

# Fourth Quarter 2018

QUARTERLY REPORT  
FOR AKER BP ASA



# SUMMARY OF 2018

**Aker BP continued its positive development and strong growth in 2018. Total income increased by 46 percent from 2017 and all major field development projects progressed as planned. Reserve replacement was above 100 percent and the company continued to grow its resource base through acquisitions and exploration success. The debt level was significantly reduced and the company paid a dividend of USD 450 million (USD 1.25 per share) in 2018.**

For the full year 2018, the company's net production in 2018 was 155.7 (138.8) thousand barrels of oil equivalents per day ("mboepd"). Total production volume was 56.8 million barrels of oil equivalents ("boe"). Total income amounted to USD 3,750 (2,563) million for the year. Average realised oil price was USD 72 (56) per barrel, while the realised price for natural gas averaged USD 0.29 (0.21) per standard cubic metre ("scm").

Production costs amounted to USD 689 (523) million in 2018, or USD 12.1 (10.3) per boe. Exploration expenses amounted to USD 296 (226) million. Total cash spend on exploration amounted to USD 359 (262) million. The company's exploration activities in 2018 resulted in the Frosk discovery and a positive appraisal of the Gekko discovery. In addition, the company expanded its licence portfolio, further strengthening its position as the second largest licence holder on the Norwegian Continental Shelf.

Profit before taxes amounted to USD 1,805 (811) million. Tax expense was USD 1,328 (536) million, representing an effective tax rate of 74 percent. Net profit increased by 73 percent to USD 476 (275) million.

In the fourth quarter 2018, production volumes increased due to improved efficiency and new wells. Net production was 155.7 (135.6) mboepd. Profit before taxes amounted to

USD 359 (248), and Net profit was USD 54 (34) million. The company completed several transactions, reduced its debt level significantly and paid a dividend of USD 112.5 million (USD 0.3124 per share) during the fourth quarter.

Investments in fixed assets amounted to USD 1,313 (977) million in 2018. All field development projects, including Johan Sverdrup, Valhall Flank West and Ærfugl, progressed according to plans.

Aker BP's 2P reserves increased to 917 (914) mmmboe, as the total additions and revisions exceeded the year's production. The company also made two significant acquisitions in 2018, adding 171 mmmboe to its 2C contingent resource base. In total, contingent resources grew by 23 percent to 946 mmmboe.

The company's net interest-bearing debt was USD 1,973 million at the end of 2018, down USD 1,183 million from 2017. This was mainly driven by the repayment of a USD 1.5 billion bank loan following the refund of the tax losses in Hess Norge. Total available liquidity at the end of 2018 was USD 3.1 (2.9) billion.

Total dividends for 2018 amounted to USD 1.25 or NOK 10 per share. The Board has resolved to pay a quarterly dividend of USD 187.5 million (USD 0.5207 per share) in February 2019.

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Forward-looking statements in this report reflect current views about future events and are, by their nature, subject to significant risks and uncertainties because they relate to events and depend on circumstances that will occur in the future.

All figures are presented in USD unless otherwise stated, and figures in brackets apply to the corresponding period in the previous year.

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## SUMMARY OF FINANCIAL RESULTS

	Unit	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Total income	USDm	886	1 000	975	890
EBITDA	USDm	619	736	735	658
Net profit	USDm	54	125	136	161
Earnings per share (EPS)	USD	0.15	0.35	0.38	0.45
Capex	USDm	380	310	276	237
Exploration spend	USDm	84	109	86	80
Abandonment spend	USDm	16	72	72	82
Production cost	USD/boe	13.0	11.9	11.4	12.1
Taxes paid	USDm	340	163	69	34
Net interest-bearing debt	USDm	1 973	2 849	2 968	3 048
Leverage ratio		0.65	0.95	1.11	1.27

For definitions, see description of "Alternative performance measures" at the end of this report.

## SUMMARY OF PRODUCTION

	Unit	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Alvheim area	mboepd	58.4	56.7	60.1	62.9
Ivar Aasen	mboepd	23.3	22.7	23.7	24.4
Skarv	mboepd	23.5	23.3	27.6	27.1
Ula area	mboepd	8.4	10.5	10.8	8.1
Valhall area	mboepd	39.6	36.0	33.7	34.5
Other	mboepd	2.6	1.4	1.9	1.6
<b>Total</b>	<b>mboepd</b>	<b>155.7</b>	<b>150.6</b>	<b>157.8</b>	<b>158.6</b>
- liquids	mboepd	124.0	119.8	122.8	123.6
- natural gas	mboepd	31.8	30.7	35.0	35.0
Realized price oil	USD/bbl	64.3	77.9	76.4	69.1
Realized price natural gas	USD/scm	0.30	0.30	0.28	0.28

# FINANCIAL REVIEW

## Income statement

(USD million)	Q4 2018	Q4 2017
Total income	886	726
EBITDA	619	509
EBIT	403	305
Pre-tax profit	359	248
Net profit	54	34
EPS (USD)	0.15	0.10

Total income in the fourth quarter amounted to USD 886 (726) million. The increase was mainly driven by higher production volume, which increased 15 percent compared to the fourth quarter 2017. Revenues were impacted by the low oil prices at the end of the quarter, which caused a negative valuation effect on the underlift balance amounting to approximately USD 48 million.

Production costs were USD 187 (147) million, equivalent to USD 13.0 (11.8) per barrel of oil equivalent ("boe"). The increase in the production costs was caused by the increased interest in Valhall and Hod following the acquisition of Hess Norge in the fourth quarter 2017, and by high maintenance activity in the fourth quarter 2018. For the full year, production cost amounted to USD 12.1 per boe, in line with the company's guidance.

Exploration expenses amounted to USD 72 (56) million. The main components were field evaluation and seismic, amounting to USD 28 (14) million and USD 21 (10) respectively. Dry well expenses were USD 4 (19) million.

Depreciation amounted to USD 196 (183) million, corresponding to USD 13.7 (14.7) per boe. Impairments amounted to USD 20 (21) million, of which USD 25 million was related to Gina Krog, while there was a reversal of impairment of USD 5 million on other assets (see note 4).

Operating profit was USD 403 (305) million. Net financial expenses amounted to USD 44 (57) million.

Profit before taxes amounted to USD 359 (248) million. Taxes amounted to USD 305 (214) million for the fourth quarter, representing an effective tax rate of 85 (86) percent.

The effective tax rate was impacted by negative currency effects on NOK-denominated tax balances which caused an

increase in deferred tax. In addition, the tax expense included prior period adjustments of USD 16 million.

This resulted in a net profit for the fourth quarter of USD 54 (34) million.

## Statement of financial position

(USD million)	Q4 2018	Q4 2017
Goodwill	1 860	1 860
Other intangible assets	2 005	1 617
PP&E	5 746	5 582
Cash & cash equivalents	45	233
Total assets	10 777	12 019
Equity	2 990	2 989
Interest-bearing debt	2 018	3 389

At the end of fourth quarter 2018, total intangible assets amounted to USD 4,293 (3,843) million, of which goodwill was USD 1,860 (1,860) million.

Property, plant and equipment increased to USD 5,746 (5,582) million, driven by investments in development projects, net of depreciation. Current tax receivables decreased to USD 11 (1,586) as the tax loss acquired with Hess Norge was refunded during the fourth quarter.

Cash and cash equivalents were USD 45 (233) million at the end of the quarter. Total assets were USD 10,777 (12,019) million.

Equity amounted to USD 2,990 (2,989) million at the end of the fourth quarter, corresponding to an equity ratio of 28 (25) percent. The change was caused by total comprehensive income of USD 451 million and dividend payments of USD 450 million for 2018.

Deferred tax liabilities amounted to USD 1,800 (1,307) million and are detailed in note 7 to the financial statements.

Gross interest-bearing debt was USD 2,018 (3,389) million, consisting of the DETNOR02 bond of USD 224 million, the AKERBP Senior Notes (17/22) of USD 393 million, the AKERBP Senior Notes (18/25) of USD 493 million, and the Reserve Based Lending ("RBL") facility of USD 908 million. A bank

term loan of USD 1,500 million was repaid during the fourth quarter following the refund of the previously mentioned tax loss related to the Hess Norge acquisition.

At the end of the fourth quarter, the company had total available liquidity of USD 3.1 (2.9) billion, comprising USD 45 (233) million in cash and cash equivalents, and USD 3,050 (2,670) million in undrawn credit facilities.

## Cash flow

(USD million)	Q4 2018	Q4 2017
Cash flow from operations	1 889	543
Cash flow from investments	910	2 192
Cash flow from financing	-1 063	1 796
Net change in cash & cash equivalents	-83	147
Cash and cash equivalents	45	233

Net cash flow from operating activities was USD 1,889 (543) million in the fourth quarter. This increase was mainly driven by tax refunds of USD 1,513 (141) million. Excluding taxes, the net cash from operations increased by USD 246 million, mainly driven by higher production volume.

Net cash flow to investment activities was USD 910 (2,192) million, of which investments in fixed assets amounted to USD 415 (248) million. Disbursements related to licence acquisitions amounted to USD 463 million.

