertain
- Preliminary estimates indicate full-field capex in the range of NOK 170-220bn, with a plateau production of 550-650 kboepd

# Exploration

Q3 2014



## EXPLORATION

# Exploration Results

### ■ Garantiana II

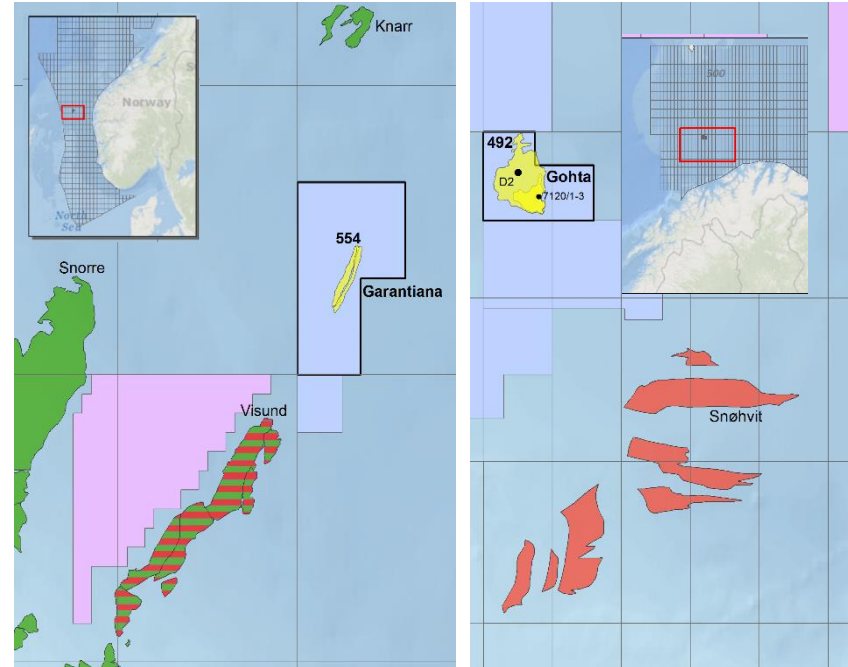
- Successful appraisal and exploration drilling
- Updated resource range in PL 554: 40-90 mmboe
- The appraisal well encountered a gross oil column of 120 metres with good reservoir quality
- Side-track to the Akkar prospect encountered a 12 metre net oil column. Estimated recoverable resources proved by the well is about 3 mmboe
- Det norske holds 10% in PL 554

### ■ Dry wells at Heimdalshø and Kvitvola

### ■ Gohta II

- Confirmed presence of oil and gas
- The test of the gas zone was successful, whereas the test in the oil zone was inconclusive due to seal issues
- No changes made to the resource estimate
- Det norske holds 40% in PL 492

## Garantiana and Gohta





## EXPLORATION

# 2015 Preliminary Drilling Activity

### 2015 Drilling schedule

License	Prospect	Share	mmboe	Rig	Timing
PL 272/035	Krafla North & Main <sup>1</sup>	25 %	20-80 <sup>2</sup>	Transocean Leader	Q4 14/Q1 15
PL 001B	Løvestakken <sup>3</sup>	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/Q3 15
PL 492	Gohta	40 %	Appr.	TBC	TBC

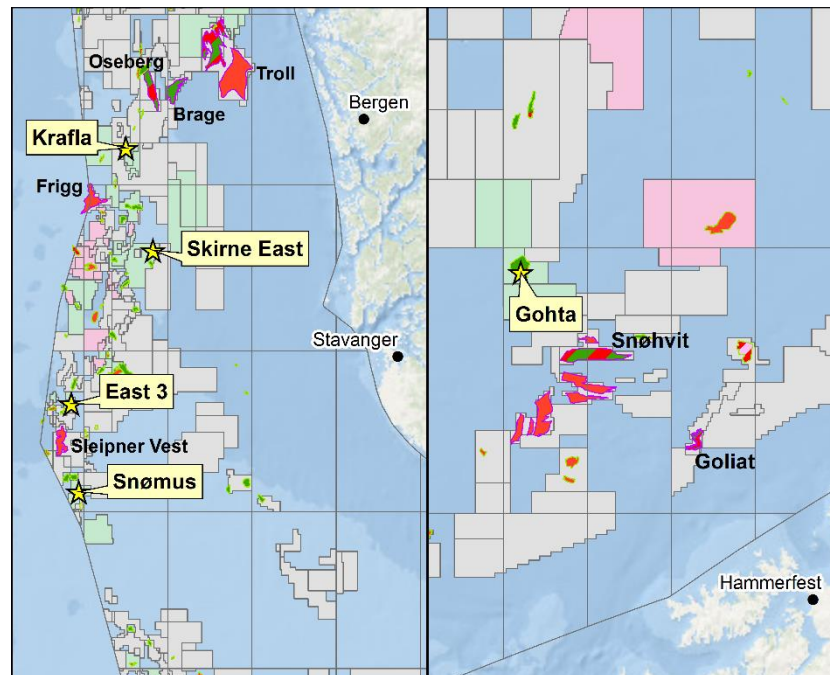
#### ■ Prioritising near field exploration (ILX) in 2015

- Mature existing discoveries
- Value creation from tie-back candidates

#### ■ Exploration strategy

- Currently revisiting the exploration strategy in light of the Marathon acquisition

### 2015 wells in the North Sea and the Barents



<sup>1</sup> Consider further drilling on PL 272 after finalised evaluation of Askja wells and results from the Krafla North & Main

<sup>2</sup> Statoil estimates

<sup>3</sup> Drilling of the Løvestakken prospect in connection with the geo-pilot drilling on Ivar Aasen

# Outlook

Q3 2014



## OUTLOOK

# Summary and Outlook

### ■ Business development

- Continue the post closing integration work
- Maintain aggressive portfolio optimisation through business development

### ■ Financial

- Exercised the call option for bond DETNOR01, settled 4 November
- Drew USD 2.65bn on the RBL facility and repaid the RCF facility at closing
- Secured the financing of the current work programme until first production from the Johan Sverdrup field
- Continue to optimise the capital structure of the company going forward

### ■ Field developments

- Revisit Alvheim area investment program to realise upsides
- Finalise the Bøyla development
- Ivar Aasen progressing according to plan
- Johan Sverdrup unitisation negotiations ongoing, PDO submittal in Q1 2015

### ■ Exploration

- 5 – 7 wells in 2015
- Revisit exploration strategy in light of Marathon acquisition





**DETNORSKE**

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