## CONTENTS

- Highlights 2019 ................................................................. 4  
- Letter from the CEO ......................................................... 8  
- Key Figures 2019 .............................................................. 11  
- A Focused Portfolio .......................................................... 13  
- Board of Directors ............................................................ 41  
- Executive Management Team ........................................... 45  
- Board of Directors’ Report ................................................... 50  
- Reporting of Payments to Governments .............................. 71  
- The Board of Directors’ Report on Corporate Governance .... 73  
- Financial statements .......................................................... 83
HIGHLIGHTS 2019 | Q1

16 JANUARY – IVAR AASEN OPERATED FROM ON-SHORE CONTROL ROOM
Aker BP becomes the first company on the Norwegian continental shelf to operate a manned platform from an onshore control room. Ivar Aasen in the North Sea is now operated from Aker BP’s offices in Trondheim.

19 MARCH - FIRST OIL FROM ODA
First oil from the Spirit Energy operated Oda field, some three months ahead of plan.

19 FEBRUARY
Dividends to shareholders: USD 187.5 million. USD 0.5207 per share.

15 JANUARY – AWARDED 21 LICENSES
Aker BP is offered interests in 21 new production licenses in Norway, 11 of which as operator, through the awards in pre-defined areas licensing round. The awards increase presence in areas close to operated hubs. Of the 21 licenses, 12 are located in the North Sea, 3 in the Norwegian Sea and 6 in the Barents Sea.

19 MARCH – SUCCESSFUL EXPLORATION
Aker BP successfully completes the Froskelår Main exploration well in license 869 in the Alvheim area. The well proves oil and gas. The gross resource estimate is 60−130 mmboe. Aker BP is the operator and holds a 60 percent interest in license 869.

HIGHLIGHTS 2019 | Q2

7 APRIL – ULA DERRICK REMOVED
The derrick is removed from the Ula field center using the heavy lifting vessel Saipem 7000. The successful lifting operation is an important milestone in the upgrading and life-extension of the Ula area. Future drilling on the field will be carried out with modern jack-up rigs.

14 JUNE – VALHALL QP TOPSIDE SAFELY REMOVED
The original accommodation platform at Valhall (QP) is safely removed by the giant vessel Pioneering Spirit. This is the first of the original structures at Valhall to be removed as part of the modernisation of the Valhall field center.

12 JUNE – BOND ISSUE OF USD 750 MILLION AT 4.75%
The size of the offering was increased from USD 500 million, indicated at launch on 10 June 2019, to USD 750 million.

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22 JUNE – VALHALL FLANK WEST SUCCESSFULLY INSTALLED
The Valhall Flank West topsides is installed on the field just 14 months after the first steel was cut at the Kværner yard in Verdal. Both the topsides and the jacket were delivered on schedule, on budget and with no serious injuries. Aker BP is the operator of Valhall Flank Vest with Pandion as partner. The platform is the first to be delivered under the wellhead platform alliance between Aker BP, Aker Solutions, Kværner and ABB.

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12 JULY - OIL DISCOVERY IN THE NOAKA AREA
The Liatårnet exploration well in license 442 in the NOAKA area proves oil with a gross resource estimate of 80-200 mmboe. The discovery represents a significant addition to the NOAKA resource base. Aker BP is the operator and holds 90.26 percent. The partner is LOTOS with 9.74 percent.

2 JULY - SUCCESSFUL “WALK TO WORK” CAMPAIGN
Aker BP’s first campaign using a gangway for access from a vessel to an unmanned platform is carried out in the first stage of the hook-up phase on Valhall Flank West. This allows more people to work on the unmanned platform, compared with what would have been the case if helicopters were used for transport. The campaign is completed in a safe, predictable, fast and cost-effective manner.

24 SEPTEMBER - C4IR NORWAY ESTABLISHED
The Aker group and the World Economic Forum announce the establishment of the Centre for the Fourth Industrial Revolution Norway (C4IR Norway). C4IR is dedicated to harnessing the advances of technology to preserve the ocean and improve the environmental footprint of ocean industries.

5 OCTOBER - JOHAN SVERDRUP ON STREAM
Production starts from the giant Johan Sverdrup field in the North Sea, more than two months ahead of schedule and NOK 40 billion below budget. Aker BP holds an 11.57 percent interest in the field. Johan Sverdrup has recoverable reserves of 2.7 billion barrels of oil equivalent and will produce up to 660,000 barrels of oil at peak.

8 NOVEMBER - DIVIDENDS TO SHAREHOLDERS
Dividends to shareholders: USD 187.5 million. USD 0.5207 per share.

11 NOVEMBER - FULL SPEED AHEAD FOR ÆRFUGL PHASE 2
The Ærfugl partners decide to proceed with Phase 2 of the development three years ahead of the original plan. The Ærfugl field, which produces via Skarv FPSO, is one of the most profitable development projects on the Norwegian continental shelf with a break-even price of around USD 15 per barrel.

11 NOVEMBER - UPGRADED TO INVESTMENT GRADE
Aker BP announces it has been assigned a BBB long-term issuer credit rating with a stable outlook by S&P Global Ratings.

16 DECEMBER – VALHALL FLANK WEST ON STREAM
Aker BP and partner Pandion Energy report that first oil was produced from Valhall Flank West in the North Sea. The plan calls for the field to contribute close to 80 million barrels of oil equivalent to Valhall’s production. The partnership has invested NOK 5.5 billion in Valhall Flank West. The break-even price for the development is USD 28.5 per barrel.

9 AUGUST
Dividends to shareholders: USD 187.5 million. USD 0.5207 per share.
When I originally wrote this letter, the purpose was to provide an update on Aker BP’s achievements in 2019, and to demonstrate the value creation potential of the company. It is however impossible to ignore the dramatic events that have taken place in the beginning of 2020. The coronavirus outbreak represents a significant threat to public health as well as a severe disruption to the global economy, including the oil market and Aker BP’s operations. Our top priority in this situation is to protect our people and our operations.

RESPONDING TO THE CORONAVIRUS SITUATION

Aker BP is closely monitoring the development in the spread of the coronavirus and has mobilized significant resources to manage the situation. The top priority is to protect the health and safety of our people, and to maintain safe and reliable operations across our activities. Our initial response was to mobilize our emergency response organization to respond to the coronavirus situation. Subsequently a separate task force with significant resources has been mobilized to handle and normalize the situation. Instructions to all employees, intended to minimize the risk of the virus spreading among the company’s employees and contractors have been developed and are continuously updated. In parallel we have established and are maintaining contingency plans to make sure we are prepared in case of an escalation of the situation.

In parallel to managing the operational side of the current situation, we are taking measures to protect the company’s financial strength. This process involves a comprehensive evaluation of the company’s business plan. Our contribution to the energy transition

In 2019, the focus on climate change intensified. The world faces a two-pronged challenge: The global population is projected to grow by two billion by 2050, resulting in a rising demand for energy. Over the same period, however, CO₂ emissions must be significantly reduced. According to the IPCC, over the next decade, global climate gas emissions must be halved if we are to succeed in halting global warming. Undoubtedly, investments in the oil and gas sector will be a vital part of the energy transition. According to the International Energy Agency (IEA) Sustainable Development Scenario, oil and gas will continue to account for almost 50 percent of the energy mix in 2040. This is a scenario that is fully aligned with the Paris Agreement on Climate Change.

If providing funding for climate change policies is one of society’s greatest challenges, the petroleum industry’s greatest contribution must be to generate income that society can spend on effective climate measures. As an industry, the Norwegian oil and gas sector is already a unique contributor to society. For each NOK 100 in increased profitability, NOK 78 is returned to our community. It is in this way that our industry will provide a much-needed contribution to fund the energy transition.

Aker BP’s most important contributions to the energy transition are three-fold: First, we are efficient producers, and so return greater value from oil and gas resources to our stakeholders. Second, we continuously improve energy efficiency throughout our operations, thus contributing to reduced emissions globally. And finally, we share our know-how, data, and technology with other industries.

A transitioning world will need the most carbon- and cost-effective barrels of oil that can be produced. To be cost-effective is also the best way to prepare for volatile markets and challenging circumstances. Here are some highlights from our achievements in 2019.

STRENGTH OPERATIONAL PERFORMANCE

In 2019, Aker BP achieved outstanding operational results. Production efficiency was 92 percent. In the fourth quarter of 2019, net production was 191.1 mboepd. This figure, a new all-time high for Aker BP, reflects the successful start-up of production from the Johan Sverdrup field. For the year 2019, the company’s net production averaged 156.9 mboepd.

Health, safety, security and environment issues are always the number one priority at Aker BP. In 2019, we continued to improve our safety performance compared to previous years. The serious-incident frequency, measured as incidents per million hours worked, was 0.6 in 2019.

Aker BP’s goal is to produce oil and gas as efficiently as possible to return greater value from our oil and gas resources to stakeholders. In 2019, Aker BP’s CO₂ intensity was below 7 kg CO₂/boe (equity share), less than half the global industry average, and below the average for Norwegian continental shelf operators. From 2020 on, we aim to deliver an emission intensity below 5 kg CO₂/boe.

RETURN VALUE

Produce efficiently to return high value from oil & gas resources to our stakeholders

REDUCE EMISSIONS

Reduce emissions from our operations focusing on the total footprint

SHARE

Contribute with data, know-how and technology to other industries
Aker BP had 2P reserves of 906 mmboe at the close of 2019, while our 2C contingent resources were 931 mmboe. We are thus positioned very favorably for further organic growth. Aker BP has a strong history of value-accretive mergers and acquisitions. However, over the past two years we have found it significantly more attractive to explore and develop our own resources.

Aker BP has emerged as a leading explorer, and in 2019, we were the top discoverer on the Norwegian continental shelf. We drilled 16 exploration wells and participated in 6 discoveries. Our net discovered volumes as of year-end 2019 amounted to approximately 170 mmboe. All in all, we have built a very strong resource base around our existing assets, providing the opportunity for robust profitable growth over the next five to ten years.

**STRATEGIC VALUE CREATION**

As of year-end 2019, Aker BP has established a total of eight alliances. We concluded 2019 with our first major alliance project producing its first oil. Through the development of Valhall Flank West, the wellhead platform alliance comprising Aker BP, Kvaerner, Aker Solutions, and ABB set a new standard for delivery of flank developments on the Norwegian continental shelf. We see significant potential for further improvement, efficiency, and value creation through applying our alliance model to future projects.

The Ærfugl field, which produces via the Skarv FPSO, is one of the most profitable development projects on the Norwegian continental shelf. We see significant potential for further improvement, efficiency, and value creation through applying our alliance model to future projects.

The Ærfugl project, which will be completed in 2021, is a critical component of Aker BP’s strategy to maximize value from our existing assets. We are confident that this project will be a significant contributor to our growth and profitability over the next few years.

We entered 2020 with a robust financial position. Our net production target for 2020 is 205-220 mboepd, and we aim for a production cost of USD ~10/boe.

**INVEST IN THE SOLUTION**

The world will continue to need oil and gas for the foreseeable future. The future will require more efficient oil and gas production. The winners in the oil and gas market of the future will be the companies that succeed in lowering emissions while reducing costs. This profile is a perfect fit for Aker BP’s strategy. As a pure play oil and gas company, Aker BP aims to continue returning value through efficient production, reduced emissions, and sharing of data, know-how and technology with other industries.

Perhaps of even greater importance in our improvement strategy is digitalization. In 18 months, we have established the Eureka umbrella, and accelerated roll-out of the resulting products to our operations. Data Fusion is a proven success. Our next digitalization step will be to gather all Aker BP digital projects and initiatives under the Eureka umbrella, and accelerate roll-out of the resulting products to our operations.

**CREATING VALUE FOR SHAREHOLDERS AND SOCIETY**

The operational activities and continuous efforts to drive improvements in all aspects of our business — outlined above — generated considerable value in 2019. Profit before taxes amounted to USD 1,084 million in 2019. Tax expense was USD 943 million. Aker BP reported a net profit of USD 141 million for the full year 2019. Aker BP paid out USD 750 million in dividends in 2019. Total shareholder return on the Aker BP share was 42 percent.