Net cash flow from financing activities totalled USD -1,063 (1,796) million, reflecting a net debt repayment of USD 950 million and dividend disbursements of USD 113 million during the quarter.

## Risk management

The company seeks to reduce the risk related to foreign exchange rates, interest rates and commodity prices through hedging instruments. The company actively manages its exposures through a mix of forward contracts and options.

For first half 2019, the company holds put options for 23 percent of expected oil production, corresponding to 83 percent of the after-tax value, at an average strike price of USD 55 per barrel (Brent).

## Dividends

A quarterly dividend of USD 112.5 million, corresponding to USD 0.3124 per share was disbursed on 9 November 2018. Total dividend payments for 2018 amounted to USD 450 million, equivalent to approximately USD 1.25 (NOK 10) per share.

On 5 February 2019, the Board of Directors declared a quarterly dividend of USD 0.5207 per share, to be disbursed on or about 19 February 2019.

The Board's intention is to increase the dividend level to USD 750 million in 2019, with an ambition to increase the level by USD 100 million per year until 2023.

# OPERATIONAL REVIEW

Aker BP produced 14.3 (12.5) mmmboe in the fourth quarter of 2018, corresponding to 155.7 (138.8) mboepd. The average realized oil price was USD 64 (65) per barrel, while the average realised gas price was USD 0.30 (0.26) per standard cubic metre.

## Alvheim Area

Key figures	Aker BP interest	Q4 2018	Q3 2018	Q2 2018	Q1 2018
<b>Production, boepd</b>					
Alvheim	65 %	43 406	38 872	40 091	40 516
Bøyla	65 %	2 039	3 125	3 265	3 235
Vilje	46.904 %	3 257	3 716	4 098	5 090
Volund	65 %	9 655	11 016	12 649	14 109
<b>Total production</b>		<b>58 356</b>	<b>56 729</b>	<b>60 100</b>	<b>62 949</b>
Production efficiency		98.3 %	96.0 %	95.3 %	98.4 %

Fourth quarter production from the Alvheim area was 58.4 mboepd net to Aker BP, representing an increase of three percent from the previous quarter. The main driver was the startup of the Kameleon Infill South well in the Alvheim field, combined with increased production efficiency, which more than compensated for natural decline.

The Skogul project is progressing according to plan and production start is planned for the first quarter of 2020. Skogul will be developed with a single multilateral production well tied back to the Vilje field, utilising the existing pipeline from Vilje to the Alvheim FPSO.

In the first quarter 2018, an oil discovery was made in the Frosk prospect near the Bøyla field. A new well is planned to be drilled in the first half of 2019. This well will gather more information about the reservoir, and be completed as a production well which will be used for test production from mid-2019.

Exploration of the Frosk area is continuing in 2019. The first well on Froskelår Main was spudded in January and has encountered oil and gas. The preliminary analysis indicates a gross discovery size within the previously communicated estimate of 45-153 mmmboe. The drilling operation will continue, and a comprehensive data collection program will be performed to determine the size and quality of the discovery. After Froskelår Main, a combined exploration and production well will be drilled on Frosk, and the Rumpetroll prospect will be drilled later in the year.

Following the successful appraisal well on the Gekko discovery in 2018, and Aker BP's acquisition of interests in the discoveries Trell and Trine, the company has started the process of integrating these discoveries in the area development plan for the Alvheim area.

## Valhall Area

Key figures	Aker BP interest	Q4 2018	Q3 2018	Q2 2018	Q1 2018
<b>Production, boepd</b>					
Valhall	90 %	38 816	35 120	32 670	33 500
Hod	90 %	802	872	1 063	1 016
<b>Total production</b>		<b>39 618</b>	<b>35 993</b>	<b>33 733</b>	<b>34 515</b>
Production efficiency		91.1 %	87.6 %	84.5 %	84.7 %

Fourth quarter production from the Valhall area was 39.6 mboepd net to Aker BP, representing a 10 percent increase from the previous quarter, driven by ramp-up of production from new wells and high production efficiency.

Drilling from the IP platform continued with the G22 well coming onstream during the quarter. The G11 well was subsequently drilled and completed with the new Fishbones technology in one section of the well. Test production is planned to commence in February 2019. If successful, this new technology has the potential to significantly reduce the time to production for new wells.

The first phase of the campaign to permanently plug old wells at Valhall was completed in early October, significantly ahead of the original plan. The Maersk Invincible rig was subsequently moved to Valhall Flank North where it

successfully drilled a new water injection well. The rig has now been redeployed to Valhall Flank South to drill two infill wells.

In the fourth quarter, the Maersk Reacher rig arrived at the Valhall field center, providing additional accommodation capacity to support the high activity set at the field.

The Valhall Flank West development project is progressing as planned, with excellent HSE performance. Engineering of the topside and jacket has been completed. Construction activities remain on track, and subsea engineering and planning for the upcoming offshore campaign this summer are ahead of schedule.

## Ula Area

Key figures	Aker BP interest	Q4 2018	Q3 2018	Q2 2018	Q1 2018
<b>Production, boepd</b>					
Ula	80 %	5 784	6 498	5 361	6 486
Tambar	55 %	2 572	4 008	5 398	1 611
<b>Total production</b>		<b>8 356</b>	<b>10 506</b>	<b>10 759</b>	<b>8 097</b>
Production efficiency		64.9 %	72.5 %	65.4 %	62.5 %

Fourth quarter production from the Ula area was 8.4 mboepd net to Aker BP. Production was impacted by underperformance of the two new Tambar wells, in addition to temporary lower Ula production due to well intervention. A flotel is in operation at the field to provide additional accommodation capacity to support the ongoing maintenance and upgrade activities at Ula.

The development of the Oda field is in its final stages. Drilling operations were completed in the fourth quarter, and the operator is currently performing the final preparations for production start, which is expected during the first half of 2019.

Aker BP considers the resource potential in the Ula area to be significant, both from increased oil recovery in the Ula and Tambar fields, from potential tie-backs of other discoveries including the newly acquired King Lear discovery, and from exploration opportunities. To unlock this upside potential, the first step in the Ula strategy is to improve the technical condition and extend the expected life of the facilities to ensure stable performance. In parallel, the company is working diligently to mature the opportunity set, which is a complex process involving a broad set of technical and commercial disciplines. This could eventually lead to the addition of a new platform at Ula in the mid-2020s.

## Skarv Area

Key figures	Aker BP interest	Q4 2018	Q3 2018	Q2 2018	Q1 2018
<b>Production, boepd</b>					
Skarv	23.835 %	23 454	23 313	27 579	27 092
Production efficiency		92.6 %	90.0 %	88.4 %	94.4 %

Fourth quarter production from the Skarv area was 23.5 mboepd net to Aker BP, which was marginally higher than the previous quarter. Production was shut in for three days in the beginning of October due to a planned emergency shutdown test. The B09 well resumed production late November after successful in-situ repair of the Xmas tree.

Phase 1 of the Ærfugl development is progressing on plan. Currently there is high activity on engineering, procurement and fabrication of subsea system structure, the wellheads and the Vertical Xmas Tree system.

The remaining technology qualification activities for the trace heated pipe in pipe system and the new generation of vertical Xmas trees are on plan and well underway to be ready for assembly and construction in 2019. Production start is planned for fourth quarter 2020. For Ærfugl phase 2, work is progressing steadily towards a formal concept selection in the second quarter.

## Ivar Aasen

Key figures	Aker BP interest	Q4 2018	Q3 2018	Q2 2018	Q1 2018
<b>Production, boepd</b>					
Ivar Aasen	34.7862 %	23 343	22 651	23 699	24 421
Production efficiency		93.2 %	93.2 %	90.4 %	91.2 %

Production from Ivar Aasen was 23.3 mboepd net to Aker BP in the fourth quarter, up three percent from the previous quarter. The average plant availability at Ivar Aasen was 98.5 percent in the period, which was the same as the previous

quarter. The overall production efficiency was negatively impacted by an emergency shutdown of the Sture terminal due to a ship collision, and by reduced power supply from Edvard Grieg.

## Johan Sverdrup

Phase 1 of the Johan Sverdrup (11.5733 percent) development project is progressing steadily towards planned production start in November 2019. At the end of the fourth quarter, the Phase 1 facilities were approximately 94 percent complete. Offshore hook-up, commissioning and completion of the two platforms installed at the field centre during the early summer continued throughout the fourth quarter. From early October the field centre was powered from shore through two 200 km long AC cables. Installation of the gas export pipeline was completed in the fourth quarter. The processing platform construction (P1 topside) was completed in December and is now in transit from South Korea to Norway. Tie-back operations of the eight pre-drilled oil production wells started in December.

Phase 2 of the Johan Sverdrup development is also progressing well. Ongoing activities include detailed engineering and construction preparations at the main construction sites. The Plan for Development and Operations ("PDO") for Phase 2 has been submitted to Norwegian authorities and is subject to final approval by the Norwegian Parliament, which is expected by mid-April 2019.



