

spects and leads; several of which are supported by DHI (direct hydrocarbon indicators) from the seismic data and positive anomalies on electromagnetic surveys (EM). Similar indications of hydrocarbons can also be seen across the Aasta Hansteen field. The Ivory well will test a prospect that has both a seismic Direct Hydrocarbon Indicator and EM anomaly. If Ivory proves to be successful it will significantly de-risk the other prospects in the area possibly leading to multiple discoveries in our acreage with multi TCF resources.

We also have a very active programme in the UK that is the result of several years' work of building and high grading our portfolio. The largest prospect is the Aurora gas prospect in the Southern North Sea. This is an intra- Carboniferous prospect immediately to the north of the Breagh field. The prospect was first identified on 2D seismic. A 3D seismic survey was acquired in 2013 to improve definition and de-risk the prospect. A prospect like this is very rare in the North Sea these days; it is very large, we estimate multi TCF potential and is located close to shore and export routes.

We are currently drilling the Pegasus West well, also in the Southern North Sea. This is a step out well from the Pegasus discovery made in 2011. It is a modest sized prospect once again located close to infra-structure – the Cavendish field. The well is being designed for later re-entry and early tie back if it is a discovery. Centrica (the operator) estimated gross resources in the Pegasus complex of just under 200 bcf.

The portfolio also includes three further opportunities ready for drilling including two oil prospects (one an appraisal of an oil

discovery and the second an exploration well close to existing infra-structure supported by DHIs) and a gas prospect adjacent to a producing field.

Atlantic Petroleum has a sustainable and balanced approach to exploration and production where the near term production funds the short- to mid-term growth through developments and the long term growth opportunities through drilling 3 – 5 exploration wells a year.

COMPANIES FROM EVERY CORNER OF THE WORLD HAVE ISSUED BONDS IN THE NORWEGIAN MARKET. THE MAJORITY OF THESE COMPANIES ARE FROM THE NORDIC COUNTRIES.

Logos include: norwegian.com, bluewater, Swedbank, DNB, SparebankenVest, NORDBANKEN, KONGSBERG, Ship Finance International, storebrand, FINNVERA, Wilm. Wilhelmson, NTK, TETRA PAK CORPORATION, DSB, ØSTENA, NORTHLAND, etraction, VASAKRONAN, KONGSBERG, DANNEMORA, BN Bank, SEB, Seadrill, GRENSDIGE, and Stadshypotek.

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## How does the E&P sector on and off the NCS utilize the Norwegian Bond Market?

by Per Gunnar Ølstad, Senior Listing Manager and responsible for the energy sector on Oslo Børs



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The Norwegian corporate bond market has experienced tremendous growth over the past years and has become a significant source of capital for financing of new companies and projects. An increasing number of international E&P companies have raised capital in the Norwegian bond market. Their bonds are listed on Oslo Børs or Nordic ABM and represent attractive credit risk exposure on new E&P companies for investors in the Norwegian capital market.

### Background

Norway has long traditions for capital intensive industries e.g. shipping, offshore and oil & gas and our local investment banks have developed high level competency on the sectors and world class placing power among international investors. Together this combination of traditional industries and investment banking has become a solid foundation for the Norwegian corporate bond market, and today Oslo is considered among the world's leading high yield markets, together with London and New York.

New and strict capital requirements were imposed on the banking sector through the Basel III directive in 2010/2011, as a consequence from the collapse of Lehman Brothers in 2008. The aim is to strengthen the balance

sheet of the banks and prevent distress and new bankruptcies. Therefore, access to traditional bank funding has diminished, and

companies have been forced to other sources of debt capital e.g. the bond market. Simultaneously credit margins have tightened and the pricing of bonds have become increasingly competitive to bank funding. Companies also appreciate increased diversification in sources for debt capital. On the supply side, investors have experienced relatively low yields from government bonds and volatile returns in the equity markets over the past few years, which have caused an intensified search for high yield in other asset classes e.g. high yield corporate bonds.

### Characteristics of the Norwegian bond market

The level of required documentation when issuing a bond and subsequently listing it on Oslo Børs or Nordic ABM is reasonable compared to other markets. The term sheet, loan agreement

and listing documentation are relatively standardized and only moderate legal costs are incurred when preparing documentation. This ensures efficient and speedy processes.

Also, all investment banks and corporate law firms in Norway are familiar with the listing requirements. This is advantageous and allows for the advisers and Oslo Børs to facilitate an efficient listing process to the benefit of the Company and their bond investors. The Genel bond issue, mentioned below, was listed on Nordic ABM within less than 2 weeks after issue, and bonds from existing issuers are normally listed even faster.