We would like to thank the Aker BP team for their dedication, efforts and enthusiasm in 2019. In 2020 the challenges we face are quite different, but I am convinced that we have the right strategy, people and partners to navigate safely through the difficult times. And I am also convinced that when this is over, Aker BP will be an even stronger company, ready to deliver on our ambitious goals and to be a valuable contributor to the energy transition.
# Key Figures 2019

## Summary of Financial Results

<table>
<thead>
<tr>
<th>Key figures</th>
<th>Unit</th>
<th>2019</th>
<th>2018*</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total income</td>
<td>USDm</td>
<td>3 347</td>
<td>3 752</td>
<td>2 563</td>
</tr>
<tr>
<td>EBITDA</td>
<td>USDm</td>
<td>2 286</td>
<td>2 745</td>
<td>1 786</td>
</tr>
<tr>
<td>Net profit/loss</td>
<td>USDm</td>
<td>141</td>
<td>476</td>
<td>275</td>
</tr>
<tr>
<td>Earnings per share (EPS)</td>
<td>USD</td>
<td>0.39</td>
<td>1.32</td>
<td>0.81</td>
</tr>
<tr>
<td>Capex</td>
<td>USDm</td>
<td>1 667</td>
<td>1 202</td>
<td>888</td>
</tr>
<tr>
<td>Exploration spend</td>
<td>USDm</td>
<td>501</td>
<td>359</td>
<td>262</td>
</tr>
<tr>
<td>Abandonment spend</td>
<td>USDm</td>
<td>109</td>
<td>243</td>
<td>86</td>
</tr>
<tr>
<td>Production cost</td>
<td>USD/boe</td>
<td>12.4</td>
<td>12.1</td>
<td>10.3</td>
</tr>
<tr>
<td>Taxes paid</td>
<td>USDm</td>
<td>619</td>
<td>606</td>
<td>101</td>
</tr>
<tr>
<td>Net interest-bearing debt**</td>
<td>USDm</td>
<td>3 493</td>
<td>1 973</td>
<td>3 156</td>
</tr>
<tr>
<td>Leverage ratio</td>
<td></td>
<td>1.2</td>
<td>0.6</td>
<td>1.4</td>
</tr>
</tbody>
</table>

* Total income, EBITDA, EPS and net profit figures for 2018 are restated, see note 1 in Financial Statements.

** The definition of net interest-bearing debt includes Lease debt, which is recognized from Q1 2019 following the implementation of IFRS 16 Leases. The comparative figures for previous periods have not been restated. See also the description of “Alternative performance measures” at the end of the Financial Statements for definitions.

## Summary of Production

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<th>Unit</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alvheim (65%)</td>
<td>boepd</td>
<td>39 183</td>
<td>40 724</td>
<td>53 849</td>
</tr>
<tr>
<td>Baya (65%)</td>
<td>boepd</td>
<td>4 071</td>
<td>2 913</td>
<td>4 357</td>
</tr>
<tr>
<td>Gina Krog (3.3%)</td>
<td>boepd</td>
<td>1 719</td>
<td>1 748</td>
<td>798</td>
</tr>
<tr>
<td>Hod (37.5%)</td>
<td>boepd</td>
<td>839</td>
<td>937</td>
<td>530</td>
</tr>
<tr>
<td>Ivar Aasen (34.8%)</td>
<td>boepd</td>
<td>21 810</td>
<td>23 523</td>
<td>18 100</td>
</tr>
<tr>
<td>Johan Sverdrup (11.6%)</td>
<td>boepd</td>
<td>7 945</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oda (15%)</td>
<td>boepd</td>
<td>1 770</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Skarv (23.8%)</td>
<td>boepd</td>
<td>22 260</td>
<td>25 344</td>
<td>26 680</td>
</tr>
<tr>
<td>Tambar/Tambar East (55%/46.2%)</td>
<td>boepd</td>
<td>2 243</td>
<td>3 402</td>
<td>1 941</td>
</tr>
<tr>
<td>Ula (80%)</td>
<td>boepd</td>
<td>4 517</td>
<td>6 022</td>
<td>6 466</td>
</tr>
<tr>
<td>Valhall (36.0%)</td>
<td>boepd</td>
<td>38 166</td>
<td>35 041</td>
<td>13 357</td>
</tr>
<tr>
<td>Vilje (46.9%)</td>
<td>boepd</td>
<td>2 326</td>
<td>4 034</td>
<td>5 304</td>
</tr>
<tr>
<td>Volund (65%)</td>
<td>boepd</td>
<td>8 858</td>
<td>11 842</td>
<td>7 342</td>
</tr>
<tr>
<td>Other (Atla, Enoch)</td>
<td>boepd</td>
<td>145</td>
<td>118</td>
<td>103</td>
</tr>
<tr>
<td>SUM</td>
<td>boepd</td>
<td>155 852</td>
<td>155 658</td>
<td>138 825</td>
</tr>
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* Realized price liquids: USD/boe
* Realized price natural gas: USD/scm

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UNLOCKING THE POTENTIAL OF VALHALL

2019 was an important step into a new chapter of the Valhall story. We introduced new technology within well stimulation, further developed the field through Flank West, and finally started the decommissioning of old facilities by removing the old quarters platform.

Per Mikal Haugé
VP Valhall Operations
and Asset Development

Removal of topsides, a technological world’s first and Valhall Flank West on stream. It has been an eventful year, and the modernization of Valhall has only just begun.

2019 started off with three simultaneous drilling operations on Valhall and Hod, which gave a good indication of the activity level for the year. Extensive planning and project management in the first half of the year culminated in the safe removal of QP, the original accommodation platform at Valhall. This was the first of the original structures at Valhall to be removed as part of the modernization of the Valhall field center.

Another major project this year was planning and execution of a turnaround. Inspections, upgrades and structural maintenance and modifications were carried out during the 34-day shutdown.

Full Wi-Fi coverage was installed at the Valhall field center in 2019 and handheld units are now used by operators to increase efficiency. New areas of use are constantly being discovered, and continuous development is done in the digitalization process.

ALLIANCE STRATEGY DELIVERS RESULTS
Valhall Flank West is a benchmark for good project execution. Reorganization of the value chain through strategic partnerships and alliances is an important part of Aker BP’s strategy. Four alliances contributed to the project and demonstrated a reduced number of engineering hours, reduced costs and reduced construction time compared with similar projects. And most importantly, the work was performed without any serious harm to people or the environment.

Production from Valhall Flank West started in December. The rest of the planned wells will be put on stream as they are completed, and work continues to further increase the value of the field.

VALHALL FLANK WEST ON STREAM
The Valhall Flank West jacket was installed on the field in May 2019 and the topsides followed the next month. The topside module was installed just 14 months after the first steel was cut at Kværner’s yard in Verdal.

Valhall Flank West is a wellhead platform that will normally be unmanned. It receives power from shore via the Valhall field centre, in line with Aker BP’s strategy of minimizing its CO₂ emissions from operations.

INDUSTRY’S FIRST WITH STIMULATION METHOD
In November, Aker BP became the first company ever to successfully use a new well stimulation method offshore on the G10 well on Valhall. The Single-Trip Multi-Frac method had previously only been used onshore, and several challenges had to be solved to apply it in North Sea conditions.

While the traditional method takes two to three days to stimulate one zone of the reservoir, Aker BP can now do two zones in a day, making only one trip down into the reservoir with the coiled tubing. This method was also successfully applied on the first well on Valhall Flank West. Single-Trip Multi-Frac significantly reduces the cost of the well because less time is needed for use of vessels and equipment.

Another method, Fishbones Stimulation Technology, was also successfully applied for the first time on Valhall. These new technologies are vital elements in the strategy to increase drainage from tight reservoirs in the Valhall area.

THE VALHALL AREA
Bringing Valhall Flank West on stream is an important step towards achieving Aker BP’s ambition of another billion barrels from Valhall. A transformation is underway, as we remove old platforms from the field center, invest in new wells, plug old wells and actively seek new business opportunities.

PRODUCTION 2019

39 mb o e p d
(net)

PRODUCTION EFFICIENCY

82 %

PRODUCTION START: VALHALL 1982, HOD 1990

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HIGHLIGHTS FROM 2019

15 January Three simultaneous drilling operations on Valhall and Hod

7 May Valhall Flank West jacket installed

14 June Valhall QP topsides is safely removed, as part of the modernization of the Valhall Field Center

22 June The Valhall Flank West topsides is installed, just 14 months after the first steel was cut at Kværner’s yard in Verdal

20 June Successful «Walk to work» campaign. The first stage of the hook-up phase on Valhall Flank West was carried out with a personnel gangway from a vessel to the unmanned platform

November World’s first: Single-Trip Multi-Frac used to stimulate offshore well

16 December Valhall Flank West starts production
Aker BP Annual Report 2019 – A Focused Portfolio

UPDATED FOR AN EXTENDED LIFETIME

Start-up of the Oda field and gas lift on Tambar resulted in a significant increase in production throughput over Ula, reaching 53,000 barrels of oil equivalents per day towards the end of the year. In addition, the Ula D platform has undergone major modifications to facilitate the ongoing drilling campaign from a heavy-duty jack-up rig.

Ula acts as a third-party host for the subsea fields Oda and Blane. The Oda field, which is operated by Spirit Energy, started production in March 2019, three months ahead of plan. The field is processed at Ula and Aker BP holds a 15 percent share in the license. Extensive modifications have been made to the inlet facilities previously used for Oselvar in order to receive and treat the Oda wellstream.

Gas from the Oda reservoir is purchased by the Ula license and is injected into the Ula reservoir to increase oil recovery from the field, in line with Aker BP’s strategy to maximize recovery.

GAS LIFT ON TAMBAR
Start-up of artificial gas lift on Tambar was another important milestone for the year. This increases oil recovery from the field and is expected to extend the production profile.

NEW DRILLING CAMPAIGN
The high activity on the field resulted in higher levels of manning than Ula has seen since the original installation in 1986, with over 300 people in the field. The Safe Scandinavia flotel, which had been providing additional temporary accommodation, was demobilized in May.

Aker BP carried out extensive modifications to prepare for the arrival of the Maersk Integrator heavy duty jack-up rig for the infill drilling campaign. After 33 years of service, the original drilling derrick and substructure were successfully removed by the Saipem 7000 heavy lift vessel. Drilling commenced in July and future drilling will be done by jack-up rigs.

IMPROVING TECHNICAL CONDITION
The strategy to improve the technical condition of the facilities and address obsolescence continues into 2020. One major modification project is the replacement of the entire power plant on Ula, using a piece small execution strategy. The first of three gas turbine power units has been completed.

SAILING SMARTER
Aker BP has established a new shared logistics supply concept in the southern North Sea to support Ula, Tambar, Valhall, Gyda and exploration drilling in the vicinity.

As the activity surged in 2019, smarter use of the vessel fleet has been achieved, instead of increasing the number of vessels. This was accomplished through improved schedules and routes to provide flexibility and capacity, and thereby reduce unit costs.

MATURING OPPORTUNITIES
Aker BP will continue to mature the King Lear discovery located south of Ula and considers that the area around King Lear has significant upside potential.

Aker BP is working diligently to mature scenarios to maximize the value of the Ula area and for further development of the Ula hub facilities.

During 2019, we demonstrated Aker BP’s commitment to revitalizing the Ula area. We started drilling again for the first time in many years, are making good progress on modernizing our obsolete power plant, and we have started work to understand what a future redevelopment of Ula might look like.

Richard Miller
VP Operations and Asset Development Ula

THE ULA AREA

Aker BP considers the resource potential in the Ula area to be significant, from increased oil recovery, third party tie-ins, discoveries and exploration opportunities. The Oda field came on stream in 2019, which increased total production from the Ula area. The ambition is to further develop the Ula area and to extend the economic lifetime of the Ula hub.

PRODUCTION 2019

8.5 mbopd (net)


PRODUCTION EFFICIENCY

69 %
**HIGHLIGHTS FROM 2019**

- **19 March** First oil from the Spirit Energy-operated Oda field, some three months ahead of plan
- **7 April** The original Ula drilling derrick was removed by the Saipem 7000 heavy lift vessel
- **13 April** Gas lift start-up on Tambar, to increase production from the wells and add reserves
- **29 May** Start of the 2019 maintenance and modification turnaround
- **18 July** Drilling operations commence, starting with slot recovery of two well slots that will be reused for new wells
- **30 August** Spud the Kark HP/HT exploration well (PL 019C)
- **1 October** Completed upgrade of the Ula helicopter deck
- **4 October** Started drilling the first of Ula’s new wells, a water alternating gas (WAG) injector to the northern flank of the Jurassic reservoir
- **14 December** Reached a peak processing throughput of above 53,000 barrels at the Ula hub
In 2019, Ivar Aasen became the first manned platform on the Norwegian shelf to be operated from an onshore control room. As the year progressed, the rewards could be harvested in terms of improved collaboration between onshore and offshore, as well as increased production.

IVAR AASEN

In January, we started to operate the Ivar Aasen platform from an onshore control room and that has been a success from day one. We have drilled two new production wells and continue to produce at plateau. The production goals for 2019 have been reached thanks to systematic work.

Gudmund Evju
VP Operation and Asset Development Ivar Aasen

PRODUCTION 2019

21.8 mb o e pd (net)

PRODUCTION EFFICIENCY

92 %

PRODUCTION START: 2016

WORLD-CLASS PERFORMANCE

Production improvements have been important on Ivar Aasen this year, leading to efficient operations and increased production. Ivar Aasen continues to deliver world-class performance of 92 percent production efficiency. This is expected to improve even more from 2022, when the platform will receive power from shore via the Johan Sverdrup field.

Operating the Ivar Aasen platform from shore has proved successful. In the event of lost communication from onshore control room, the offshore control room takes over the operation. The regularity for the first year in operation has been 100 percent.

Aker BP sees a considerable potential for increased revenues after start-up of the onshore control room. The cooperation between the subsurface team and the onshore control room gives better understanding of reservoir complexity which is important to optimize and produce at maximum every day.