## North of Alvheim and Krafla-Askja (NOAKA)

The North of Alvheim and Askja-Krafla ("NOAKA") area consists of the discoveries Frigg Gamma Delta, Langfjellet, Frøy, Fulla, Frigg, Rind and Askja-Krafla. Gross resources in the area are estimated to be more than 500 mmboe.

Aker BP and the other partners have performed detailed studies of different development solutions for the NOAKA area. The premise defined by the authorities, and confirmed in recent dialogue, has been that a development should capture all discovered resources in the area and facilitate future tie-ins of new discoveries.

These studies have resulted in two alternative development solutions. One solution involves two unmanned production platforms ("UPP") or similar concepts, supported from an

existing host in the area. The other solution involves a new hub platform in the central part of the area, with processing and living quarters ("PQ").

Aker BP's recommendation is to develop the area with the PQ concept. This concept is the only alternative that allows for economic recovery of all discovered resources in the area, and provides higher resource recovery and socio-economic benefits than the alternative. The PQ concept is also the better alternative with regards to exploiting additional resources that may be discovered through future exploration.

Discussions are still ongoing between the partners on how to develop the NOAKA area.

# HEALTH, SAFETY, SECURITY AND THE ENVIRONMENT

HSSE is always the number one priority in all of Aker BP's activities. The company strives to ensure that all its operations, drilling campaigns and projects are carried out under the highest HSSE standards.

	Unit	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Total recordable injury frequency (TRIF)	Per mill. exp. hours	3.4	4.1	4.2	1.9
Serious incident frequency (SIF)	Per mill. exp. hours	0.5	0.6	0.6	1.3
Loss of primary containment (LOPC)	Count	0	1	0	1
Process safety events Tier 1 and 2	Count	0	1	1	1
CO2 emissions intensity	Kg CO2/boe	7.6	7.5	6.8	7.4

In November 2018 Aker BP received an improvement order from the Petroleum Safety Authority Norway ("PSA") following an audit of risk, barrier and maintenance management on the Ula field. The company is working systematically to address the issues raised by the PSA and will rectify a number of items by March 2019, and commit to a plan for rectification of any outstanding issues at the same time.

In January 2019 the PSA completed an investigation of an incident with a motion-compensated walkway on the Tambar field in July 2018. The company is addressing the non-conformities and will use the lessons learnt from the incident when planning similar activities in the future.

# EXPLORATION

Total exploration expenses in the fourth quarter amounted to USD 72 million, mainly relating to seismic, area fees, field evaluation and G&G costs. For the full year 2018 the company's cash spend on exploration was USD 359 million, slightly below the latest guidance of USD 400 million due to late arrival of a drilling rig.

In the Alvheim area, drilling of the Gekko appraisal well (Aker BP 65 % and operator) started in September, and was completed in early October. The well discovered additional volumes of oil and gas, increasing the probability of a development of Gekko as a tie-back to the Alvheim FPSO.

Spirit Energy Norge AS completed drilling of the Cassidy prospect in PL 405 (Aker BP 15 %) in January 2019. The well was drilled about five kilometres north of the Oda field in the Ula area. The objective of the well was to prove petroleum in Upper Jurassic reservoir rocks (the Ula formation) and to assess the reservoir properties in Upper Jurassic and Triassic intervals. The well was classified as dry.

During the fourth quarter, the company divested its interests in licences PL 871 and PL 842, and reduced its interest in licence PL 019C from 80 to 60 percent, as part of its ongoing portfolio optimization.

On 15 January 2019, the Norwegian Ministry of Petroleum and Energy announced the results of the APA 2018 licensing round. Aker BP was awarded 21 new exploration licences, of which 11 as operator.

On 4 February, Aker BP announced a discovery on the Froskelår Main prospect. Preliminary analysis indicate a gross discovery size within the previously communicated estimate of 45-153 million barrels oil equivalents. Froskelår Main is located in the Alvheim area and follows the Frosk discovery from last year. The major part of the discovery is in licence 869 on the Norwegian Continental Shelf, while a part may straddle the UK-Norwegian border in the North Sea. The drilling operation will continue, and a comprehensive data collection program will be performed to determine the size and quality of the discovery.

# OUTLOOK

**Aker BP continues to build on a strong platform for further value creation through safe operations, an effective business model built on lean principles, technological competence and industrial cooperation to secure long term competitiveness.**

The company has a strong balance sheet, providing the company with ample financial flexibility going forward, and will continue to pursue selective growth opportunities as well as increasing dividend distributions to its shareholders.

For 2019, the company's financial plan consists of the following main items<sup>1)</sup>:

- Production of 155-160,000 boe per day, broadly in line with 2018
- Capex USD 1.6 billion – of which the main drivers are Valhall and Johan Sverdrup
- Exploration spend of USD 500 million, to cater for an ambitious exploration program comprising of 15 exploration wells targeting net prospective resources of 500 mmboe
- Abandonment spend of USD 150 million, related to plugging of depleted wells and removal of the old quarters platform at Valhall
- Production cost of around USD 12.5 per boe, slightly above 2018 due to high maintenance and modifications activity particularly at Valhall and Ula

The Board has proposed to pay USD 750 million in dividends in 2019, with an intention to increase the dividend level by USD 100 million per year until 2023. The company pays dividends each quarter. For 2019, the quarterly dividend is expected to be approximately USD 0.52 per share.

<sup>1)</sup> The majority of the company's cost elements are denominated in NOK. The estimated USD amounts are based on an USDNOK exchange rate of 8.5.

# Financial statements with notes

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## INCOME STATEMENT (Unaudited)

(USD 1 000)	Note	Group			
		Q4		01.01.-31.12.	
		2018	2017	2018	2017
Petroleum revenues		860 810	737 204	3 711 472	2 575 654
Other operating income		25 286	-11 210	38 600	-12 721
<b>Total income</b>	2	<b>886 096</b>	<b>725 994</b>	<b>3 750 072</b>	<b>2 562 933</b>
Production costs		186 530	147 076	689 102	523 379
Exploration expenses	3	72 458	56 181	295 908	225 702
Depreciation	5	195 962	183 138	752 437	726 670
Impairments	4, 5	20 172	21 111	20 172	52 349
Other operating expenses		7 739	13 549	17 037	27 606
<b>Total operating expenses</b>		<b>482 862</b>	<b>421 055</b>	<b>1 774 658</b>	<b>1 555 705</b>
<b>Operating profit</b>		<b>403 234</b>	<b>304 940</b>	<b>1 975 414</b>	<b>1 007 228</b>
Interest income		7 157	2 991	25 976	7 716
Other financial income		72 625	18 298	141 823	75 507
Interest expenses		28 511	15 230	120 033	103 627
Other financial expenses		95 175	62 585	218 272	175 696
<b>Net financial items</b>	6	<b>-43 905</b>	<b>-56 526</b>	<b>-170 505</b>	<b>-196 100</b>
<b>Profit before taxes</b>		<b>359 329</b>	<b>248 413</b>	<b>1 804 909</b>	<b>811 128</b>
Taxes (+)/tax income (-)	7	305 022	214 377	1 328 486	536 340
<b>Net profit</b>		<b>54 307</b>	<b>34 036</b>	<b>476 423</b>	<b>274 787</b>
Weighted average no. of shares outstanding basic and diluted		360 113 509	347 465 957	360 113 509	340 189 283
Basic and diluted earnings USD per share		0.15	0.10	1.32	0.81

## STATEMENT OF COMPREHENSIVE INCOME

(USD 1 000)	Note	Group			
		Q4		01.01.-31.12.	
		2018	2017	2018	2017
Profit for the period		54 307	34 036	476 423	274 787
<b>Items which will not be reclassified over profit and loss (net of taxes)</b>					
Actuarial gain/loss pension plan	8	8	-1	8	-1
<b>Items which may be reclassified over profit and loss (net of taxes)</b>					
Currency translation adjustment		-81 981	25 524	-72 612	25 167
Reclassification to profit and loss		47 504		47 504	
<b>Total comprehensive income in period</b>		<b>19 838</b>	<b>59 558</b>	<b>451 323</b>	<b>299 953</b>

## STATEMENT OF FINANCIAL POSITION (Unaudited)

(USD 1 000)	Note	Group	
		31.12.2018	31.12.2017
<b>ASSETS</b>			
<b>Intangible assets</b>			
Goodwill	5	1 860 126	1 860 126
Capitalized exploration expenditures	5	427 439	365 417
Other intangible assets	5	2 005 885	1 617 039
<b>Tangible fixed assets</b>			
Property, plant and equipment	5	5 746 275	5 582 493
<b>Financial assets</b>			
Long-term receivables		37 597	40 453
Long-term derivatives	11	-	12 564
Other non-current assets		10 388	8 398
<b>Total non-current assets</b>		<b>10 087 710</b>	<b>9 486 491</b>
<b>Inventories</b>			
Inventories		93 179	75 704
<b>Receivables</b>			
Accounts receivable		162 798	99 752
Tax receivables	7	11 082	1 586 006
Other short-term receivables	8	360 194	535 518
Short-term derivatives	11	17 253	2 585
<b>Cash and cash equivalents</b>			
Cash and cash equivalents	9	44 944	232 504
<b>Total current assets</b>		<b>689 450</b>	<b>2 532 069</b>
<b>TOTAL ASSETS</b>		<b>10 777 160</b>	<b>12 018 560</b>