Nordic ABM is a listing venue for companies not reporting on IFRS or equivalent accounting standards. Neither does the EU prospectus directive apply. Continuing obligations for the companies, trading rules and market surveillance is similar to on a regulated market. Nordic ABM is

USD 1,6 bn raised by international E&P companies and listed on Oslo Børs/ Nordic ABM since September 2013

www.salamander-energy.com

therefore a very good alternative for issuers of bonds reporting on national GAAP principles and wanting to avoid the burden of preparing a full EU prospectus. Nordic ABM has proven to be a great success since it was established in 2005, and currently more than 1000 bonds and a nominal volume of above NOK 400 bn is listed there.

Furthermore, the absence of official rating requirements on high yield bonds, the lack of practice for due diligence and comfort letter from auditors together with limited disclosure of risk factors under Norwegian law also contributes to less documentation and saved costs relative to other markets.

Bonds may well be denominated in other currencies than NOK and this reduces currency risk and costs when entering into swap agreements. This is attractive for international issuers with cash flows in other currencies. Bonds denominated in EUR, USD, GBP, SEK and DKK are listed on Oslo Børs and Nordic ABM.

Finally, Nordic Trustee and their role as a representative for the bondholders has become internationally acknowledged.

### Facts and figures<sup>1</sup>

- Total size of market is approximately NOK 1900 bn.
- Around NOK 1500<sup>2</sup> bn (80%) listed on Oslo Børs or Nordic ABM.
- Corporate bonds represent NOK 400 bn.
- Offshore and oil and gas is close to NOK 120 bn which is nearly 30% of the corporate bonds segment. Above 60% of the offshore /oil & gas segment is listed in Oslo

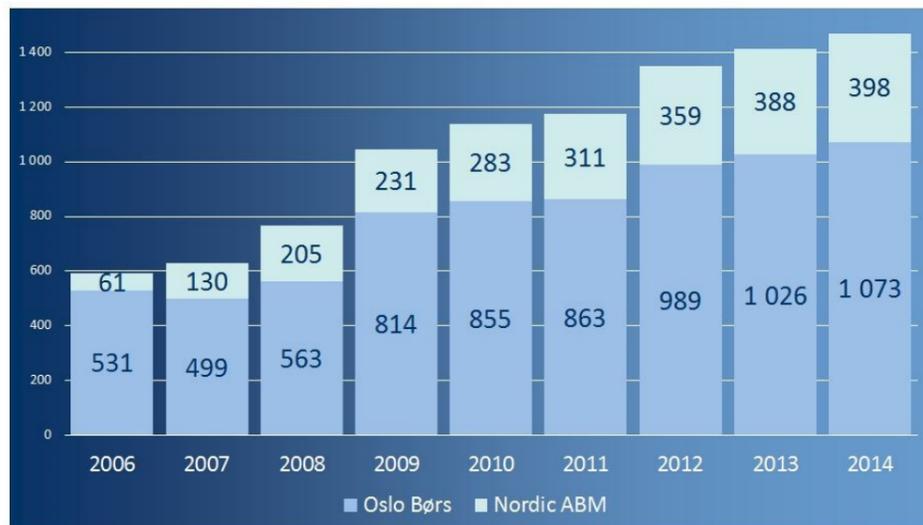
### The role of Oslo Børs in the Bond market

Oslo Børs organizes two markets for corporate bonds, the traditional regulated Oslo Børs market and Nordic ABM. Bonds issued by E&P companies are listed on both markets.

Investors emphasize whether a bond is listed or not. Investors value the company's duty to

## Outstanding nominal volume, bonds and certificates

NOK bn

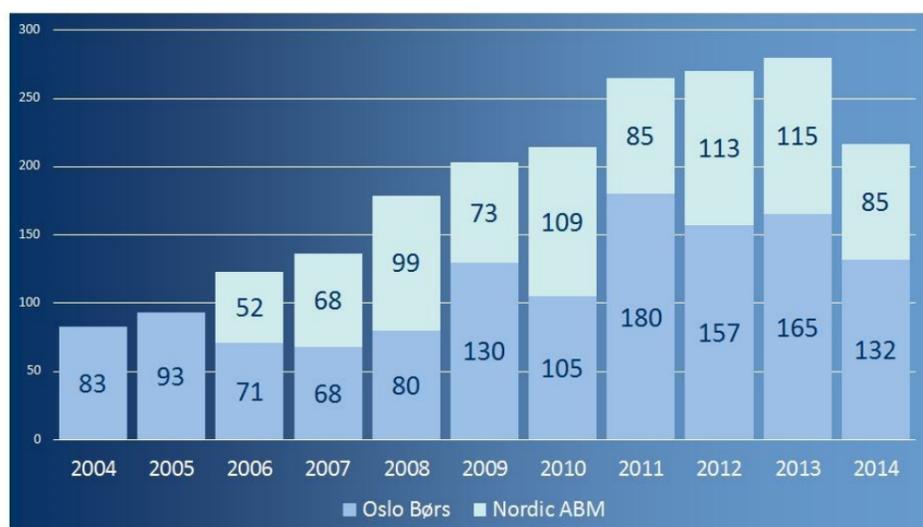


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## Capital (bonds) raised and listed on annual basis