During start-up of new wells or after shutdowns, the subsurface resources for the control room contributed to increased production and shared competence. In addition, the engineers are available for the control room just outside the door if assistance is required.

TWO NEW PRODUCTION WELLS

The first multilateral well on Ivar Aasen was successfully drilled in 2019, increasing production from the field. On a second well, the Fishbone Completion Technology was successfully used for the first time on Ivar Aasen.

The two wells provided additional drainage points in the reservoir and were drilled with excellent performance. At the end of the year, Ivar Aasen had production from a total of nine oil producing wells supported by eight water injection wells.

IMPROVEMENT AND DIGITALIZATION

Ivar Aasen is Aker BP’s digital pilot, where the company applies new technology to create the digital oil field of the future. Ivar Aasen has a “digital twin” based on live data from the Cognite platform. This can be described as a digital replica of the plant, process and automation systems that show how they interact. The technology reduces costs over a facility’s lifecycle through performance analytics and optimization in the virtual environment. It also enables campaign-based maintenance supported by predictive algorithms.

All operators are equipped with personal digital devices, which enables easy communication and paperless access to technical documentation as well as live equipment data. The handheld devices make the work more efficient, more productive and safer.

The Ivar Aasen team continues to work for improved efficiency and reduced emissions. At the end of the year, a new measure was tested. By shutting down the compressor for periods without having a negative effect on the production, the power consumption is reduced. The test was successful, giving reduced CO₂ emissions which had a positive impact on revenue and reduced operating costs.

FUTURE OPPORTUNITIES

During 2019, Aker BP has worked persistently on maturing the Hanz discovery. Aker BP has also acquired a 40 percent interest in a nearby exploration license, PL 780, operated by Spirit Energy. Other near-field exploration campaigns are anticipated in the coming years, targeting possible tie-backs to Ivar Aasen.
HIGHLIGHTS FROM 2019

16 January Start operating Ivar Aasen from Aker BP’s offices in Trondheim, as the first company on the shelf to operate a manned platform from an onshore control room.

20 June Start of production from first Ivar Aasen well with Fishbone Stimulation Technology.

6 September Acquired 40 percent ownership in nearby license PL 780 operated by Spirit Energy.

26 September Start of production from first multilateral well on Ivar Aasen.
SOLVING CHALLENGES AND KEEPING UP PRODUCTION

Alvheim delivered stable operations and a production of 54.4 million barrels per day in 2019, despite the fact that an incident with a mid-water arch led to a shutdown of production from the Vilje satellite and East Kameleon structure. In the meantime, the asset managed to maintain high production through optimized well management and gas lift utilization.

Aker BP mobilized a highly skilled team to solve the mid-water arch situation and get the systems up and running again. Repair and testing were performed through the third quarter, and normal production was reinstated in early October. The design weakness that was discovered on the mid-water arch has been rectified on all three arches to prevent similar incidents.

Work on the mid-water arch necessitated drilling the production well on the Skogul field in two phases. The first phase of the operation started early in the third quarter, was temporarily suspended and then resumed in the fourth quarter. Skogul started production in the first quarter of 2020.

FROSK TEST PRODUCTION

The Frosk test well started producing in August and a pressure build-up test was later performed. The purpose was to gather valuable reservoir connectivity information which will help optimize overall development of the Frosk area.

The Frosk test production period was granted for six months, and an application to prolong this period has been approved by the authorities.

The Froskelår exploration well provided interesting reservoir insight, and multiple concepts for developing the Frosk and Froskelår area are now being assessed and matured.

CONTINUED FOCUS ON IOR

Aker BP continues the company’s successful increased oil recovery track record on Alvheim. The Volund sidetrack well was drilled and completed in 23 days, which is 12 days faster than planned. The well was put on stream in May and is producing according to expectations.

Several new infill wells are planned in the coming years. The first one is Kameleon Infill Mid Well, with expected drilling start in the first half of 2020. A sidetrack target, Boa, has been matured and drilling is targeted for the fourth quarter of 2020.

During 2019, Aker BP has continued to mature both the Kobra East Gekko and the Trell and Trine developments.

DEBOTTLENECKING FOR NEW OPPORTUNITIES

Aker BP has identified opportunities for both increased gas processing and water treatment capacity on Alvheim. A gas capacity debottlenecking project was sanctioned in January 2020. A stronger focus on prolonged lifetime of the FPSO and its subsea facilities is important and will enable development of both proven resources and potential future exploration success.

Aker BP was awarded new licenses in the Alvheim area by the Norwegian authorities in January 2020 and is planning to explore new opportunities in the coming years.

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Aker BP was awarded new licenses in the Alvheim area by the Norwegian authorities in January 2020 and is planning to explore new opportunities in the coming years.
HIGHLIGHTS FROM 2019

March  The Froskelår main exploration well proves oil and gas.
May  Volund sidetrack well starts production
June  Frosk exploration well and test producer is drilled
June  East Mid Water Arch incident discovered, leading to shut down from Vilje and East Kameleon
June  Subsea structures and umbilical installed on the Skogul field
July  Start drilling first phase of Skogul production well
August  Frosk test starts production
August  Rumpetroll well proves small gas discovery near the Bøyla field
October  Re-start of production from Vilje and East Kameleon
November  Continued drilling of production well on Skogul
December  Kameleon infill well sanctioned
FROM DECLINE TOWARDS INCREASED PRODUCTION

The ambition for the Skarv area is to significantly increase the estimated production up until 2045.

The Ørn exploration well was drilled by operator Equinor in the third quarter of the year, with the exploration team from Aker BP as an active contributor. The well resulted in one of the largest gas discoveries on the Norwegian continental shelf this year. Just weeks later, the Shrek well was drilled by operator PGNiG and came in with volumes twice as high as the estimates.

TAKE-OFF FOR ÆRFUGL
Drilling of the first production well on Ærfugl Phase 1 marked the start of an active period for the asset. This was the first new production well on Skarv in six years. Three more production wells will be drilled during 2020. The increased production from Ærfugl will turn the curve from decline to increase towards plateau production.

In November, the Ærfugl partners decided to proceed with Phase 2 of the project, three years ahead of the original plan. The Ærfugl field is one of the most profitable development projects on the Norwegian shelf with a break-even price of around USD 15 per barrel.

SUCCESSFUL ENERGY EFFICIENCY PROJECTS
Aker BP has set ambitious goals to reduce both operating costs and CO\textsubscript{2} emissions from Skarv by 30 percent compared with 2018 levels.

Throughout 2019, the onshore and offshore teams have been working on various energy efficiency initiatives. Reducing the export pressure and optimizing the power configuration Skarv has made it possible to reduce annual CO\textsubscript{2} emissions by 22,000 tonnes and cost by NOK 19 million.

MATURING GRÅSEL
During 2019, Aker BP has worked intensively to develop the Gråsel discovery into a robust and profitable project. The Gråsel discovery was made in 1998. In this project we plan to re-use existing infrastructure in order to minimize development scope. This has been an enabler for a highly competitive project with a low break-even. Aker BP plans to start the development of Gråsel in 2020.

«It has been a fantastic year for Skarv with high uptime and two new discoveries. We have made good progress in maturing projects and reducing the operational CO\textsubscript{2} footprint. At the same time, production efficiency has been record-high. With our license partners, we have developed a solid strategic foundation to bring Skarv into the future.»

Ine Dolve
VP Operations and Asset Development Skarv
HIGHLIGHTS FROM 2019

1 March Installation of new electric motor for gas injection compressor on Skarv FPSO

May License partners decide to proceed with concept development of the Gråsel project

August Drilling of Vågår exploration well

September Installation of subsea structures and production equipment on Ærfugl

September Gas discovery on Ørn exploration well by operator Equinor, north of Skarv. Aker BP holds 30 percent of the license

October Drilling of first production well on Ærfugl

October Oil discovery on Shrek exploration well by operator PGNiG. Aker BP owns 30 percent of the license

11 November Decision to proceed with execution of phase 2 of the Ærfugl project
On 5 October 2019, the Johan Sverdrup field came on stream more than two months ahead of schedule and NOK 40 billion below budget. This giant oil field will be a major contributor to Aker BP’s production and earnings growth in the years to come.

"The development represents massive value creation for Aker BP and the other partners, as well as the Norwegian society. Both the operator, the partners and the contractors deserve praise for their excellent achievement. This is evidence that the Norwegian oil and gas industry is still one of the best in the world."

Odd Ragnar Heum
VP Operations and Asset Development Johan Sverdrup

THE NORTH SEA GIANT IS ON STREAM

At peak, the Johan Sverdrup field will account for around one third of all oil production in Norway, delivering highly valuable barrels with record low emissions.

It was a significant moment for the operator Equinor and for Aker BP and the other partners when the Johan Sverdrup field came on stream on 5 October. Johan Sverdrup is the third largest oil field on the Norwegian continental shelf, with estimated resources of between 2.2 to 3.2 billion barrels of oil equivalent and expected resources of 2.7 billion barrels of oil equivalent.

Johan Sverdrup is expected to generate income from production of more than NOK 1,400 billion, of which NOK 900 billion will go to the Norwegian state and society. The operation phase is expected to last more than 50 years and will provide employment corresponding to more than 3,400 full-time equivalents on average every year.

LOW EMISSIONS. LOW COST. HIGH QUALITY.

There are a number of factors that make this field and the development project unique. At plateau, the field will produce 660,000 barrels of oil per day. Break-even price for the full-field development is below USD 20 per barrel. Production is anticipated to reach plateau for the first phase during the summer of 2020, with a production of 440,000 barrels a day.

The expected operating costs are below USD 2 per barrel.

The Johan Sverdrup field is powered with electricity from shore, leading to CO₂ emission reductions estimated at more than 620,000 tonnes per year. The field emits 0.67 kg of CO₂ per barrel, compared with a global average of around 18 kg.

After 2022, Johan Sverdrup will also provide power from shore to other fields on the Utsira High, including Ivar Aasen, Edvard Grieg and Gina Krog, as well as the Sleipner field further south.

PHASE 2

The Johan Sverdrup field is being developed in two phases. The plan for development of Phase 2 was approved by the Norwegian authorities in May 2019. The second phase includes development of a new processing platform (P2), which will be the second of its kind at the field center. When this is installed, the field will be complete with five platforms.

Phase 2 also entails modifications of the riser platform and the field center, five subsea templates, in addition to increased power-from-shore supply to the Utsira High.

When the second processing platform commences operation in 2022, production capacity will increase from 440,000 to 660,000 barrels per day.

PRODUCTION 2019

7.9 mb o e d (net)

CO₂ INTENSITY (KG/BOE)

0.67
Johan Sverdrup - Johan Sverdrup unit

Operator: Equinor
Aker BP: 11.5733 %
Other partners: Lundin Norway, Petoro, Total
2P reserves: 307 mmboe (net)

HIGHLIGHTS FROM 2019

March: Record-breaking marine operation where the processing platform and the living quarters platform, a bridge and a flare stack were lifted into place in just three days. The processing platform lift was the heaviest lift ever executed offshore.

15 May: Phase 2 plan approved by Norwegian authorities. Phase 2 includes a second processing platform and increased capacity for oil production up to 660,000 barrels a day.

5 October: Johan Sverdrup on stream from the first of eight pre-drilled oil production wells.

21 October: First oil from Johan Sverdrup to Mongstad. The oil transported from the field in the North Sea to the plant, a distance of 283 kilometers. At the Mongstad complex, the oil is stored and prepared for shipping to markets all over the world.

10 November: All eight pre-drilled oil production wells on stream and 12 pre-drilled water injection wells initiated.

3 December: Reaches daily production of 350,000 barrels.


PRODUCTION Q4-19

68 mboepd (gross)
Aker BP
in social media 2019

45,000
followers

350
posts
Experience, skills and education: Øyvind Eriksen has almost 20 years of experience in the legal industry, as he began his career at the law firm BAHR in 1990. During his time at BAHR, he became a partner in 1996 and a director/chairman in 2003. As a corporate attorney, he among other things worked with strategic and operational development, M&A and negotiations. Eriksen also worked closely with Aker. Eriksen has held several board positions in different industries, including shipping, finance, asset management, offshore drilling, fisheries, media, trade and industry. Eriksen has a law degree from the University of Oslo.

Key external appointments: Eriksen is the President and CEO of Aker ASA, the chairman of the Board of Directors of Aker BP ASA, Aker Solutions ASA, Cognite AS, Aker Capital AS, Aker Kværner Holding AS and REV Ocean Inc. and director of several companies, including Aker Energy AS, Akador ASA, The Resource Group TRG AS, TRG Holding AS and The Norwegian Cancer Society, among others. Eriksen is also a member of the World Economic Forum Center for the Fourth Industrial Revolution Advisory Board.