**STATEMENT OF FINANCIAL POSITION (Unaudited)**

(USD 1 000)	Note	Group	
		31.12.2018	31.12.2017
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		57 056	57 056
Share premium		3 637 297	3 637 297
Other equity		-704 432	-705 756
<b>Total equity</b>		<b>2 989 920</b>	<b>2 988 596</b>
<b>Non-current liabilities</b>			
Deferred taxes	7	1 800 199	1 307 148
Long-term abandonment provision	15	2 447 558	2 775 622
Provisions for other liabilities	10	107 519	152 418
Long-term bonds	13	1 110 488	622 039
Long-term derivatives	11	26 275	13 705
Other interest-bearing debt	14	907 954	1 270 556
<b>Current liabilities</b>			
Trade creditors		105 567	32 847
Accrued public charges and indirect taxes		25 061	27 949
Tax payable	7	551 942	351 156
Short-term derivatives	11	8 783	7 691
Short-term abandonment provision	15	105 035	268 262
Short-term interest-bearing debt	14	-	1 496 374
Other current liabilities	12	590 860	704 197
<b>Total liabilities</b>		<b>7 787 241</b>	<b>9 029 964</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>10 777 160</b>	<b>12 018 560</b>

**STATEMENT OF CHANGES IN EQUITY - GROUP (Unaudited)**

(USD 1 000)	Share capital	Share premium	Other equity				Total other equity	Total equity
			Other paid-in capital	Other comprehensive income		Retained earnings		
				Actuarial gains/(losses)	Foreign currency translation reserves*			
<b>Equity as of 31.12.2017</b>	<b>57 056</b>	<b>3 637 297</b>	573 083	-89	-90 383	-1 188 366	<b>-705 756</b>	<b>2 988 596</b>
Dividend distributed	-	-	-	-	-	-337 500	-337 500	-337 500
Profit/loss for the period	-	-	-	-	-	422 116	422 116	422 116
Other comprehensive income for the period	-	-	-	-	9 369	-	9 369	9 369
<b>Equity as of 30.09.2018</b>	<b>57 056</b>	<b>3 637 297</b>	573 083	-89	-81 014	-1 103 750	<b>-611 771</b>	<b>3 082 581</b>
	-	-	-	-	-	-	-	-
Dividend distributed	-	-	-	-	-	-112 500	-112 500	-112 500
Profit for the period	-	-	-	-	-	54 307	54 307	54 307
Other comprehensive income for the period	-	-	-	8	-34 477	-	-34 469	-34 469
<b>Equity as of 31.12.2018</b>	<b>57 056</b>	<b>3 637 297</b>	573 083	-81	-115 491	-1 161 943	<b>-704 432</b>	<b>2 989 920</b>

\* The amount arose mainly as a result of the change in functional currency in Q4 2014.



**STATEMENT OF CASH FLOW (Unaudited)**

(USD 1 000)	Note	Q4		Group	
		2018	2017	01.01.-31.12.	2017
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Profit before taxes		359 329	248 413	1 804 909	811 128
Taxes paid	7	-339 609	-67 024	-606 082	-101 115
Tax refund	7	1 513 394	140 913	1 513 394	404 704
Depreciation	5	195 962	183 138	752 437	726 670
Net impairment losses	4, 5	20 172	21 111	20 172	52 349
Accretion expenses	6, 15	32 082	32 407	128 737	129 619
Interest expenses	6	56 739	32 539	200 524	156 704
Interest paid		-59 703	-31 716	-195 659	-145 940
Changes in derivatives	2, 6	4 624	33 107	11 558	-34 461
Amortized loan costs	6	6 856	6 336	29 722	36 900
Amortization of fair value of contracts	10	14 195	4 398	56 775	11 728
Expensed capitalized dry wells	3, 5	4 424	19 246	65 852	75 401
Changes in inventories, accounts payable and receivables		-9 908	-63 673	-7 800	-7 583
Changes in other current balance sheet items		90 471	-16 245	25 031	39 387
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>1 889 029</b>	<b>542 949</b>	<b>3 799 570</b>	<b>2 155 491</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>					
Payment for removal and decommissioning of oil fields	15	-16 069	-31 094	-242 545	-85 733
Disbursements on investments in fixed assets		-414 861	-248 303	-1 312 697	-977 462
Acquisitions of companies (net of cash acquired)		-	-2 055 033	-	-2 055 033
Cash received from sale of licenses		-	170 959	-	170 959
Disbursements on investments in capitalized exploration	5	-15 764	-28 523	-128 795	-111 569
Disbursements on investments in licenses		-463 049	-	-463 049	-156
<b>NET CASH FLOW USED IN INVESTMENT ACTIVITIES</b>		<b>-909 743</b>	<b>-2 191 994</b>	<b>-2 147 085</b>	<b>-3 058 994</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
Net drawdown/repayment of long-term debt		550 000	-130 000	-380 252	-777 911
Repayment of bond (DETNOR03)		-	-	-	-330 000
Repayment of short-term debt		-1 500 000	-	-1 500 000	-
Net cash received from issuance of new shares		-	489 436	-	489 436
Net proceeds from issuance of debt		-	1 498 885	492 423	1 886 885
Paid dividend		-112 500	-62 500	-450 000	-250 000
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>-1 062 500</b>	<b>1 795 820</b>	<b>-1 837 829</b>	<b>1 018 410</b>
<b>Net change in cash and cash equivalents</b>		<b>-83 214</b>	<b>146 776</b>	<b>-185 344</b>	<b>114 906</b>
Cash and cash equivalents at start of period		126 608	80 764	232 504	115 286
Effect of exchange rate fluctuation on cash held		1 550	4 965	-2 216	2 312
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	9	<b>44 944</b>	<b>232 504</b>	<b>44 944</b>	<b>232 504</b>
<b>SPECIFICATION OF CASH EQUIVALENTS AT END OF PERIOD</b>					
Bank deposits and cash		44 944	231 506	44 944	231 506
Restricted bank deposits		-	998	-	998
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	9	<b>44 944</b>	<b>232 504</b>	<b>44 944</b>	<b>232 504</b>

## NOTES

(All figures in USD 1 000 unless otherwise stated)

These interim financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU ("IFRS") IAS 34 "Interim Financial Reporting", thus the interim financial statements do not include all information required by IFRS and should be read in conjunction with the group's annual financial statements as at 31 December 2017. The interim financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the financial position, results of operations and cash flows for the dates and interim periods presented. Interim period results are not necessarily indicative of results of operations or cash flows for an annual period. These interim financial statements have not been subject to review or audit by independent auditors.

These interim financial statements were authorised for issue by the company's Board of Directors on 5 February 2019.

### Note 1 Accounting principles

As described in the group's annual financial statements for 2017, two new accounting standards entered into force from 1 January 2018. IFRS 9 Financial Instruments does not have any significant impact on the group's financial statements. IFRS 15 Revenue from contracts with customers has no impact on the line item petroleum revenues in the income statement, but additional details have been provided in the note disclosures (note 2) to specify the part of revenues that arises from change in over/underlift balances. The adoption of IFRS 9 and IFRS 15 does not impact any line items in the balance sheet or have any impact on reported cash flows.

Except for the changes described above, the accounting principles used for this interim report are consistent with the principles used in the group's annual financial statements as at 31 December 2017.

In preparing these interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty are the same as those that applied to the annual financial statements as at 31 December 2017.

### Note 2 Income

Breakdown of petroleum revenues (USD 1 000)	Group			
	2018	Q4 2017	2018	01.01.-31.12. 2017
Sales of liquids	747 439	581 059	3 141 997	2 140 738
Sales of gas	139 062	106 577	554 248	369 694
Tariff income	4 413	5 440	19 423	22 891
<b>Total petroleum sales</b>	<b>890 914</b>	<b>693 076</b>	<b>3 715 668</b>	<b>2 533 323</b>
Impact from change in over/underlift balances of liquids	-30 104	44 128	-4 197	42 331
<b>Total petroleum revenues</b>	<b>860 810</b>	<b>737 204</b>	<b>3 711 472</b>	<b>2 575 654</b>
<b>Breakdown of produced volumes (barrels of oil equivalent)</b>				
Liquids	11 405 002	9 847 526	44 732 273	39 634 824
Gas	2 921 380	2 623 436	12 082 972	11 036 406
<b>Total produced volumes</b>	<b>14 326 382</b>	<b>12 470 962</b>	<b>56 815 246</b>	<b>50 671 230</b>
<b>Other income (USD 1 000)</b>				
Realized gain/loss (-) on oil derivatives	-4 111	-2 549	-16 242	-7 440
Unrealized gain/loss (-) on oil derivatives	28 087	-5 563	24 944	-6 510
Other income	1 310	-3 098	29 898	1 230
<b>Total other operating income</b>	<b>25 286</b>	<b>-11 210</b>	<b>38 600</b>	<b>-12 721</b>

### Note 3 Exploration expenses

Breakdown of exploration expenses (USD 1 000)	Group			
	Q4		01.01.-31.12.	
	2018	2017	2018	2017
Seismic	21 306	9 637	95 458	53 283
Area fee	5 149	4 363	13 822	16 589
Field evaluation	27 782	14 471	79 323	40 162
Dry well expenses*	4 424	19 246	65 852	75 401
Other exploration expenses	13 798	8 465	41 453	40 267
<b>Total exploration expenses</b>	<b>72 458</b>	<b>56 181</b>	<b>295 908</b>	<b>225 702</b>

\* Q4 2018 dry well expenses are mainly related to the Cassidy well in PL 405.