(Including new issues and taps, excluding government bonds)



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disclose notifiable information which they become subject to from the time of listing the bond. This ensures investors precise and reliable information from the company. Bonds on Oslo Børs and Nordic ABM are also subject to our market surveillance which secures transparent trading and follow ups on breaches of the

company's continuing obligations towards the market participants. This is highly appreciated by the investor community.

Most investors in the bond market are professional, and many are UCITS funds or so called QIBs and their mandates request their bond investments to be

listed, sometimes on a regulated market. Oslo Børs and Nordic ABM is line with any investment mandate requiring a bond to be listed, however only Oslo Børs is categorized as a regulated market.

<sup>1</sup>All figures as of September 2014. Sources: www.oslobors.no and www.stamdata.no

<sup>2</sup>Includes government bonds and certificates

### International E&P bonds on Oslo Børs and Nordic ABM

The energy sector is the largest sector on Oslo Børs in terms of market cap and number of companies. Oslo Børs has a large E&P sector constituting of companies with assets on and off the Norwegian continental shelf. Since fall 2013 an increasing number of bonds issued by international E&P companies with no prior links to the Norwegian Continental Shelf (NCS) or the Norwegian capital market have been made available on Oslo Børs and Nordic ABM. The in-

vestment universe available on Oslo Børs for investors seeking exposure to the E&P sector has increased significantly over a short a short period of time.

Summary of the international E&P bond issues listed on Oslo Børs or Nordic ABM is shown on Table 1.

### Norwegian E&P bonds on Oslo Børs and Nordic ABM

Summary of the Norwegian E&P bond issues listed on Oslo Børs and Nordic ABM. The in-

vestment universe available on Nordic ABM is shown on Table 2.

### Comparative analysis of terms

The key findings from the comparative analysis of the terms of the E&P bonds referred to above were:

·The volume of the international E&P bonds is larger than the Norwegian counterparts.

·The international E&P companies rely primarily on international investors in their bonds, while Norwegian E&P compa-

nies rely primarily on Norwegian/Nordic investors.

·International newcomers in the market experience extensive covenants, frequent use of guarantees and pledged assets, while the opposite is the case for Norwegian well known issuers.

·Pareto Securities is the dominant investment bank for international E&P companies

Norwegian E&P companies diversify use of investment banks.

Issuer	Location of assets	Bond volume	Coupon <sup>3</sup>	Market
Genel Energy PLC	Kurdistan Africa	USD 500 mill	7,50%	Oslo Børs
IGas Energy PLC	United Kingdom	USD 180 mill	10,00%	Oslo Børs Nordic ABM
Shamaran Petroleum	Kurdistan	USD 150 mill	11,50%	Oslo Børs
Salamander Energy	Thailand Indonesia	USD 150 mill	9,75%	Nordic ABM
Iona Energy Ltd	UK North Sea	USD 275 mill	9,50%	Nordic ABM
Sterling Resources	North Sea Europe	USD 225 mill	9,00%	Nordic ABM
Xcite Energy Ltd	UK North Sea	USD 135 mill	12,00%	Nordic ABM

Table 1. International E&P bonds on Oslo Børs and Nordic ABM

Issuer	Location of assets	Bond volume	Margin	Market
Det norske Oljeselskap	NCS	NOK 2,5 bn	5,42% <sup>4</sup>	Oslo Børs
Statoil	NCS and international	NOK 3 bn	4,17% <sup>5</sup>	Oslo Børs
DNO	Kurdistan Africa	NOK 1,4 bn	7,50% <sup>6</sup>	Oslo Børs
Noreco	NCS	NOK 3,1	6,00-7,00% <sup>7</sup>	Oslo Børs

Table 2. Norwegian E&P bonds on Oslo Børs and Nordic ABM

<sup>3</sup>All bonds are fixed rate.

<sup>4</sup>Volume weighted margin over 3 month NIBOR

<sup>5</sup>Volume weighted fixed rate

<sup>6</sup>Two bonds, 7,50% margin over 3 month NIBOR and 3 month US LIBOR

<sup>7</sup>Several bonds, different terms and structures.