Experience, skills and education: Anne Marie Cannon has more than 30 years’ experience in the oil and gas sector in both industry and investment banking and is a Senior Advisor at PJT Partners. She has served as the Deputy Chairman of the board since 2013, and she is a member of the Audit and Risk Committee at Aker BP. Between 2000 and 2013 she served as a Senior Advisor to the Natural Resources Group at Morgan Stanley focusing on upstream M&A. Prior to this Cannon was an Executive Director on the boards of Hardy Oil & Gas and British Borneo and previously held senior financial roles at J. Henry Schroder Wagg and Shell UK Exploration & Production. Cannon holds a Bachelor of Science (Honours) Degree from Glasgow University.

Key external appointments: Cannon is currently a non-executive director on the board of Aker Energy AS, Premier Oil and STV Group.

Experience, skills and education: Gro G. Kielland has had several leading positions in the oil and gas industry both in Norway and abroad, among others as CEO of BP Norge. Her professional experience includes work related to both operations and field development, as well as HSE. Kielland has a Master of Science degree and a Diploma of Education from the Norwegian University of Science and Technology.

Key external appointments: Kielland serves as an Operational Partner with HitecVision. In addition to her duties and responsibilities at the non-executive level for HitecVision, she also serves as a non-executive Chairman and Director for other companies.
Experience, skills and education: Røkke has been a driving force in the development of Aker since the 1990s. Røkke launched his business career with the purchase of a 69-foot trawler in the United States in 1982, and gradually built a leading worldwide fisheries business. In 1996, the Røkke controlled company, RGI, purchased Aker ASA’s primary owner and Chairman. He is currently a non-executive director on the boards of Aker BP and PGS ASA and the Lowell Group (Simon Midco Ltd). Røkke is Aker ASA’s primary owner and Chairman. He is currently a non-executive director of several companies, including Kvaerner, Aker Energy, Aker BioMarine and Ocean Yield.

Key external appointments: Røkke is Aker ASA’s primary owner and Chairman. He is currently director of several companies, including Kvaerner, Aker Energy, Aker BioMarine and Ocean Yield.

Experience, skills and education: Brandrud serves as a non-executive director and industry advisor. From 2016 to 2019 he had several CEO and CFO roles in the financial services companies Linderhoff, Intrum and Lowell, and from 2010 to 2015 he acted as the Group Chief Financial Officer of Aker. In the period from 2007 to 2010 he served as the CFO of the Stadflift Group. Prior to these roles, Brandrud has 23 years of experience from leading finance positions in Royal Dutch Shell plc., both in Norway and internationally. Brandrud holds a Master of Science degree from the Norwegian School of Economics and Business Administration.

Key external appointments: Brandrud is currently executive director and board member of PGS ASA and the Lowell Group (Simon Midco Ltd).

Key external appointments: Cannon is currently a non-executive director on the board of Aker Energy AS, Premier Oil and STV Group.

Experience, skills and education: In October 2019 Bernard was announced as Group Chief Executive of BP effective 5 February 2020. He came from a position as the Upstream Chief Executive for the BP Group, where he was responsible for exploration, development and production within the upstream segment. Looney joined BP plc in 1991 as a Drilling Engineer. He has extensive leadership experience in the oil and gas business, having worked in a variety of locations, including the North Sea, Vietnam, Gulf of Mexico and Alaska. He was appointed to the role of Chief Executive for BP’s Upstream Segment in February 2016.

Key external appointments: Group Chief Executive of BP.
EXECUTIVE MANAGEMENT TEAM

**KARL JOHNNY HERSVIK**

**Chief Executive Officer**

Born 1972

Family relations **

Citizenship Norwegian

Residency Norway

Experience, skills and education: Hersvik has been CEO of Aker BP since May 2014. Prior to joining Aker BP, he served as head of research for Statoil. Hersvik has held a number of specialist and executive positions with Norsk Hydro and StatoilHydro. Hersvik holds a Cand. Scient. (second cycle) degree in Industrial Mathematics from the University of Bergen.

Key external appointments: Hersvik is the chairman of the Board of Directors of Aker Energy AS. He is a member of the Board of Directors at Cognite and Sjømannskirken - Norwegian Church Abroad.

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**DAVID TORVIK TØNNE**

**Chief Financial Officer**

Born 1985

Family relations **

Citizenship Norwegian

Residency Norway

Experience, skills and education: Tønne has been the Chief Financial Officer of Aker BP ASA since January 2019 after advancing from the position of VP Corporate Controlling. Tønne has been with Aker BP since January 2017. He holds a master's degree in finance from NHH Norwegian School of Economics. Prior to Aker BP, he worked for the Boston Consulting Group.

Key external appointments: None.

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**MARIT BLAASMO**

**SVP HSSEQ**

Born 1975

Family relations **

Citizenship Norwegian

Residency Norway

Experience, skills and education: Blaasmo was appointed SVP HSSEQ in Aker BP in May 2019. Prior to this, she held the position as responsible for the Drilling & Wells performance and improvement agenda. Blaasmo has held a number of different directorships in BP Norway. Blaasmo has relevant experience in the oil and gas industry including service as a full-time employee representative in BP Norway and member of the BP Norway AS Board of Directors from 2014 to 2016.

Key external appointments: None.

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**INGARD HAUGEBERG**

**Employee-elected member**

Born 1962

Family relations **

Citizenship Norwegian

Residency Norway

Experience, skills and education: Haugeberg serves as a full-time employee representative. Prior to this position, he was the HSSE Site Lead on the Ula field. Haugeberg has broad experience from the Royal Norwegian Air Force in Bodø as a technical grenadier and as department manager for Satellit A/S. He started in Amoco Norge as a mechanic on the Valhall field in 1991. From 1998, he has held several positions in BP Norge. Haugeberg has also held a number of different directorships in BP Norge, Industrimaskiner A/S, Global Clean Energy, I/E Media and TrippEl A/S. He was trained as an electro mechanical repair tech in the Royal Norwegian Air Force technical school centre at Kjevik and has a company-approved bachelor in mechanics.

Key external appointments: None.

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**ØRJAN HOLSTAD**

**Employee-elected member**

Born 1989

Family relations **

Citizenship Norwegian

Residency Norway

Experience, skills and education: Holstad is a Senior HR Professional working with the offshore segment in Operations and Asset Development in Aker BP. He has a background as an Instrument Technician and has been an employee of BP Norge (now Aker BP) since 2010. Holstad has offshore experience and project experience from the Skarv FPSO. His experience in the oil and gas industry includes service as a full-time employee representative in BP Norge and member of the BP Norge AS Board of Directors from 2014 to 2016.

Key external appointments: None.

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* Number of shares in Aker BP ASA as of 31 December 2019

** Family relations to other members of the Board or members of the Executive Management Team
ØYVIND BRATSBERG
SPECIAL ADVISOR
Aker BP shares * Aker BP shares * 54,802 3,002
Born 1959 1969
Nationality Norwegian Norwegian
Residency Norway Norway

Key external appointments: Bratsberg joined Aker BP in 2008 as Chief Operating Officer. He has more than 30 years’ experience from several companies in the areas of marketing, business development and operations. Before taking up his position with Det norske, he was responsible for early-phase field development on the Norwegian continental shelf for StatoilHydro. Bratsberg holds an MSc degree in Mechanical Engineering from NTH, now the Norwegian University of Science and Technology, NTNU.

Experience, skills and education: Bratsberg has extensive experience from several sectors and companies in the areas of marketing, business development and operations. He has more than 30 years of experience from several companies, including StatoilHydro, where he was responsible for early-phase field development on the Norwegian continental shelf.

KJETEL DIGRE
SVP OPERATIONS & ASSET DEVELOPMENT
Aker BP shares * Aker BP shares * 3,002 2,100
Born 1969 1975
Nationality Norwegian Norwegian
Residency Norway Norway

Key external appointments: Digre is a member of the Board of Directors at AF-gruppen.

Experience, skills and education: Digre joined Aker BP in May 2019. Prior to joining Aker BP, he had 25 years of experience from Equinor where his last position was as EVP and Project Director for the Johan Sverdrup project development. Digre holds an MSc with distinction in Subsea and Petroleum Engineering from Heriot-Watt University in Edinburgh, Scotland.

KJETEL DIGRE
SVP OPERATIONS & ASSET DEVELOPMENT
Aker BP shares * Aker BP shares * 3,002 2,100
Born 1969 1975
Nationality Norwegian Norwegian
Residency Norway Norway

Key external appointments: Digre is a member of the Board of Directors at AF-gruppen.

Experience, skills and education: Digre joined Aker BP in May 2019. Prior to joining Aker BP, he had 25 years of experience from Equinor where his last position was as EVP and Project Director for the Johan Sverdrup project development. Digre holds an MSc with distinction in Subsea and Petroleum Engineering from Heriot-Watt University in Edinburgh, Scotland.

EVY GLØRSTAD
SVP EXPLORATION
Aker BP shares * Aker BP shares * 5,866 5,221
Born 1975 1979
Nationality Norwegian Norwegian
Residency Norway Norway

Key external appointments: Glørstad is a member of the Board of Directors as a representative from Aker BP in the companies Fishbone and Resoptima.

Experience, skills and education: Glørstad is a member of the Board of Directors as a representative from Aker BP in the companies Fishbone and Resoptima. She has more than 30 years of industrial experience through numerous technical and management positions in Aker Solutions.

PER HARALD KONGELF
SVP IMPROVEMENT
Aker BP shares * Aker BP shares * None 5,221
Born 1959 1979
Nationality Norwegian Norwegian
Residency Norway Norway

Key external appointments: Kongelf has been with the company since 2009. Prior to the role as SVP Reservoir, he held the position of VP Subsurface, Det norske. Molvik has extensive experience in the oil and gas industry, mainly from ExxonMobil, Statoil and Marathon Oil. Molvik holds a master’s degree in Business Economics and the University of California Los Angeles (UCLA). She also holds a master’s degree in finance from NHH Norwegian School of Economics and the University of California Los Angeles (UCLA).

Experience, skills and education: Molvik has been with the company since 2009. Prior to the role as SVP Reservoir, he held the position of VP Subsurface, Det norske. Molvik has extensive experience in the oil and gas industry, mainly from ExxonMobil, Statoil and Marathon Oil. Molvik holds a master’s degree in Business Economics and the University of California Los Angeles (UCLA). She also holds a master’s degree in finance from NHH Norwegian School of Economics and the University of California Los Angeles (UCLA).

Key external appointments: Molvik has been with the company since 2009. Prior to the role as SVP Reservoir, he held the position of VP Subsurface, Det norske. Molvik has extensive experience in the oil and gas industry, mainly from ExxonMobil, Statoil and Marathon Oil. Molvik holds a master’s degree in Business Economics and the University of California Los Angeles (UCLA). She also holds a master’s degree in finance from NHH Norwegian School of Economics and the University of California Los Angeles (UCLA).

OLE JOHAN MOLVIG
SVP RESERVOIR
Aker BP shares * Aker BP shares * 9,582 9,582
Born 1959 1979
Nationality Norwegian Norwegian
Residency Norway Norway

Experience, skills and education: Kongelf has been with the company since 2009. Prior to the role as SVP Reservoir, he held the position of VP Subsurface, Det norske. Molvik has extensive experience in the oil and gas industry, mainly from ExxonMobil, Statoil and Marathon Oil. Molvik holds a master’s degree in Business Economics and the University of California Los Angeles (UCLA). She also holds a master’s degree in finance from NHH Norwegian School of Economics and the University of California Los Angeles (UCLA).

Key external appointments: Molvik has been with the company since 2009. Prior to the role as SVP Reservoir, he held the position of VP Subsurface, Det norske. Molvik has extensive experience in the oil and gas industry, mainly from ExxonMobil, Statoil and Marathon Oil. Molvik holds a master’s degree in Business Economics and the University of California Los Angeles (UCLA). She also holds a master’s degree in finance from NHH Norwegian School of Economics and the University of California Los Angeles (UCLA).
Knut Sandvik

SVP Projects

Aker BP shares: None
Born: 1962
Family relations: No
Citizenship: Norwegian
Residency: Norway

Experience, skills and education: Sandvik joined Aker BP in July 2019. Prior to joining Aker BP, he has worked in the oil and gas industry for more than 30 years. Throughout his career, Sandvik has held various senior project and leadership positions across Aker Solutions, most recently as EVP Greenfield Projects. Sandvik holds a degree in Mechanical Offshore Engineering from Heriot-Watt University in Scotland.

Key external appointments: None.

Tommy Sigmundstad

SVP Drilling & Wells

Aker BP shares: 1,538
Born: 1970
Family relations: No
Citizenship: Norwegian
Residency: Norway

Experience, skills and education: Sigmundstad has been SVP Drilling & Wells in Aker BP since 2016. Prior to this, he was Vice President Wells BP Asia Pacific. Sigmundstad has broad experience within the oil and gas industry from companies such as Baker Hughes and Petters, before joining BP in 2000. Within BP, Sigmundstad has held different operational, engineering and management positions in Norway, the United Kingdom, Azerbaijan and Indonesia. Sigmundstad holds a master's degree in petroleum engineering from the University of Stavanger.

Key external appointments: Sigmundstad is member of the board of Directors in MHWirth.