### Note 4 Impairments

#### Impairment testing

Impairment tests of individual cash-generating units are performed when impairment triggers are identified, and for goodwill impairment is tested at least annually. In Q4 2018, two categories of impairment tests have been performed:

- Impairment test of fixed assets and related intangible assets, other than goodwill
- Impairment test of goodwill

Impairment is recognized when the book value of an asset or a cash-generating unit, including associated goodwill, exceeds the recoverable amount. The recoverable amount is the higher of the asset's fair value less cost to sell and value in use. For assets and goodwill in the group prior to the acquisition of BP Norge AS, the impairment testing has been based on value in use, consistent with the impairment testing prior to the acquisition of BP Norge AS. For assets and goodwill recognized in relation to the acquisition of BP Norge AS and Hess Norge AS, the impairment testing has been based on fair value (level 3 in fair value hierarchy). For both value in use and fair value, the impairment testing is performed based on discounted cash flows. The expected future cash flow is discounted to the net present value by applying a discount rate after tax that reflects the current market valuation of the time value of money, and the specific risk related to the asset. The discount rate is derived from the weighted average cost of capital (WACC) for a market participant. Cash flows are projected for the estimated lifetime of the fields, which may exceed periods greater than five years. If not specifically stated otherwise, the same assumptions have been applied for value in use and fair value testing.

For producing licenses and licenses in the development phase, recoverable amount is estimated based on discounted future after tax cash flows. Below is an overview of the key assumptions applied for impairment testing purposes as of 31 December 2018.

#### Prices

The nominal oil price applied in the impairment test is as follows:

Year	USD/BOE
2019	56.0
2020	57.1
2021	58.1
From 2022 (in real terms)	65.0

#### Reserves

Future cash flows are calculated on the basis of expected production profiles and estimated proven and probable remaining reserves. The recoverable amount is sensitive to changes in reserves.

#### Discount rate

For value in use testing, the post tax nominal discount rate used is 7.9 per cent, which is a change from 7.5 per cent applied in previous quarters in 2018 and year end 2017. For fair value testing, the discount rate used is 10.0 per cent (unchanged from previous quarters in 2018 and from year end 2017). The difference between the discount rate applied for fair value and value in use testing reflects the additional risk in the cash flows used in fair value testing.

**Currency rates**

Year	USD/NOK
2019	8.58
2020	8.48
2021	8.42
From 2022	7.50

**Inflation**

The long-term inflation rate is assumed to be 2.0 per cent, which is a change from 2.5 per cent applied in previous quarters in 2018 and year end 2017

**Impairment testing of assets other than goodwill**

The impairment test of assets other than goodwill has been performed prior to the quarterly goodwill impairment test. If these assets are found to be impaired, their carrying value will be written down before the impairment test of goodwill. The carrying value of the assets is the sum of tangible assets and intangible assets as of the assessment date.

Below is an overview of the impairment charge and the carrying value per cash generating unit where impairment has been recognized in Q4 2018

Cash-generating unit (USD 1 000)	Impairment charge/reversal		Recoverable amount/ carrying value as of 31.12.2018
	Intangible	Tangible	
Gina Krog	-	25 202	97 535
Other CGU's	516	-5 546	-
<b>Total</b>	<b>516</b>	<b>19 657</b>	<b>97 535</b>

The reversal of impairment and impairment charge for other CGU's with no carrying value is related to changes in the ARO liability.

**Impairment testing of technical goodwill**

In line with the methodology described in the annual report, deferred tax (from the date of acquisitions) reduces the net carrying value prior to the impairment charges. When deferred tax liabilities from the acquisitions decreases as a result of depreciation, more goodwill is as such exposed for impairment. This may lead to future impairment charges even though other assumptions remain stable. We have tested the Alvheim, Valhall/Hod, Skarv/Ærfugl and Ula/Tambar CGUs, and the calculation shows that no impairment charge of technical goodwill is needed.

**Sensitivity analysis**

The table below shows how the impairment of technical goodwill would be affected by changes in the various assumptions, given that the remaining assumptions are constant. The only impacted CGU is Ula/Tambar.

Assumption (USD 1 000)	Change	Change in goodwill impairment after	
		Increase in assumptions	Decrease in assumptions
Oil and gas price	+/- 20%	-	135 422
Production profile (reserves)	+/- 5%	-	34 854
Discount rate	+/- 1% point	20 081	-
Currency rate USD/NOK	+/- 1.0 NOK	-	56 760
Inflation	+/- 1% point	-	33 628

## Note 5 Tangible fixed assets and intangible assets

### TANGIBLE FIXED ASSETS - GROUP

(USD 1 000)	Assets under development	Production facilities including wells	Fixtures and fittings, office machinery	Total
<b>Book value 31.12.2017</b>	<b>1 480 689</b>	<b>4 032 797</b>	<b>69 007</b>	<b>5 582 493</b>
<b>Acquisition cost 31.12.2017</b>	<b>1 480 689</b>	<b>6 057 801</b>	<b>104 346</b>	<b>7 642 835</b>
Additions	792 046	152 314	13 102	957 462
Disposals	-	-	-	-
Reclassification	-191 853	184 935	7 839	921
<b>Acquisition cost 30.09.2018</b>	<b>2 080 882</b>	<b>6 395 050</b>	<b>125 286</b>	<b>8 601 218</b>
<b>Accumulated depreciation and impairments 31.12.2017</b>	<b>-</b>	<b>2 025 004</b>	<b>35 338</b>	<b>2 060 342</b>
Depreciation	-	486 832	15 089	501 922
Impairment	-	-	-	-
Retirement/transfer depreciations	-	-	-	-
<b>Accumulated depreciation and impairments 30.09.2018</b>	<b>-</b>	<b>2 511 836</b>	<b>50 428</b>	<b>2 562 264</b>
<b>Book value 30.09.2018</b>	<b>2 080 882</b>	<b>3 883 214</b>	<b>74 858</b>	<b>6 038 954</b>
<b>Acquisition cost 30.09.2018</b>	<b>2 080 882</b>	<b>6 395 050</b>	<b>125 286</b>	<b>8 601 218</b>
Additions*	219 175	-324 929	9 560	-96 193
Disposals	-	-	-	-
Reclassification	-16 456	16 241	214	-
<b>Acquisition cost 31.12.2018</b>	<b>2 283 602</b>	<b>6 086 362</b>	<b>135 061</b>	<b>8 505 025</b>
<b>Accumulated depreciation and impairments 30.09.2018</b>	<b>-</b>	<b>2 511 836</b>	<b>50 428</b>	<b>2 562 264</b>
Depreciation	-	169 864	6 965	176 829
Impairment	-	19 657	-	19 657
Retirement/transfer depreciations	-	-	-	-
<b>Accumulated depreciation and impairments 31.12.2018</b>	<b>-</b>	<b>2 701 357</b>	<b>57 392</b>	<b>2 758 750</b>
<b>Book value 31.12.2018</b>	<b>2 283 602</b>	<b>3 385 005</b>	<b>77 669</b>	<b>5 746 275</b>

\*The negative addition is mainly caused by decreased abandonment provision during the year, refer to note 1f

Capitalized exploration expenditures are reclassified to "Assets under development" when the field enters into the development phase. If development plans are subsequently re-evaluated, the associated costs remain in assets under development and are not reclassified back to exploration assets. Assets under development are reclassified to "Production facilities" from the start of production. Production facilities, including wells, are depreciated in accordance with the Unit of Production Method. Office machinery, fixtures and fittings etc. are depreciated using the straight-line method over their useful life, i.e. 3 - 5 years. Removal and decommissioning costs are included as production facilities or fields under development.

