Q3 2015

DET NORSKE OLJESELSKAP

KARL JOHNNY HERSVIK, CEO
ALEXANDER KRANE, CFO
4 NOVEMBER 2015
**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**

Two production wells completed on Ivar Aasen
## FINANCIALS

### Statement of income

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

### Statement of Financial Position

<table>
<thead>
<tr>
<th>Assets (USD mill)</th>
<th>30.09.15</th>
<th>30.09.14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goodwill</td>
<td>948</td>
<td>50</td>
</tr>
<tr>
<td>Other intangible assets</td>
<td>898</td>
<td>435</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>2 929</td>
<td>728</td>
</tr>
<tr>
<td>Deferred tax asset</td>
<td>-</td>
<td>154</td>
</tr>
<tr>
<td>Receivables and other assets</td>
<td>246</td>
<td>234</td>
</tr>
<tr>
<td>Calculated tax receivables (short)</td>
<td>8</td>
<td>352</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>207</td>
<td>445</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>5 237</strong></td>
<td><strong>2 398</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Assets (USD mill)</th>
<th>30.09.15</th>
<th>30.09.14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>495</td>
<td>962</td>
</tr>
<tr>
<td>Other provisions for liabilities incl. P&amp;A (long)</td>
<td>555</td>
<td>139</td>
</tr>
<tr>
<td>Deferred tax</td>
<td>1 424</td>
<td>-</td>
</tr>
<tr>
<td>Bonds</td>
<td>511</td>
<td>292</td>
</tr>
<tr>
<td>Bank debt</td>
<td>1 842</td>
<td>405</td>
</tr>
<tr>
<td>Exploration facility</td>
<td>-</td>
<td>184</td>
</tr>
<tr>
<td>Other current liabilities incl. P&amp;A (short)</td>
<td>409</td>
<td>417</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>5 237</strong></td>
<td><strong>2 398</strong></td>
</tr>
</tbody>
</table>
FINANCIALS AND FUNDING

Cash flow and liquidity

<table>
<thead>
<tr>
<th>Cash flow (USDm)</th>
<th>Liquidity (USDbn)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Undrawn credit</td>
</tr>
<tr>
<td></td>
<td>Cash &amp; cash equivalents</td>
</tr>
<tr>
<td>End Q2</td>
<td>242</td>
</tr>
<tr>
<td>CF Ops</td>
<td>242</td>
</tr>
<tr>
<td>CF Inv</td>
<td>19</td>
</tr>
<tr>
<td>CF Fin</td>
<td>207</td>
</tr>
<tr>
<td>End Q3</td>
<td></td>
</tr>
</tbody>
</table>

- 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**

<table>
<thead>
<tr>
<th>Q3’15</th>
<th>0.4</th>
<th>2015 tax payables estimate per June 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4’15</td>
<td>0.7</td>
<td>2015 tax payables estimate per Oct 2015</td>
</tr>
<tr>
<td>Q1’16</td>
<td>0.4</td>
<td>Tax refund 2014</td>
</tr>
<tr>
<td>Q2’16</td>
<td>0.7</td>
<td>2015 tax payable was estimated to be NOK 2.2 billion in mid-2015</td>
</tr>
</tbody>
</table>

- 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
Oil and gas production in Q3 2015

**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
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

1 34.78% in PL 01B/242/457, 35% in Hanz PL 028B
IVAR AASEN (~35%)  
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

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1 34.78% in PL 01B/242/457, 35% in Hanz PL 028B
IVAR AASEN (~35% \(^1\))

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

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Meters/dry hole day (ex. core & log) by well \(^2\)

Developing wells between 2010 and 2015 on the NCS, targeting conventional hydrocarbons (ex. HPHT, multilateral wells, extended reach, locator wells)

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Total Completion Days \(^2\)

Open hole wells between 2002 and 2015 on the NCS, targeting conventional hydrocarbons (wire trapped, single completion string, ex. multilateral)

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\(^1\) 34.78% in PL 01B/242/457, 35% in Hanz PL 028B

\(^2\) Source: Rushmore/Det norske
**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.)

- Operator’s Phase 1 indicative FX split on CAPEX
  - NOK ~60%
  - USD ~20%
  - Other ~20%

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1 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
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
EXPLORATION

Key focus areas in 2016

- Securing new acreage
  - 23rd licensing round
    Prepare upcoming 23rd 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
## Revised Guidance

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