* Number of shares in Aker BP ASA as of 31 December 2019
** Family relations to other members of the Board or members of the Executive Management Team
*** Sigmundstad owns an additional 7,000 shares through the company There Management AS
Aker BP delivered strong operational performance and reached several important milestones in 2019, with the production start at Johan Sverdrup and Valhall Flank West as two of the highlights. In the beginning of 2020 however, the spread of the COVID-19 virus has created increased uncertainty and disruption to the global economy. In this situation, the Board’s objective is to make sure Aker BP is taking all necessary measures to protect its people and operations from the virus, and to make sure the company is prepared to handle the potential operational and financial consequences of the situation.

Aker BP carries out significant operations related to exploration and production of oil and gas on the Norwegian continental shelf (NCS). Environmental, Social and Governance (ESG) issues are of paramount importance to the Board of Directors of Aker BP. Accordingly, the Board recognizes its responsibility for the safety of people and the environment and devotes appropriate time and resources to comply with all regulations and strives to adhere to the highest standards in the oil and gas industry regarding Health, Safety, Security and Environment (HSSE).

To meet the challenges of an uncertain macro environment and to strengthen its long-term competitiveness, Aker BP has established a strong platform for value creation. The company leverages an effective business model built on lean principles, strong technological competence and industrial cooperation to ensure safe and efficient operations.

Aker BP has a comprehensive improvement agenda with four focus areas. The aim is to reduce cost and improve efficiency across all disciplines to enable sanctioning of new stand-alone projects at break-even prices below $35/barrel of oil equivalents (boe). The focus areas are:

1. reorganization of the value chain with strategic partnerships and alliances to remove waste and increase productivity;
2. digitalization of the Exploration & Production (E&P) business model;
3. changing the management systems and culture to build on «Lean» principles by prioritizing flow efficiency over resource efficiency and;
4. to bring these together inside one organization and one business model that withstands volatility and has the flexibility to sustain growth.

Aker BP’s net production in 2019 was 155.9 thousand barrels of oil equivalents per day (boe/d). Total net production volume was 56.9 million barrels of oil equivalents (mmboe). About 93 percent of the production in 2019 came from the five operated production hubs; the Alvheim area, Ivar Aasen, the Valhall area, Skarv and the Ula area.

Aker BP continues to be an operator with low carbon emissions intensity. In 2019, Aker BP’s CO2 intensity was below 7 kg CO2 per barrel of oil equivalents (equity share), which is less than half the global industry average and below the average for the NCS. From 2020 on, the company’s goal is to deliver an emission intensity below 5 kg CO2/boe (equity share).

All major field development projects, including Johan Sverdrup, Valhall Flank West and Arktys, progressed according to plans. These projects are expected to contribute significantly to the company’s production and profitability in the years to come. First oil from both Johan Sverdrup and Valhall Flank West was achieved during 2019.

The company participated in 16 exploration wells in 2019. The exploration activities resulted in net discovered volumes of 170 million boe, consisting of the Froskelår Main, Froskelår NE, Liatånet, Ørn, Shrek and Busta discoveries. In addition, the company expanded its license portfolio through the Awards in pre-defined Areas (APA) 2019. Aker BP was offered interests in 15 new production licenses on the NCS, of which 9 as operator.

Looking forward, the company has a large resource base, with 2P reserves of 906 (917) mmboe and contingent resources of 931 (941) mmboe. This resource base provides a basis for future organic growth.

The company has a robust and diversified capital structure with USD 2.7 billion in available liquidity as of 31 December 2019. In January 2020, the company further strengthened its liquidity by issuing USD 1.5 billion in new bonds. The company paid four dividends in 2019, totaling USD 750 million.

Even though the ongoing COVID-19 situation creates increased uncertainty in the short to medium term, the Board is of the opinion that Aker BP is well positioned for further value accretive growth on the NCS. The Board is conscious of the risks associated with project execution and the changing market conditions in which the company operates. The Board is prioritizing capital discipline and mitigation of risk wherever possible throughout the organization.

The company’s initial response was to mobilize its emergency response organization to respond to the COVID-19 situation. Subsequently a separate task force with significant resources has been developed and are continuously updated. In parallel, the company has established and is maintaining contingency plans to be prepared in case of an escalation of the situation.

In parallel to managing the operational side of the current situation, the company has also initiated a process aimed at protecting the company’s financial strength. This process involves a comprehensive evaluation of the company’s business plan.
Descriptive text extracted from the image is not available.
After only five weeks of production, all the eight pre-drilled oil production wells were on stream and producing according to expectations at very high rates. In January 2020 drilling of a new Production-Hotel platform (PH) is 2049, 2033 for the Injection Platform (IP) and the Flank North and South, and the Wellhead Platform (WP) has been granted life extension until 2028. Year-end 2019 PSO reserves are estimated at 287 mmbroe net to Aker BP.

The field has been developed with a remotely controlled wellhead facility without processing equipment and started production in 2001. During 2019 the production has been improved by application of gas lift. Net production from Tambar averaged 2.2 mmbroe in 2019. Year-end 2019 PSO reserves are estimated at 5 mmbroe net to Aker BP.

The field was originally developed with three facilities for accommodation, drilling and processing, and started production in 1982. In June 2019 the original accommodation platform was successfully removed in a single-lift operation as a part of the modernization of the field center. The Valhall complex now consists of five separate steel platforms for drilling, wellheads, production, water injection, combined process- and hotel platform respectively. These platforms are bridge-connected. In addition, the field has three unmanned platform, one in the west, one in the south and one in the north. Liquids are routed via pipeline to Ekofisk and further to Teeside in the UK. Gas is sent via Norgipe to Emden in Germany.

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 uptakes of other discoveries including the King Lear discovery, and from exploration opportunities. To provide foundation for this upside potential, the strategy is to improve the technical condition of the facilities and address obsolescence. 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. The ambition is that this leads to further development of Ula in the mid-2020s, although the value potential may be impacted by the longer term effects of the current COVID-19 situation.

Net production from Ula and Oda averaged 6.3 mmbroe in 2019. The Ula concession period expires in 2028. The resource potential extends beyond the concession period, and it is common in the industry to achieve extensions to concessions, and the cessation of production will be subject to the technical life of the facilities and the economic cut-off. The current design life for the facilities is 2035. Year-end 2019 PSO reserves are estimated at 33 mmbroe net to Aker BP.

The Tambar and Tambar East field (5.0/46.2 %, operator) is located 16 kilometres southeast of the Ula field in the southern part of the North Sea. The water depth in the area is 72 meters. The reservoir lies in chalk in the Lower Paleocene Ekofisk Formation, and the Upper Cretaceous Tor and Hod Formations. The reservoir depth is approximately 2,700 meters. Hod started producing in 1990.

The field has a life expectancy of 25 years. Production started in 2012.

Net production from Skarv, including test production from Airfugl, averaged 22.3 mmbroe in 2019. The Skarv concession period currently expires in 2023 and the original Skarv FPSO design life is 2035. Year-end 2019 PSO reserves are estimated at 33 mmbroe net to Aker BP.

The Ula field (80 %, operator) is located in the southern part of the North Sea. The water depth in the area is 70 meters. The main reservoir is at a depth of 3,345 meters in the Upper Jurassic Ula Formation.

The development consists of three conventional steel facilities for production, drilling and accommodation, connected by bridges. The field started producing in 1986. The field’s gas capacity was upgraded in 2008 with a new gas processing and injection module. The oil is exported via Ekofisk to Teeside and all gas is reinjected into the reservoir to enhance recovery. Ula acts as a third-party host for the Oda and Blane fields via subsea tiebacks. The Spirit Energy operated Oda field (15 %, partner) started production in March 2019. Oda is a subsea field which is tied back to Ula and re-uses existing Oselv inertial facilities on Ula.

Both the modification and back-log maintenance 2019 work scope has progressed as planned, and the temporary addition of floating accommodation facilities at Ula were demobilized in May 2019. The original drilling derrick has been removed by heavy lift as part of the preparation for the infill drilling campaign. The Maersk Integrator was located at Ula from June 2019 and drilling operations started in July.

Aker BP considers the resource potential in the Ula area to be significant, both from increased oil recovery in the Ula and Tam-
Net production from Hod averaged 0.8 mbopd in 2019. Year-end 2019 P50 reserves are estimated at 35 mbmoe net to Aker BP.

The partner operated fields Alfa (10 %), Enoch (2 %) and Gina Krog (3.3 %) produced an average of 1.9 mbopd net to Aker BP in 2019. Year-end 2019 P50 reserves net to Aker BP for these fields are estimated at 51 mbmoe, all related to Gina Krog.

**DEVELOPMENT PROJECTS**

The field development activity in Aker BP was high in 2019, and the progress was good, with production start from both Johan Sverdrup, Valhall Flank West and Oda. In 2020, the planned activity level is slightly lower than 2019. There is also a risk of further reduction in activity level in 2020 and beyond, as the COVID-19 situation may lead to delays and cancellations in existing and new projects.

**Johan Sverdrup Phase 2 (11.6 %, partner) (the full field development) is progressing well and according to plan. Phase 2 includes development of a second processing platform, modifications of the riser platform at the field center, five subsea templates in the periphery of the field, in addition to expanding the power-from-shore supply from 100 to 300 MW.**

The total power capacity of 300 MW will also serve a number of surrounding fields in the greater Utsira High area (including the Edvard Grieg, Ivar Aasen, Gina Krog and Sleipner fields) by 2022 and saves in total close to 1.2 million tonnes of CO₂ emissions, annually.

Contracts awarded so far in Phase 2 amount to more than NOK 20 billion. Phase 2 will increase the production capacity by 220 mbopd to a full field plateau capacity of 660 mbopd. Capital expenditures are estimated at NOK 41 billion (nominal terms based on fixed currency). Production start is planned for the fourth quarter 2022.

**Aråfugl (23.8 %, operator) including the Snadd outer field (30.0 %, operator) is a nearly 60 km long and just 2-3 km wide gas condensate field, situated close to the Aker BP-operated Skarv FPSO.**

The PDO, approved by Norwegian authorities in April 2018, covers the full-field development and includes the resources in both the Aråfugl and Snadd Outer fields, which are planned to be developed in two phases. The first phase includes three new production wells in the southern part of the field tied into the Skarv FPSO via a three heated pipe-in-pipe flowline, in addition to the existing A-1 H well already producing.

The second phase of the development was approved and entered the execute phase according to plan in November 2019. The second phase of the project consists of 1 production well drilled through the existing Idun template, and two production wells in the northern part of the field. Drilling of the first well through the Idun template is scheduled as part of the Aråfugl phase 1 drilling campaign, with production start planned in the summer of 2020. For the two remaining satellite wells, production start is planned in the fourth quarter 2021.

Remaining reserves for Aråfugl are estimated at 67 mbmoe net to Aker BP.

**Valhall Flank West (90 %, operator) is a project that continues the development of the Tor formation in Valhall on the western flank of the field. On 16 December 2019 the V-9 well was brought onstream thus marking successful first oil for the Flank West alliance project.**

Valhall Flank West has been developed from a new Normally Unmanned Installation, tied back to the Valhall field center for processing and export. The PDO was approved in March 2018 with six production wells originally planned. Since the PDO the partners has reached an agreement to sanction an additional three wells bringing the total Flank West well count to nine which will successively be drilled, completed and brought onstream as they are stimulated.

Remaining reserves for Valhall Flank West are now included in the Valhall year-end reserves estimate of 287 mbmoe net to Aker BP.

**Skogul (65 %, operator) is located 34 kilometres north of Al- vheim at a water depth of 110 meters. The productive reservoir is within the Eocene Balder and Frigg formation deep marine deposited sandstone members at a depth of approximately 2,100 meters. The PDO was approved in March 2018, and the field is developed with a single multilateral production well tied back to the Vilje field, utilizing the existing pipeline from Vilje to the Alkheim FPSO.**

The Skogul well drilling activity started in July 2019 but was suspended due to the issues with the eastern MWA at Al- vheim. The rig returned to Skogul when the MWA had been repaired. Production commenced in the first quarter 2020. Aker BP has booked 6 mbmoe as net reserves for Skogul.

**Oda (15 %, partner) has been developed with a subsea template tied back to the Ula field center via the Oselva infrastructure. The Oda field started production mid-March 2019. Natural gas from Oda supports the Ula development strategy by providing gas for the Water Alternating Gas (WAG) injection regime. Aker BP has booked 4 mbmoe as net reserves for Oda.**

In addition to the sanctioned projects, Aker BP and the other partners have performed detailed studies of different development solutions for the NOAKA area (North of Alvheim and Kvalfa-Auka). The premise has been that a development should capture all discovered resources in the area and facilitate future tie-ins of new discoveries. The NOAKA area consists of the discoveries Frigg, Gamma Delta, Langfyllet, Fray, Fulla, Frigg, Rind and Kvalfa-Auka. Gross resources in the area are estimated to be more than 500 mbmoe, with further upside potential from exploration and appraisal. The partners in the NOAKA area are currently in constructive dialogue on how to develop the area.