**INTANGIBLE ASSETS - GROUP**

(USD 1 000)	Other intangible assets			Exploration wells	Goodwill
	Licences etc.	Software	Total		
<b>Book value 31.12.2017</b>	<b>1 617 005</b>	<b>34</b>	<b>1 617 039</b>	<b>365 417</b>	<b>1 860 126</b>
<b>Acquisition cost 31.12.2017</b>	<b>1 933 241</b>	<b>7 501</b>	<b>1 940 742</b>	<b>365 417</b>	<b>2 738 973</b>
Additions	-	-	-	113 029	-
Disposals/expensed dry wells	-	-	-	61 428	-
Reclassification	-	-	-	-921	-
<b>Acquisition cost 30.09.2018</b>	<b>1 933 241</b>	<b>7 501</b>	<b>1 940 742</b>	<b>416 097</b>	<b>2 738 973</b>
<b>Accumulated depreciation and impairments 31.12.2017</b>	<b>316 236</b>	<b>7 467</b>	<b>323 703</b>	<b>-</b>	<b>878 847</b>
Depreciation	54 541	13	54 553	-	-
Impairment	-	-	-	-	-
Retirement/transfer depreciations	-	-	-	-	-
<b>Accumulated depreciation and impairments 30.09.2018</b>	<b>370 777</b>	<b>7 480</b>	<b>378 257</b>	<b>-</b>	<b>878 847</b>
<b>Book value 30.09.2018</b>	<b>1 562 464</b>	<b>21</b>	<b>1 562 486</b>	<b>416 097</b>	<b>1 860 126</b>
<b>Acquisition cost 30.09.2018</b>	<b>1 933 241</b>	<b>7 501</b>	<b>1 940 742</b>	<b>416 097</b>	<b>2 738 973</b>
Additions	463 049	-	463 049	15 765	-
Disposals/expensed dry wells	-	-	-	4 424	-
Reclassification	-	-	-	-	-
<b>Acquisition cost 31.12.2018</b>	<b>2 396 290</b>	<b>7 501</b>	<b>2 403 791</b>	<b>427 439</b>	<b>2 738 973</b>
<b>Accumulated depreciation and impairments 30.09.2018</b>	<b>370 777</b>	<b>7 480</b>	<b>378 257</b>	<b>-</b>	<b>878 847</b>
Depreciation	19 112	21	19 133	-	-
Impairment	516	-	516	-	-
Retirement/transfer depreciations	-	-	-	-	-
<b>Accumulated depreciation and impairments 31.12.2018</b>	<b>390 404</b>	<b>7 501</b>	<b>397 906</b>	<b>-</b>	<b>878 847</b>
<b>Book value 31.12.2018</b>	<b>2 005 885</b>	<b>-</b>	<b>2 005 885</b>	<b>427 439</b>	<b>1 860 126</b>

Depreciation in the income statement (USD 1 000)	Group			
	Q4		01.01.-31.12.	
	2018	2017	2018	2017
Depreciation of tangible fixed assets	176 829	162 664	678 751	635 563
Depreciation of intangible assets	19 133	20 474	73 686	91 107
<b>Total depreciation in the income statement</b>	<b>195 962</b>	<b>183 138</b>	<b>752 437</b>	<b>726 670</b>
<b>Impairment in the income statement (USD 1 000)</b>				
Impairment/reversal of tangible fixed assets	19 657	21 111	19 657	21 232
Impairment/reversal of intangible assets	516	-	516	1 956
Impairment of goodwill	-	-	-	29 161
<b>Total impairment in the income statement</b>	<b>20 172</b>	<b>21 111</b>	<b>20 172</b>	<b>52 349</b>

## Note 6 Financial items

(USD 1 000)	Group			
	Q4		01.01.-31.12.	
	2018	2017	2018	2017
<b>Interest income</b>	<b>7 157</b>	<b>2 991</b>	<b>25 976</b>	<b>7 716</b>
Realized gains on derivatives	72 625	8 659	141 823	18 428
Change in fair value of derivatives	-	-	-	40 971
Net currency gains	-	9 639	-	16 107
<b>Total other financial income</b>	<b>72 625</b>	<b>18 298</b>	<b>141 823</b>	<b>75 507</b>
Interest expenses	56 739	32 539	200 524	156 704
Capitalized interest cost, development projects	-35 085	-23 645	-110 213	-89 977
Amortized loan costs	6 856	6 336	29 722	36 900
<b>Total interest expenses</b>	<b>28 511</b>	<b>15 230</b>	<b>120 033</b>	<b>103 627</b>
Net currency loss/gain (-) before reclassification from OCI	-47 453	-	-43 592	-
Reclassification from OCI*	47 504	-	47 504	-
Realized loss on derivatives	28 824	1 472	45 993	9 331
Change in fair value of derivatives	32 710	27 543	36 503	-
Accretion expenses	32 082	32 407	128 737	129 619
Other financial expenses	1 509	1 162	3 128	36 746
<b>Total other financial expenses</b>	<b>95 175</b>	<b>62 585</b>	<b>218 272</b>	<b>175 696</b>
<b>Net financial items</b>	<b>-43 905</b>	<b>-56 526</b>	<b>-170 505</b>	<b>-196 100</b>

\* The reclassification from OCI relates to the refund of tax losses in Aker BP AS (previously Hess Norge AS) which was received in Q4, and the subsequent liquidation of Aker BP AS. The reclassification reflects the USD/NOK currency movement from the acquisition of Hess Norge AS at 22 December 2017 to the tax refund and liquidation of Aker BP AS on 28 November 2018.

## Note 7 Tax

Tax for the period (USD 1 000)	Group			
	Q4		01.01.-31.12.	
	2018	2017	2018	2017
Calculated current year tax	133 275	125 092	803 396	332 092
Change in deferred tax in the income statement	151 491	89 979	526 933	202 715
Prior period adjustments	20 255	-694	-1 843	1 533
<b>Total tax (+)/tax income (-)</b>	<b>305 022</b>	<b>214 377</b>	<b>1 328 486</b>	<b>536 340</b>

  

Calculated tax receivable (+)/tax payable (-) (USD 1 000)	Group	
	31.12.2018	31.12.2017
Tax receivable/payable at 01.01.	1 234 850	307 977
Current year tax (-)/tax receivable (+)	-803 396	-332 092
Taxes receivable/payable related to acquisitions/sales	4 387	1 523 512
Net tax payment (+)/tax refund (-)	-907 312	-303 589
Prior period adjustments and change in estimate of uncertain tax positions	-30 269	9 502
Currency movements of tax receivable/payable	-39 119	29 540
<b>Total net tax receivable (+)/tax payable (-)</b>	<b>-540 860</b>	<b>1 234 850</b>
Tax receivable included as current assets (+)	11 082	1 586 006
Tax payable included as current liabilities (-)	-551 942	-351 156

Deferred tax (-)/deferred tax asset (+) (USD 1 000)	Group	
	31.12.2018	31.12.2017
Deferred tax/deferred tax asset 01.01.	-1 307 148	-1 045 542
Change in deferred tax in the income statement	-526 933	-202 715
Deferred tax related to acquisitions/sales	-	-61 877
Prior period adjustment	33 912	2 982
Deferred tax charged to OCI and equity	-30	5
<b>Net deferred tax (-)/deferred tax asset (+)</b>	<b>-1 800 199</b>	<b>-1 307 148</b>

Reconciliation of tax expense (USD 1 000)	Group			
	Q4		01.01.-31.12.	
	2018	2017	2018	2017
78% tax rate on profit before tax	280 277	194 040	1 407 829	632 680
Tax effect of uplift	-33 532	-30 784	-130 767	-123 057
Change in tax rates	-2 047	-1 893	-2 047	-1 894
Permanent difference on impairment	-	-	-	22 813
Tax effect on OCI reclassification*	37 053	-	37 053	-
Foreign currency translation of NOK monetary items	-37 014	-8 022	-34 002	-12 955
Foreign currency translation of USD monetary items	-121 121	-11 176	-111 806	120 113
Tax effect of financial and other 23%/24% items	41 678	23 398	50 578	-19 592
Currency movements of tax balances**	123 541	47 848	113 147	-84 676
Other permanent differences, prior period adjustments and change in estimate of uncertain tax positions	16 187	966	-1 498	2 908
<b>Total taxes (+)/tax income (-)</b>	<b>305 022</b>	<b>214 377</b>	<b>1 328 486</b>	<b>536 340</b>

\* Refer to note 6. This amount is not tax deductible, and so represents a permanent difference in the effective tax rate reconciliation.

\*\* Tax balances are in NOK and converted to USD using the period end currency rate. When NOK weakens against USD, the tax rate increases as there is less remaining tax depreciation measured in USD (vice versa).

The tax rate for general corporation tax changed from 23 to 22 per cent from 1 January 2019. The rate for special tax changed from the same date from 55 to 56 per cent.

In accordance with statutory requirements, the calculation of current tax is required to be based on NOK functional currency. This may impact the effective tax rate as the company's functional currency is USD.

### Note 8 Other short-term receivables

(USD 1 000)	Group	
	31.12.2018	31.12.2017
Prepayments	64 004	59 100
VAT receivable	8 871	10 856
Underlift of petroleum	122 713	118 012
Accrued income from sale of petroleum products	52 825	105 670
Other receivables, mainly from licenses	111 781	241 879
<b>Total other short-term receivables</b>	<b>360 194</b>	<b>535 518</b>



## Note 9 Cash and cash equivalents

The item 'Cash and cash equivalents' consists of bank accounts and short-term investments that constitute parts of the group's transaction liquidity.

Breakdown of cash and cash equivalents (USD 1 000)	Group	
	31.12.2018	31.12.2017
Bank deposits	44 944	231 506
Restricted funds (tax withholdings)*	-	998
<b>Cash and cash equivalents</b>	<b>44 944</b>	<b>232 504</b>
Unused reserve-based lending facility (see note 14)	3 050 000	2 670 000

\* During Q4 2017, the company extended its bank guarantee related to withheld payroll tax to NOK 300 million. In Q1 2018 the remaining restricted funds were released in full.