**EXPLORATION**

Aker BP’s ambition is to be the leading exploration company on the Norwegian continental shelf. The company has demonstrated excellent exploration results in 2019 and has exceeded its ambition of discovering 250 mbmoe net to Aker BP in the period from 2016 to 2020. From 2016 through 2019, the company has discovered more than 300 mbmoe net to Aker BP.

The company continues to seek additional prospect opportunities while improving the available data and technology to create a competitive edge. Aker BP’s exploration activity is grouped in two categories: Exploration near own producing fields (Infrastructure led exploration - ILX) and exploration for growth opportunities (new hubs). Over time, the company is seeking a 60/40 balance between ILX and growth exploration targets. During 2019 Aker BP participated in 16 exploration wells and discovered around 170 mbmoe net to Aker BP. The company’s exploration drilling tested several new exploration growth options and ILX targets around Aker BP’s producing assets.

A significant oil discovery was made on Liaståret in the NOA KA area. Further data acquisition and analysis will be undertaken to determine the drainage strategy and recovery factor for the discovery.

The company made several new discoveries in the Alvheim area in a drilling campaign launched on the back of the exploration success at Froskelår in 2018. The Froskelår Main, as well as the Froskelår NE exploration well, proved oil and gas. The Rumfiey exploration well encounter gas and traces of petroleum but has been considered non-commercial. Extensive data acquisition and sampling have been conducted in order to increase the company’s understanding of the injectite play in the area.

Aker BP also conducted a successful drilling campaign around Skarv in 2019. Northwest of the Skarv FPSO, the Ørn exploration well was successfully completed as a gas discovery. Drilling of the Shrek prospect, also in the Skarv area, was concluded to be an oil and gas discovery. In February 2020, Aker BP entered into an agreement with PGNiG Upstream Norway AS to increase Aker BP’s interest in the license and transfer the operatorship. The transfer of operatorship to Aker BP will enable an efficient development of this discovery as a tie-back to the Skarv FPSO.

In 2019, total investments in exploration amounted to USD 501 (359) million. Exploration expenses in the Income statement amounted to USD 306 (296) million, including expensed dry wells of USD 176 (66) million, while new capitalized exploration expenditures amounted to USD 370 (129) million.

In January 2020, Aker BP was awarded 15 new licenses, including 9 operatorships, through Awards in Predefined Areas (APA 2019). Most of these licenses are located close to the company’s existing core areas.

Aker BP’s original exploration plan for 2020 consisted of participation in 10 exploration wells and total exploration investments of approximately USD 500 million. Due to the COVID-19 crisis and the sharp reduction in oil prices, the exploration activity level is likely to be reduced. Furthermore, there is a risk that the uncertainty created by the COVID-19 situation could lead to future impairments of the book value of the company’s exploration resources.
The annual accounts

The group prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by EU and the Norwegian Accounting Act.

INCOME STATEMENT

The group’s total income amounted to USD 3,347 (3,752) million. Total production volume was 56.9 (56.8) mmboe. The average realized liquid prices was 64.8 (70.8) USD per barrel, while the realized price for natural gas averaged USD 0.18 (0.29) per standard cubic metre (scm).

Production costs for the oil and gas sold in 2019 were USD 720 (694) million. Production costs per boe produced in 2019 amounted to USD 12.4 (12.1). Exploration expenses amounted to USD 316 (296) million and were mainly related to dry and non-commercial wells, seismic data and general exploration activities. Depreciation amounted to USD 812 (752) million.

Impairments amounted to USD 147 (20) million related to technical goodwill on Ula/Tambar. A breakdown of the impairment charges is included in note 13 to the financial statements.

Other operating expenses amounted to USD 35 (17) million. The majority of other operating expenses are relating to preparation for operation, non-license related costs and IT costs.

The company reported an operating profit of USD 1,327 (1,972) million. The pre-tax profit amounted to USD 1,084 (1,802) million, and the tax expense amounted to USD 943 (1,326) million.

The tax rules and tax calculations are described in notes 1 and 10 to the financial statements.

The net profit was USD 141 (476) million.

STATEMENT OF FINANCIAL POSITION

Total assets at year-end amounted to USD 12,227 (10,709) million.

Equity amounted to USD 2,368 (2,977) million at the end of 2019, corresponding to an equity ratio of 19 (28) percent.

At 31 December 2019, gross bank and bond debt totalled USD 3,267 (2,018), of which bonds made up 57 percent.

The company successfully put in place a new capital structure in 2019. The previous USD 4 billion secured bank facility was replaced with a new USD 4 billion senior unsecured facility at lower cost and extended maturity. The company also issued a 5-year USD 750 million bond. In January 2020, the company issued a 5-year USD 500 million bond and a 10-year USD 1 billion bond.

Aker BP is currently rated by three rating agencies, S&P, Fitch and Moody’s. During 2019, S&P and Fitch announced investment grade ratings (BBB) on Aker BP, strengthening our credit profile. Rating from Moody’s is one notch lower at Ba1. All ratings had stable outlook as of year end 2019. The risk of downgrades to the credit ratings has increased as a result of the COVID-19 situation and the recent drop in global oil prices.

At the end of the year, the company had total available liquidity of USD 2.7 (3.1) billion, comprising USD 107 (43) million in cash and cash equivalents, and USD 2.55 (3.1) billion in undrawn credit facilities. For information about terms on the credit facilities, see note 24.

CASH FLOW AND LIQUIDITY

Net cash flow from operating activities amounted to USD 1,885 million, down from 3,800 in 2018 that included tax refunds of USD 1.5 billion.

Net cash flow used in investment activities amounted to USD 2,178 (2,147) million. The main item was investments in fixed assets of USD 1,703 (3,131) million.

At the end of 2019, financial covenants for the company’s debt instruments were comfortably within applicable thresholds. The company’s liquidity was further strengthened in January 2020 with the previously mentioned issuance of new bonds, which increased the available liquidity to approximately USD 4 billion.

In the start of 2020, due to the uncertainty related to both COVID-19 and the oil market weakness, the near-term cash flow outlook has deteriorated. In this situation, the company’s main financial priority is to protect the liquidity and the robustness of its balance sheet, and to retain its investment grade (IG) credit profile. The company is prepared to make necessary adjustments in investment plans and shareholder distributions for this purpose.

CHANGES IN ACCOUNTING STANDARDS

As described in note 1, IFRS 16 Leases entered into force from 1 January 2019. The standard introduces a single-on-balance sheet accounting model for all leases, which results in the recognition of a lease liability and a right-of-use asset in the balance sheet. The accounting principles applied are in line with the description provided in the group’s annual financial statements for 2018. The impact on the balance sheet is presented on separate balance sheet items, and further details are provided in the notes, in particular note 12 and 26. The group has applied the modified retrospective approach with no restatement of comparative figures.

Prior to 2019, the group recognized revenue on the basis of the proportionate share of production during the period, regardless of actual sales (entitlement method). Due to recent development in IFRIC discussions, the group decided to change to the sales method from 1 January 2019. This means that changes in over/underlift balances are valued at production cost including depreciation and presented as an adjustment to cost. See note 5 for further details. Comparative figures have been restated in line with IAS 8.

Except for the changes mentioned above, the applied accounting principles are in all material respects the same as for the previous financial year.

HEEDING

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

At year-end 2019, the company had purchased oil put options with strike prices of around USD 54 per barrel for approximately 60 percent of the expected oil production for the first half of 2020 (after tax).

THE GOING CONCERN ASSUMPTION

The world is currently in the middle of the COVID-19 crisis, and how it will unfold remains uncertain. Aker BP is taking measures to mitigate substantial negative impact for the company. However, in a worst-case scenario, the COVID-19 crisis may have devastating effects for the world economy, including Aker BP.

The COVID-19 crisis increases the risk regarding the going concern assumption for most companies, and this is also the case for Aker BP. Although the risk has increased, the assessment is that the company is able to continue as a going concern.

Therefore, pursuant to the Norwegian Accounting Act section 3-3a, the Board of Directors confirms that the requirements of the going concern assumption are met and that the annual accounts have been prepared on that basis. The Board considers the financial position and the liquidity of the company to be sound. The company is continuously considering various sources of funding to facilitate the expected growth of the company. Cash flow from operations, combined with the total available liquidity, is expected to be more than sufficient to finance the company’s commitments in 2020.

In the Board of Directors’ view, the annual accounts give a true and fair view of the company’s assets and liabilities, financial position and results. The Board of Directors is not aware of any factors that materially affect the assessment of the company’s position as of 31 December 2019, or the result for 2019, other than those presented in the Board of Directors’ Report or that otherwise follow from the financial statements.

RESOURCE ACCOUNTS

Aker BP compiles with guidelines from Oslo Stock Exchange and the Society of Petroleum Engineers’ (SPE) classification system for quantification of petroleum reserves and contingent resources. Total net P90/P1 reserves are estimated at 666 (683) mmboe, while net P50/P2 reserves amounted to 906 (917) mmboe at year-end 2019. See note 31 for a more detailed review of the resource accounts. The reserves have been certified by an independent third party.

PROFIT FOR THE YEAR

The Board of directors proposes that the profit for the year is transferred to retained earnings.
HSSE and organization

Health, Safety, Security and 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.

HEALTH, SAFETY AND THE ENVIRONMENT IN AKER BP’S OPERATIONS

Aker BP shall be a safe workplace, where the goal is to prevent any kind of harm. Everyone who works for the company – our employees, hired personnel and contractors – shall be able to perform their work in an environment where the emphasis is on safety. Our facilities shall be in good condition, and must be planned, designed and maintained in a manner that ensures their technical integrity.

The company’s overall HSSE performance displays a positive trend. However, to meet our ambition of no harm to people we need to maintain our continuous effort to seek improvements in our HSSE culture and management practices.

During 2019, Aker BP experienced zero Process Safety Events (PSE), which is an encouraging result that provides a confirmation of our major risk management processes and tools. However, seven incidents with high potential were reported. Out of these, four events involved dropped objects with material damage or potential injury. One of the events involved work at height without the appropriate safety equipment as well as an instance of work in a 690V cabinet without proper safety precautions. The most serious event with regards to potential consequences was an incident of confirmed gas detection on Ula resulting from an open flange on the flare system. These incidents were thoroughly investigated in accordance with the company’s established event management processes. The learnings have been implemented both locally and, if relevant, across all operating assets. The Total Recordable Injuries Frequency (TRIF) increased slightly in 2019 to 3.1 compared to a TRIF of 2.98 in 2018. The Serious Incident Frequency (SIF) remains unchanged at 0.6.

Moving forward we will work systematically to understand our successes as a basis for further improving our HSSE performance. We believe that combining risk insight with learnings from events and knowledge on what we do when we succeed is the key to improving our HSSE performance further.

The Petroleum Safety Authority (PSA) carried out 26 audits of Aker BP operations and activities in 2019. Other authorities, such as the Norwegian Environmental Agency (NEA) and the Norwegian Radiation and Nuclear Safety Authority, conducted nine audits.

Aker BP received two notices of order in 2019: one from the PSA related to the audit «Logistics and management of health risk on Ula D and P» and one from the Norwegian Environment Agency related to the audit «Discharge to sea/air and non-conformance management» at Ivar Aasen. Aker BP complied with both orders in accordance with the set deadlines.

Security

Aker BP divides security into three main areas: personnel, object and information security. The company works within relevant legislation and company needs. This work is also an integrated part of Aker BP’s risk and barrier management.

Security differs from safety by focusing solely on unwanted events caused by intentional actions. Through intelligence, value and threat assessments, as well as by raising awareness in the company, we work to ensure that neither our business nor our personnel are directly affected by threat agents.

In 2019 Aker BP took action to increase mitigating actions in respect of cyber risk and to increase the overall maturity within cyber security. This resulted in a company-wide project to increase cyber resilience in existing digital infrastructure and a partnership with an external company to onboard new capacities for detecting cyber threats and managing incidents.

The company has enabled a more comprehensive security capability and developed a new threat intelligence capacity program to reduce uncertainty and enhance decision support to the Executive Management Team and relevant business units.

Furthermore, Aker BP has established valuable collaboration with the Aker ASA security group and exploited benefits and synergies with other Aker companies in a common effort to prevent and handle security matters. The company has continued its work on aligning a systematic and holistic approach to security risk management work and matured the company within the different security areas.

Climate strategy

Aker BP acknowledges the conclusions from the Intergovernmental Panel on Climate Change (IPCC) and is committed to take responsibility for the company’s carbon footprint.

Climate issues are formally integrated and embedded into Aker BP’s strategy and decision-making. The Board of Directors has ownership of climate related objectives and expectations in Aker BP’s climate strategy, and reviews and guides the major plans of action when it comes to investment decisions for climate initiatives.

In 2019, the company’s CO₂ intensity was below 7 kg CO₂/boe (equity share), which is less than half the global average, and below the average for the NCS. From 2020 on, the company’s goal is to deliver an emission intensity below 5 kg CO₂/boe (equity share). The company has set a methane intensity target of less than 0.20 percent. In 2019 the company’s upstream methane intensity was 0.09 percent.

Aker BP’s improvement agenda includes energy management and the implementation of energy efficiency and emission reduction measures. Power from shore (hydro-electric power) is part of the active energy management within the company, and in 2019 we continued the feasibility studies for some of the existing fields in relation to life extension. Valhall already has power from shore and Ivar Aasen will receive power from shore in 2022 (receives power from nearby asset Edvard Grieg today).

In cases where new energy-intensive equipment is purchased, the equipment must be as energy-efficient as possible and be of low-emission technology. The company has also started to investigate how to develop data driven energy optimization through our digitalization program in collaboration with Cognite. This will be further pursued in 2020.

EMPLOYEES AND WORKING CONDITIONS

Status of employees and recruitment

• At year-end 2019, the company had 1,742 (1,649) employees.
• Aker BP recruited 164 new employees and 11 apprentices in 2019.
• Aker BP has a long-standing collaboration with graduate schools and universities to recruit talent as well as cooperation with regards to student internships.

Equal opportunities

The company endeavors to maintain a working environment with equal opportunities for all based on qualifications, irrespective of gender, ethnicity, sexual orientation or disability.

In December 2019, women held 21.6 percent of the positions in the company. The share of women on the Board of Directors was 36 percent. The share of women in the executive management team was 27 percent and in the middle management it was 19 percent.

Men and women with the same jobs, with equal professional experience who perform equally well, shall receive the same pay in Aker BP. The complexity of the job, discipline area and number of years of work experience affect the pay level of individual employees.

At the end of 2019, 9.1 percent of the employees were of non-Norwegian origin.

The working environment

Aker BP has a working environment committee (AMU) as described in the Norwegian Working Environment Act. The committee plays an important role in monitoring and improving the working environment and in ensuring that the company complies with laws and regulations in this area.

The company is committed to maintaining an open and constructive dialogue with the employee representatives and has arranged meetings on a regular basis throughout the year. Four local trade unions are registered as being represented in the company; Tekna, Lederne, SAFE and Industri Energi.
In the Board’s view, the working environment in Aker BP during 2019 was good. This was confirmed through employee satisfaction surveys conducted during 2019, where the results showed good and consistent scores over time on questions related to working environment.

Sickness absence
In 2019, the total sickness absence in Aker BP was 2.4 percent, which is significantly lower than the national average of 5 percent in Norway. For onshore personnel the figure was 2.2 percent. For offshore personnel, the figure was 3.1 percent, which is comparable with other NCS operators.

Ethics and Integrity
Aker BP’s values are Enquiring (Sekeende), Responsible (Ansvarlig), Predictable (Forutsigbar), Committed (Engasjert) and Respectful (Respektfull). The Norwegian words form the abbreviation SAFER. The values define the company culture and describe how we want to work in Aker BP. The values also guide our behaviour in the workplace and enable us to live by our Code of Conduct. Our goal is that every employee habitually acts according to our core values.

Aker BP’s Code of Conduct sets out requirements for good business conduct and personal conduct for all employees of Aker BP and members of its governing bodies. The code also guides our behaviour in the workplace and enables us to live by our Code of Conduct. Our goal is that every employee habitually acts according to our core values.

Aker BP is committed to creating jobs and growing local businesses in the communities in which the Company operates.

All five operated hubs (Alvheim, Valhall, Ula, Ivar Aasen and Skarv) have performed and secured acceptance for the impact assessment studies as part of the Government approval process. According to the Government’s Northern Area Policy, special focus should be given to the development and operation of fields located in Northern Norway to help stimulate local content and create value in the regions. The company’s Ærfugl development field, located offshore west of Helgeland, is in this category.

Aker BP has continued the contract strategy from Skarv to the Ærfugl development project, where the company keep focus on four elements to stimulate local engagement and value creation:

1. Maximizing the local impacts
2. Local content
3. Local procurement function and active supplier development
4. Close contact and cooperation with Nordland County, local municipalities in Helgeland, business, schools and educational institutions.

Supplier/vendor seminars and one-to-one meetings have been conducted, focusing on how local businesses can position themselves to win contracts. Splitting up contracts in sizes manageable for local businesses and its capacity has given them the opportunity to compete in tendering processes.

Aker BP is a member of the Oil and Gas Cluster Helgeland and Petro Arctic, both organizations located in Northern Norway with key focus on how to involve local and regional business enterprises.

To stimulate the cooperation with schools and education, Aker BP is supporting activities and public offices that contribute to the growth and development of the local community by offering studies, competence-raising measures and innovation processes and projects such as «Kunnskapsparken Helgeland», «Tværfaglig Opplæringskontor», «Studiesenter Tverrfaglig Opplæringskontor», «Studiesenter Ytre Helgeland», «Kunnskapsutvikling Helgeland» and «Sandnessjøen upper secondary school».

Aker BP is further developing the cooperation agreement with Nordland County focusing on local business development, schools and education.

In 2019, the total sickness absence in Aker BP was 2.4 percent, which is significantly lower than the national average of 5 percent in Norway. For onshore personnel the figure was 2.2 percent. For offshore personnel, the figure was 3.1 percent, which is comparable with other NCS operators.

Local business and community benefits
Aker BP is committed to creating jobs and growing local businesses in the communities in which the Company operates.

RESEARCH AND DEVELOPMENT
The aim of Aker BP’s Research & Development (R&D) efforts is to support our journey to become the leading independent offshore E&P company. We invest in R&D across our whole value chain, and we have a balanced portfolio of projects targeting knowledge and methods, physical technology development, and digital/software development. We led or participated in around 120 projects in 2019 with a total spend close to NOK 500 million. This is a significant increase in activity level from 2018, in line with our company’s growth and ambition to deliver value accretive knowledge and technology to our assets. While we work on a broad range of topics, we have a set of strategic priorities to guide our investments:

- Increased understanding of subsurface and digitalization
- Direct link to our corporate strategy, either directly supporting our activities or creating intangible values (knowledge, methods and processes) that provide a competitive advantage
- Sizeable projects with momentum, dedicated people, with significant impact potential

With our current business plan, we see several areas where research and technology development will support resource growth and recovery, ensure safe operations, lower cost, and minimize the climate footprint. Some highlights from our R&D portfolio are:

- Continuing our development of a platform for acquisition, processing and storage of data from industrial sensors, meeting big data, robotics and machine learning challenges
- Enable remote control and automated lifting operations for the future crane solutions on unmanned installations
- “Digital oil field”: Developing monitoring systems for real time production optimization, linked to modelling tools and enabling automation of recommendations for production optimization

CORPORATE GOVERNANCE
Aker BP believes that good corporate governance with a clear distribution of roles and responsibility between the owners, the Board and executive personnel is crucial for the company to deliver value to its shareholders.

The Board of Aker BP is responsible for maintaining the highest corporate governance standards. The Board carries out an annual review of the company’s principles. The company complies with relevant rules and regulations for corporate governance, including the most recent version of the Norwegian Code of Conduct for Corporate Governance, published on 17 October 2018, unless otherwise specified.

An account of corporate governance is provided in a separate section of the annual report and on the company’s website www.akerbp.com.

The company has emphasized the importance of providing accurate information in interim reports, capital market updates and through direct dialogue with relevant authorities.

REPORTING OF PAYMENTS TO GOVERNMENTS
Aker BP has prepared a report on government payments in accordance with the Norwegian Accounting Act § 3-3 d) and the Norwegian Securities Trading Act § 5-5a. It states that companies engaged in activities within the extractive industries shall annually prepare and publish a report containing information about their payments to governments at country and project level. The report is provided in a separate section of the annual report and on the company’s website www.akerbp.com.

The company has emphasized the importance of providing accurate information in interim reports, capital market updates and through direct dialogue with relevant authorities.
The company's profitability is determined in large part by the risk factors highlighted below could have a material adverse effect separately, or in combination, on our financial condition. Accordingly, investors should carefully consider these risks.

Response and measures we use to manage or mitigate our risks are embedded in our governance and management system complemented by our risk management framework.

Risk-based assurance of the business management system requirements is governed by the company’s three lines of defence model. Assurance is an activity to provide confidence that quality requirements will be fulfilled. Aker BP’s three lines of defence model is continually under improvement with regard to processes and tools to enhance execution.

- **Aker BP’s business, results of operations, cash flow and financial condition depend significantly on the level of oil and gas prices and market expectations of these, and may be adversely affected by volatile oil and gas prices and by the general global economic and financial market situation**

- **The market in which the company operates is highly competitive**

- **Climate change could potentially have significant physical effects, such as increased frequency and severity of storms, droughts, floods and other climatic events. Aker BP’s offshore operations could be at risk from such climatic events.**

- **The company’s current production and expected future production is concentrated in a few fields**

- **There are risks related to redetermination of unitized petroleum deposits**

The company’s profitability is determined in large part by the difference between the income received from the oil and gas produced and the operational costs, taxation costs relating to recovery (which are assessable irrespective of sales), as well as costs incurred in transporting and selling the oil and gas. Lower prices for oil and gas may thus reduce the amount of oil and gas that the company is able to produce economically. This may also reduce the economic viability of the production levels of specific fields or of projects planned or in development to the extent that production costs exceed anticipated revenue from such production.

The economics of producing from some wells and assets may also result in a reduction in the volumes of the company’s reserves, the ability to develop its assets and the ability to conduct business.

- **Exploration, development and production operations involve numerous safety and environmental risks and hazards that may result in material losses or additional expenditures**

Developing oil and gas reserves and resources into commercial production involves risk. Aker BP’s exploration operations are subject to all the risks common in the oil and gas industry. These risks include, but are not limited to, encountering unusual or unexpected rock formations or geological pressures, geological uncertainties, seismic shifts, blowouts, oil spills, uncontrollable flows of oil, natural gas or water fluids, explosions, fires, improper installation or operation of equipment and equipment damage or failure. Given the nature of offshore operations, Aker BP’s exploration, operating and drilling facilities are also subject to the hazards inherent in marine operations, such as capsizing, sinking, grounding and damage from severe storms or other severe weather conditions, as well as loss of containment, fires or explosions. Occurrence of any such significant events may result in material losses and adversely impact our cash-flow and financial position.

- **The company is exposed to systemic risks**

Risks arising from the systems around our business may escalate and in combination shape systemic risk. Whole or parts of systems could be severely affected including those where the company conducts business. Financial systems, supply systems, resource system, even the human population system may solely or by combination be shocked as a result of e.g. infectious diseases spreading worldwide or by a global financial crisis. The different scenarios exhibit a large degree of uncertainty, lack of control, and undecisive impact from management actions. Under such circumstances psychological behavior could be driven by fear and reactivity.

The company may face situations where there is extensive strain or full-scale shortage or resources (e.g. personnel, goods or services, financials) to perform our business activities as a result from systemic risk. Any such conditions could drain cash-flow, have material negative effect on our financial condition, force undesired change in strategic direction, and impact our ability to conduct business.

- **Climate change regulation could have negative effect on the company**

The company’s business and results of operations could be adversely affected by climate change and the adoption of new climate change laws, policies and regulations. Growing concerns about climate change and greenhouse gas emissions have led to the adoption of various regulations and policies, including the Paris Agreement negotiated at the 2015 United Nations Conference on Climate Change (COP 21), which requires participating nations to reduce carbon emissions every five years beginning in 2023. Multiple plans have also been proposed in the Norwegian parliament to reduce carbon emissions from companies operating in certain sectors, including the oil and gas industry, and create a carbon trading system linked to the European Union’s emissions trading scheme.

The emission reduction targets and other provisions of the recent Norwegian climate change law, the Paris Agreement, or similar legislative or regulatory initiatives enacted in the future, could adversely impact the company’s business by imposing increased costs in the form of taxes or for the purchase of emission allowances, limiting the company’s ability to develop new oil and gas reserves, decreasing the value of its assets, or reducing the demand for hydrocarbons and refined petroleum products.

Climate changes could potentially have significant physical effects, such as increased frequency and severity of storms, droughts, floods and other climatic events. Aker BP’s offshore operations could be at risk from such climatic events.

- **The company’s current production and expected future production is concentrated in a few fields**

Aker BP’s production of oil and gas comes from a limited number of offshore fields. If mechanical or technical problems, abnormal weather or other events affect the production on one of these offshore fields, it may have direct and significant impact on a substantial portion of the company’s production. Also, if the actual reserves associated with any one of these fields is less than the estimated reserves, the company’s results from operations and financial condition could be materially adversely affected.

- **There are risks related to redetermination of unitized petroleum deposits**

Unitization agreements relating to production licenses may include a redetermination clause, stating that the apportionment of the deposit between licenses can be adjusted within certain agreed time periods. Any such redetermination will be satisfactorily resolved or will be resolved within reasonable time and without incurring significant costs. Any redetermination negatively affecting the company’s interest in a unit may have a material adverse effect on its business, results of operations, cash flow, financial condition and prospects.
Development projects are associated with risks relating to delays and costs

Aker BP’s ongoing development projects involve advanced engineering, extensive procurement activities and complex construction work to be carried out under various contract packages at different locations onshore. Furthermore, the company (together with its license partners), must carry out drilling operations, install, test and commission offshore installations and obtain governmental approval to take them into use prior to commencement of production. The complexity of such development projects makes them sensitive to circumstances that may affect the planned progress or sequence of the various activities, as this may result in delays or cost increases.