## Note 10 Provisions for other liabilities

Breakdown of provisions for other liabilities (USD 1 000)	Group	
	31.12.2018	31.12.2017
Fair value of contracts assumed in acquisitions*	106 040	149 031
Other long term liabilities	1 480	3 387
<b>Total provisions for other liabilities</b>	<b>107 519</b>	<b>152 418</b>

\* The negative contract values are mainly related to rig contracts entered into by companies acquired by Aker BP, which differed from current market terms at the time of the acquisitions. The fair value is based on the difference between market price and contract price at the time of the acquisitions. The balance is split between current and non-current liabilities based on the cash flow in the contracts, and amortized over the lifetime of the contracts.

## Note 11 Derivatives

(USD 1 000)	Group	
	31.12.2018	31.12.2017
Unrealized gain currency contracts	-	12 564
<b>Long-term derivatives included in assets</b>	<b>-</b>	<b>12 564</b>
Unrealized gain on commodity derivatives	17 253	-
Unrealized gain currency contracts	-	2 585
<b>Short-term derivatives included in assets</b>	<b>17 253</b>	<b>2 585</b>
<b>Total derivatives included in assets</b>	<b>17 253</b>	<b>15 149</b>
Unrealized losses interest rate swaps	26 275	13 705
<b>Long-term derivatives included in liabilities</b>	<b>26 275</b>	<b>13 705</b>
Unrealized losses commodity derivatives	-	7 691
Unrealized losses currency contracts	8 783	-
<b>Short-term derivatives included in liabilities</b>	<b>8 783</b>	<b>7 691</b>
<b>Total derivatives included in liabilities</b>	<b>35 058</b>	<b>21 396</b>

The group has various types of economic hedging instruments. Commodity derivatives are used to hedge the risk of oil price reduction. The group manages its interest rate exposure using interest rate derivatives, including interest rate swap and a cross currency interest rate swap. Foreign currency exchange derivatives are used to manage the company's exposure to currency risks, mainly costs in NOK, EUR and GBP. These derivatives are mark to market with changes in market value recognized in the income statement. The nature of the instruments and the valuation method is consistent with the disclosed information in the annual financial statements as at 31 December 2017.

## Note 12 Other current liabilities

Breakdown of other current liabilities (USD 1 000)	Group	
	31.12.2018	31.12.2017
Current liabilities against JV partners	22 779	81 223
Share of other current liabilities in licences	309 260	409 387
Overlift of petroleum	17 021	9 610
Fair value of contracts assumed in acquisitions*	42 998	62 097
Other current liabilities**	198 801	141 880
<b>Total other current liabilities</b>	<b>590 860</b>	<b>704 197</b>

\* Refer to note 10.

\*\* Other current liabilities include unpaid wages and vacation pay, accrued interest and other provisions

## Note 13 Bonds

(USD 1 000)	Group	
	31.12.2018	31.12.2017
DETNOR02 Senior unsecured bond *	223 839	230 375
AKERBP – Senior Notes (17/22) **	393 301	391 664
AKERBP – Senior Notes (18/25) ***	493 349	-
<b>Long-term bonds</b>	<b>1 110 488</b>	<b>622 039</b>

\* The bond is denominated in NOK and runs from July 2013 to July 2020 and carries an interest rate of 3 month Nibor + 6.5 per cent. The principal falls due on July 2020 and interest is paid on a quarterly basis. The bond is unsecured. The bond has been swapped into USD using a cross currency interest rate swap whereby the group pays Libor + 6.81 per cent quarterly. The financial covenants for this bond are consistent with the RBL as described in note 14.

\*\* The bond was established in July 2017 and carries an interest of 6.0 per cent. The principal falls due in July 2022 and interest is paid on a semi annual basis. The bond is senior unsecured and has no financial covenants.

\*\*\* The bond was established in March 2018 and carries an interest of 5.875 per cent. The principal falls due in March 2025 and interest is paid on a semi annual basis. The bond is senior unsecured and has no financial covenants.

### Note 14 Other interest-bearing debt

(USD 1 000)	Group	
	31.12.2018	31.12.2017
Reserve-based lending facility	907 954	1 270 556
<b>Long-term interest-bearing debt</b>	<b>907 954</b>	<b>1 270 556</b>
Bridge facility	-	1 496 374
<b>Short-term interest-bearing debt</b>	<b>-</b>	<b>1 496 374</b>

The RBL facility was established in 2014 and is a senior secured seven-year facility. The facility size amounts to USD 4.0 billion, with an uncommitted accordion option of USD 1.0 billion. The interest rate is from 1 - 6 months LIBOR plus a margin of 2 - 3 per cent based on drawn amount. In addition, a commitment fee is paid on unused credit. The financial covenants are as follows:

- Leverage Ratio shall be maximum 4 until the production start of Johan Sverdrup, thereafter maximum 3.5
- Interest Coverage Ratio shall be minimum 3.5

In relation to the acquisition of Hess Norge AS, the company obtained a new USD 1.5 billion bank facility ("Bridge facility"). The terms of the facility included a mandatory repayment clause triggered by the refund of tax losses in Hess Norge. The refund took place in November 2018 and the facility was repaid and cancelled at the same time.

### Note 15 Provision for abandonment liabilities

(USD 1 000)	Group	
	31.12.2018	31.12.2017
Provisions as of 1 January	3 043 884	2 156 921
Abandonment liability from acquisitions	-	1 315 181
Change in abandonment liability due to asset sales	-	-207 516
Incurred cost removal	-201 227	-74 005
Accretion expense - present value calculation	128 737	129 619
Changed net present value from changed discount rate	-277 081	511 330
Change in estimates and incurred liabilities on new drilling and installations	-141 721	-787 646
<b>Total provision for abandonment liabilities</b>	<b>2 552 592</b>	<b>3 043 884</b>
<b>Break down of the provision to short-term and long-term liabilities</b>		
Short-term	105 035	268 262
Long-term	2 447 558	2 775 622
<b>Total provision for abandonment liabilities</b>	<b>2 552 592</b>	<b>3 043 884</b>

The estimate is based on executing a concept for abandonment in accordance with the Petroleum Activities Act and international regulations and guidelines. The calculations assume an inflation rate of 2.0 per cent and a nominal discount rate before tax of between 4.46 per cent and 5.01 per cent. For previous quarters in 2018 and year end 2017 the inflation rate was 2.5 per cent and the discount rate was between 3.44 per cent and 4.42 per cent. The credit margin included in the discount rate is 2.00 per cent. For previous quarters in 2018 and year end 2017 the credit margin was 1.68 per cent.

### Note 16 Contingent liabilities

During the normal course of its business, the group will be involved in disputes, including tax disputes. The group has made accruals for probable liabilities related to litigation and claims based on management's best judgment and in line with IAS 37 and IAS 12.

### Note 17 Subsequent events

The company has not identified any events with significant accounting impacts that have occurred between the end of the reporting period and the date of this report.

## Note 18 Investments in joint operations

Fields operated:	31.12.2018	30.09.2018
Alvheim	65.000%	65.000 %
Bøyla	65.000%	65.000 %
Hod	90.000%	90.000 %
Ivar Aasen Unit	34.786%	34.786 %
Jette Unit	70.000%	70.000 %
Valhall	90.000%	90.000 %
Vilje	46.904%	46.904 %
Volund	65.000%	65.000 %
Tambar	55.000%	55.000 %
Tambar Øst	46.200%	46.200 %
Ula	80.000%	80.000 %
Skarv	23.835%	23.835 %

### Production licences in which Aker BP is the operator:

Licence:	31.12.2018	30.09.2018	Licence:	31.12.2018	30.09.2018
PL 001B	35.000%	35.000 %	PL 777	40.000%	40.000 %
PL 006B	90.000%	90.000 %	PL 777B	40.000%	40.000 %
PL 019	80.000%	80.000 %	PL 777C	40.000%	40.000 %
PL 019C	80.000%	80.000 %	PL 777D	40.000%	40.000 %
PL 019E	80.000%	80.000 %	PL 784	40.000%	40.000 %
PL 026*	92.130%	0.000 %	PL 790	30.000%	30.000 %
PL 026B	90.260%	90.260 %	PL 814	40.000%	40.000 %
PL 027D	100.000%	100.000 %	PL 818	40.000%	40.000 %
PL 028B	35.000%	35.000 %	PL 818B	40.000%	40.000 %
PL 033	90.000%	90.000 %	PL 822S	60.000%	60.000 %
PL 033B	90.000%	90.000 %	PL 839	23.835%	23.835 %
PL 036C	65.000%	65.000 %	PL 843	40.000%	40.000 %
PL 036D	46.904%	46.904 %	PL 858	40.000%	40.000 %
PL 036E**	64.000%	0.000 %	PL 861	50.000%	50.000 %
PL 065	55.000%	55.000 %	PL 867	40.000%	40.000 %
PL 065B	55.000%	55.000 %	PL 868	60.000%	60.000 %
PL 088BS	65.000%	65.000 %	PL 869	60.000%	60.000 %
PL 102D*	50.000%	0.000 %	PL 872	40.000%	40.000 %
PL 102F*	50.000%	0.000 %	PL 873	40.000%	40.000 %
PL 102G*	50.000%	0.000 %	PL 874	90.260%	90.260 %
PL 102H**	50.000%	0.000 %	PL 893	60.000%	60.000 %
PL 127C**	100.000%	0.000 %	PL 895	60.000%	60.000 %
PL 146**	77.800%	0.000 %	PL 906**	60.000%	40.000 %
PL 150	65.000%	65.000 %	PL 907**	60.000%	40.000 %
PL 159D	23.835%	23.835 %	PL 914S	34.786%	34.786 %
PL 169C	50.000%	50.000 %	PL 915	35.000%	35.000 %
PL 203	65.000%	65.000 %	PL 916	40.000%	40.000 %
PL 203B	65.000%	65.000 %	PL 919	65.000%	65.000 %
PL 212	30.000%	30.000 %	PL 932	60.000%	60.000 %
PL 212B	30.000%	30.000 %	PL 941	50.000%	50.000 %
PL 212E	30.000%	30.000 %	PL 948	40.000%	40.000 %
PL 242	35.000%	35.000 %	PL 951	40.000%	40.000 %
PL 261	50.000%	50.000 %	PL 963	70.000%	70.000 %
PL 262	30.000%	30.000 %	PL 964	40.000%	40.000 %
PL 300	55.000%	55.000 %			
PL 333**	77.800%	0.000 %			
PL 340	65.000%	65.000 %			
PL 340BS	65.000%	65.000 %			
PL 364	90.260%	90.260 %			
PL 442	90.260%	90.260 %			
PL 442B	90.260%	90.260 %			
PL 460	65.000%	65.000 %			
PL 504	47.593%	47.593 %			
PL 626	60.000%	60.000 %			
PL 659	50.000%	50.000 %			
PL 677***	0.000%	90.000 %			
PL 685**	40.000%	0.000 %			
PL 748	50.000%	50.000 %			
PL 748B	50.000%	50.000 %			
PL 762	20.000%	20.000 %			
<b>Number of licenses in which Aker BP is the operator</b>				<b>83</b>	<b>74</b>

\* Aker BP became the operator of the license during Q4 2018.

\*\* Acquired/changed through transactions or license splits.

\*\*\* Relinquished license or Aker BP has withdrawn from the license.

<b>Fields non-operated:</b>	<b>31.12.2018</b>	<b>30.09.2018</b>
Atia	10.000%	10.000 %
Enoch	2.000%	2.000 %
Gina Krog	3.300%	3.300 %
Johan Sverdrup	11.573%	11.573 %
Oda	15.000%	15.000 %
Varg***	0.000%	5.000 %

<b>Production licences in which Aker BP is a partner:</b>		
<b>Licence:</b>	<b>31.12.2018</b>	<b>30.09.2018</b>
PL 006C	15.000%	15.000 %
PL 006E	15.000%	15.000 %
PL 018DS	13.338%	13.338 %
PL 026*	0.000%	30.000 %
PL 029B	20.000%	20.000 %
PL 035	50.000%	50.000 %
PL 035C	50.000%	50.000 %
PL 038***	0.000%	5.000 %
PL 048D	10.000%	10.000 %
PL 102C	10.000%	10.000 %
PL 102D*	0.000%	10.000 %
PL 102F*	0.000%	10.000 %
PL 102G*	0.000%	10.000 %
PL 127**	50.000%	0.000 %
PL 127B**	50.000%	0.000 %
PL 220	15.000%	15.000 %
PL 265	20.000%	20.000 %
PL 272	50.000%	50.000 %
PL 405	15.000%	15.000 %
PL 457BS	40.000%	40.000 %
PL 492	60.000%	60.000 %
PL 502	22.222%	22.222 %
PL 533	35.000%	35.000 %
PL 533B	35.000%	35.000 %
PL 554	30.000%	30.000 %
PL 554B	30.000%	30.000 %
PL 554C	30.000%	30.000 %
PL 554D	30.000%	30.000 %
PL 615**	4.000%	0.000 %
PL 615B**	4.000%	0.000 %
PL 719	20.000%	20.000 %
PL 721	40.000%	40.000 %
PL 722	20.000%	20.000 %
PL 782S	20.000%	20.000 %
PL 782SB	20.000%	20.000 %
PL 782SC	20.000%	20.000 %
PL 810	30.000%	30.000 %
PL 810B	30.000%	30.000 %
PL 811	20.000%	20.000 %
PL 813	3.300%	3.300 %
PL 838	30.000%	30.000 %
PL 842	30.000%	30.000 %
PL 844	20.000%	20.000 %
PL 852	40.000%	40.000 %
PL 852B	40.000%	40.000 %
PL 852C	40.000%	40.000 %
PL 857	20.000%	20.000 %
PL 862	50.000%	50.000 %
PL 863	40.000%	40.000 %
PL 863B	40.000%	40.000 %
PL 864	20.000%	20.000 %
PL 871**	0.000%	20.000 %
PL 891	30.000%	30.000 %
PL 892	30.000%	30.000 %
PL 902	30.000%	30.000 %
PL 942	30.000%	30.000 %
PL 954	20.000%	20.000 %
PL 955	30.000%	30.000 %
PL 961	30.000%	30.000 %
PL 962	20.000%	20.000 %
PL 966	30.000%	30.000 %
<b>Number of licenses in which Aker BP is a partner</b>	<b>55</b>	<b>57</b>

\* Aker BP became the operator of the license during Q4 2018.

\*\* Acquired/changed through transactions or license splits.

\*\*\* Relinquished license or Aker BP has withdrawn from the license.

**Note 19 Results from previous interim reports**

(USD 1 000)	2018				2017			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<b>Total income</b>	<b>886 096</b>	<b>999 631</b>	<b>974 745</b>	<b>889 599</b>	<b>725 994</b>	<b>596 188</b>	<b>594 501</b>	<b>646 250</b>
Production costs	186 530	165 466	163 625	173 481	147 076	134 411	121 017	120 874
Exploration expenses	72 458	93 519	75 270	54 661	56 181	63 887	75 375	30 259
Depreciation	195 962	188 526	182 528	185 421	183 138	175 334	184 194	184 004
Impairments	20 172	-	-	-	21 111	1 091	365	29 782
Other operating expenses	7 739	4 334	1 324	3 640	13 549	2 893	3 113	8 051
<b>Total operating expenses</b>	<b>482 862</b>	<b>451 845</b>	<b>422 747</b>	<b>417 204</b>	<b>421 055</b>	<b>377 617</b>	<b>384 065</b>	<b>372 969</b>
<b>Operating profit/loss</b>	<b>403 234</b>	<b>547 787</b>	<b>551 998</b>	<b>472 395</b>	<b>304 940</b>	<b>218 571</b>	<b>210 436</b>	<b>273 280</b>
Net financial items	-43 905	-57 869	-21 778	-46 954	-56 526	-9 469	-83 597	-46 508
<b>Profit/loss before taxes</b>	<b>359 329</b>	<b>489 918</b>	<b>530 220</b>	<b>425 442</b>	<b>248 413</b>	<b>209 102</b>	<b>126 840</b>	<b>226 772</b>
Taxes (+)/tax income (-)	305 022	365 047	394 219	264 197	214 377	97 065	66 944	157 955
<b>Net profit/loss</b>	<b>54 307</b>	<b>124 871</b>	<b>136 001</b>	<b>161 245</b>	<b>34 036</b>	<b>112 037</b>	<b>59 896</b>	<b>68 818</b>

## Alternative performance measures

Aker BP may disclose alternative performance measures as part of its financial reporting as a supplement to the financial statements prepared in accordance with IFRS. Aker BP believes that the alternative performance measures provide useful supplemental information to management, investors, security analysts and other stakeholders and are meant to provide an enhanced insight into the financial development of Aker BP's business operations and to improve comparability between periods.

**Abandonment spend (abex)** is payment for removal and decommissioning of oil fields

**Depreciation per boe** is depreciation divided by number of barrels of oil equivalents produced in the corresponding period

**Dividend per share (DPS)** is dividend paid in the quarter divided by number of shares outstanding

**Capex** is disbursements on investments in fixed assets deducted by capitalized interest cost

**EBIT** is short for earnings before interest and other financial items and taxes

**EBITDA** is short for earnings before interest and other financial items, taxes, depreciation and amortisation and impairments

**EBITDAX** is short for earnings before interest and other financial items, taxes, depreciation and amortisation, impairments and exploration expenses

**Equity ratio** is total equity divided by total assets

**Exploration spend (expex)** is exploration expenses plus additions to capitalized exploration wells less dry well expenses

**Leverage ratio** is calculated as Net interest-bearing debt divided by twelve months rolling EBITDAX

**Net interest-bearing debt** is book value of current and non-current interest-bearing debt less cash and cash equivalents

**Production cost per boe** is production cost divided by number of barrels of oil equivalents produced in the corresponding period



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