Although Aker BP believes that the development projects will be completed on schedule in accordance with all license requirements and within the estimated budgets, the current or future projected target dates for production may be delayed and cost overruns may incur.

Furthermore, estimated exploration costs are subject to a number of assumptions that may not prove to be correct. Any such inability to explore, appraise or develop petroleum operations or incorrect assumptions regarding exploration costs may have an adverse effect on the company’s growth ambitions, future business and revenue, operating results, financial condition and cash flow.

The company is subject to third-party risk in terms of operators and partners

Where the company is not the operator of a license, although it may have consultation rights or the right to withhold consent in relation to significant operational matters depending on the level of its interest in such license (as most decisions by the management committee only require a majority vote), the company has limited control over management of the assets and mismanagement by the operator or disagreements with the operator as to the most appropriate course of action may result in significant delays, losses or increased costs to Aker BP.

The company is subject to third-party risk in terms of contractors

Market conditions may impair the liquidity situation of contractors and consequently their ability to meet its obligations towards the company. This may in turn impact both development project timelines and cost.

Oil and gas production could vary significantly from reported reserves and resources

Aker BP’s reserve evaluations are prepared in accordance with existing guidelines. These evaluations include many assumptions relating to factors such as initial production rates, recovery rates, production decline rates, ultimate recovery of reserves, timing and amount of capital expenditures, marketability of production, future prices of oil and gas, operating costs, royalties and other government levies that may be imposed over the producing life of an asset, and the rate of change in such prices. Actual production and cash flows will vary from these evaluations, and such variations could be material. Hence, although the company understands the life expectancy of each of its assets, the life of an asset may be shorter than anticipated. Among other things, evaluations are based, in part, on the assumed success of exploration activities intended to be undertaken in future years. The reserves, resources and estimated cash flows contained in such evaluations will be reduced to the extent that such exploration activities do not achieve the level of success assumed in the evaluations, and such reductions may have a material adverse effect on the company’s business, results of operations, cash flow and financial condition.

The company may become a target of cyber-attacks

The company could be a target of cyber-attacks designed to penetrate the security of its network or internal systems, misappropriate proprietary information, commit financial fraud and/or cause interruptions to the company’s activities, including a reduction or halt in production. Such attacks could include adversaries obtaining access to company systems, the introduction of malicious computer code or denial of service attacks. Such actual or perceived breaches of network security could adversely affect the company’s business or reputation, and may create exposure to the loss of information, litigation and possible liability.

Changes in taxation and regulations for the petroleum industry

There is no assurance that future political conditions in Norway will not result in the government adopting different policies for petroleum taxation. In the event of changes to this tax regime, it could lead to new investments being less attractive and challenge further growth of the company.

Furthermore, the amounts of taxes could also change significantly as a result of new interpretations of the relevant tax laws and regulations or changes to such laws and regulations. In addition, tax authorities could review and question the company’s tax returns leading to additional taxes and tax penalties which could be material.

The Norwegian Government has implemented a tax reform in Norway. The tax reform has, inter alia, led to a reduction in the general corporate tax rate, while the special petroleum tax rate has been increased. The overall effect of the rate changes for the petroleum sector is that the total marginal tax rate of 78% has remained unchanged. Further tax reform may result in changes in the Norwegian tax system (which may include changes in the tax treatment of interest costs and to withholding tax on interest payments) that may affect our current and future tax positions, net income after tax and financial condition.

The company may require additional capital, which may not be available on favorable terms

The company’s future capital requirements depend on many factors, including whether the company’s cash flow from operations is sufficient to fund the company’s business plans. The company may need additional funds in the longer term in order to further develop exploration and development programs or to acquire assets or shares of other companies. In particular, the development projects require significant capital expenditures in the years to come. Even though the company has taken measures to ensure a solid financial basis for the development projects, the company cannot assure that it will be able to generate or obtain sufficient funds to finance the projects. In particular, given the extensive scope of the projects, any unforeseen circumstances or actions to be dealt with that are not accounted for, may result in a substantial gap between estimated and actual costs. Thus, the actual costs necessary to carry out the projects may be considerably higher than currently estimated. These investments, along with the company’s ongoing operations, may be financed partially or wholly with debt, which may increase the company’s debt levels above industry standards.

The company may also have to manage its business in a certain way to service its debt and other financial obligations. Should the financing of the company not be sufficient to meet its financing needs, the company may, among other things, be forced to reduce or delay capital expenditures or research and development expenditures or sell assets or businesses at unanticipated times and/or at unfavorable prices or other terms, or to seek additional equity capital or to restructure or refinance its debt. There can be no assurance that such measures would be successful or would be adequate to meet debt and other obligations as they come due, or would not result in the company being placed in a less competitive position.

The general financial market conditions, stock exchange climate, interest level, the investors’ interest in the company, the share price of the company, as well as a number of other factors beyond the company’s control, may restrict the company’s ability to raise necessary funds for future growth and/or investments. Thus, additional funding may not be available to the company or, if available, may not be available on acceptable terms. If the company is unable to raise additional funds as needed, the scope of its operations may be reduced and, as a result, the company may be unable to fulfill its long-term development program, or meet its obligations under its contracts, which may ultimately be withdrawn or terminated for non-compliance. The company may also have to foreclose or forego various opportunities, curtail its growth and/or reduce its assets. This could have a material adverse effect on the company’s business, prospects, financial condition, results of operations and cash flows, and on the company’s ability to fund the development of its business.

The company is exposed to interest rate and liquidity risk associated with its borrowing portfolio and fluctuations in underlying interest rates

The company’s long-term debt is primarily based on fixed interest rates. The company has covenants related to its financial commitments. Failure to comply with financial covenants and other covenants may entail material adverse consequences, including the need to refinance, restructure, or dispose of certain parts of the company’s businesses in order to fulfill the company’s financial obligations and there can be no assurances that the company in such event will be able to fulfill its financial obligations.
Changes in foreign exchange rates may affect the company’s results of operations and financial position

The company is exposed to market fluctuations in foreign exchange rates due to the fact that the company reports profit and loss and the balance sheet in USD. Revenues are in USD for oil and in GBP and EUR for gas, while operational costs and investments are in several other currencies in addition to USD. Moreover, taxes are calculated and paid in NOK. The company actively manages its foreign currency exposure through a mix of forward contracts and options, however significant fluctuations in exchange rates between USD and NOK could adversely affect the liquidity position of the company. The COVID-19 crisis has so far resulted in a strengthened USD against NOK, which generally has positive impact on the company’s financial measures as most revenue is in USD while much of the expenditure is in NOK. However, volatility in exchange rates generally represents increased risk for the company.

The company is exposed to risk of counterparties being unable to fulfil their financial obligations

The company’s partners and counterparties consist of a diverse group of companies with no single material source of credit risk. However, a general downturn in financial markets and economic activity may result in a higher volume of late payments and outstanding receivables, which may in turn adversely affect the company’s business, operating results, cash flows and financial condition.

The company is vulnerable to adverse market perceptions

The company is vulnerable to adverse market perception as it must display a high level of integrity and maintain the trust and confidence of investors, license participants, public authorities and counterparties. Any mismanagement, fraud or failure to satisfy fiduciary or regulatory responsibilities, allegations of such activities, or negative publicity resulting from such other activities, or the association of any of the above with the company could materially adversely affect our reputation and the value of our brand, as well as our business, results of operations, cash flow and financial condition.

The company is dependent on realization of new technologies and digitalizing the value chain

Technology and digitalization is an important part of the company’s strategy and we strongly believe those will contribute to Aker BP’s growth and improved efficiency. Inefficient implementation of such technologies and digitalization could have a negative effect on the company’s strategy and reputation. We also recognize that the development of new technologies and digitalization may require additional funding and support beyond what is expected, and such consequences may adversely affect our reputation, cash-flow, and potentially financial condition.

Violation of anti-bribery or anti-corruption laws risk

Anti-bribery, anti-corruption, including tax-evasion and anti-money laundering laws apply to the company, potential future joint ventures and associates in countries in which we do business. Any violation of such laws and regulations could have a material adverse effect on our cash flows and financial condition.

The company is dependent on Senior management and discontinuity may pose a risk

The company operates in a competitive environment, and its future growth prospect depends upon its ability to access executive and senior management and key personnel. Execu-
tive or senior personnel may terminate employment with the company rendering certain knowledge and skills in shortage. Large numbers of personnel leaving the company in a short timeframe could be a significant challenge to replace or finding alternatives to recover. If we are unable to fill positions and retain executive and senior management and key personnel with needed skills and expertise, it could have a longer-term adverse effect on our business, financial position and results of operations.

Company financial reporting routines – errors and omissions risk

Although the company continuously strives for accurate, transparent and comprehensive financial reporting, errors and omissions may penetrate our control mechanisms. Such errors and omissions, should they be significant, could drain senior management attention and require measures diverting efforts and prospects for growth. Inaccuracies could adversely affect our strategic decision making, productivity, slow growth and therefore might impact our cash-flow and financial condition. The company’s reputation and goodwill could also be adversely affected.

The company may be exposed to more stringent HSSE laws and regulations

The company’s operations are subject to extensive HSSE regulatory requirements that may change and are likely to become more stringent over time. Government could require operators to adjust their future production plans, effecting production and costs. We could incur additional costs in the future due to compliance with these requirements or as a result of violations of, or liabilities under, laws and regulations, such as fines, penalties, clean-up costs and third-party claims. Therefore, HSSE risks, should they materialize, may result in material negative effect to our financial condition.

The company may be subject to insufficient insurance coverage

The company could be subject to losses from risks related to insufficient insurance. The company’s insurance policy is continually renewed and negotiated through agents and the market. The company could face a situation where the coverage either is not sufficient or the policy does not grant coverage, which may result in material negative effects to the company’s financial condition.

The company may be engaged in litigation arising from other risk factors

The company may face litigation arising from other risk factors. Litigation in a variety of jurisdictions could result in substantial costs (including civil or criminal penalties, or both, damages or the imposition of import trade measures), require the company to devote substantial resources and divert management attention, which may result in a negative effect on the financial condition.

Events after the reporting period

During first quarter 2020, the spread of the COVID-19 virus (corona) has caused global disruption with negative consequences both for human health and economic activity. Aker BP has implemented measures to minimize the spread of the virus and minimize the risk of disruptions to its operations.

The corona situation has created significant uncertainty in the global oil market. This uncertainty has been further amplified by signals of increased production volumes from several major oil producing countries and has caused a significant decline in global oil prices.

The long-term impact from these events on the global economy and the oil market is difficult to predict. From an accounting perspective, this could have a significant impact on recoverable amounts of Aker BP’s assets.

On 8 January 2020, the company issued USD 500 million 3.00 percent Senior Notes due 2025 and USD 1 billion 3.75 percent Senior Notes due 2030.

On 15 January 2020, Aker BP was offered 15 new licenses, including 9 operatorships in the Awards in Predefined Areas (APA) 2019 licensing round.

On 11 February 2020, Aker BP announced that the company had entered into an agreement with PGNiG Upstream Norway AS to swap its 3.3 percent interest in the non-operated Gina Krog field and an 11.9175 percent interest in license 172C, in exchange for a 5 percent interest and operatorship in license 838 and a cash consideration. The transaction is subject to approval by the Norwegian authorities.

On 24 February 2020, Aker BP disbursed USD 212.5 million in dividends to shareholders.

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REPORTING OF PAYMENTS TO GOVERNMENTS

This report is prepared in accordance with the Norwegian Accounting Act Section § 3-3 d) and Securities Trading Act § 5-5 a). It states that companies engaged in activities within the extractive industries shall annually prepare and publish a report containing information about their payments to governments at country and project level. The Ministry of Finance has issued a regulation (F2012.13 nr 1682 - “the regulation”) stipulating that the reporting obligation only apply to reporting entities above a certain size and to payments above certain threshold amounts. In addition, the regulation stipulates that the report shall include other information than payments to governments, and it provides more detailed rules applicable to definitions, publication and group reporting.

The management of Aker BP has applied judgment in the interpretation of the wording in the regulation with regard to the specific type of payment to be included in this report, and on what level it should be reported. When payments are required to be reported on a project-by-project basis, it is reported on a field-by-field basis. Only gross amounts on operated licenses are reported, as all payments within the license performed by non-operators will normally be cash calls transferred to the operator and will as such not be payments to the government.

REPORTING OF PAYMENTS

The regulation’s Section 2 no. 5 defines the different types of payments subject to reporting. In the following sections, only those applicable to Aker BP will be described.

Income tax
The income tax is calculated and paid on corporate level and is therefore reported for the whole company rather than license-by-license. The tax payments in 2019 of NOK 5,410 506,720 (including interest) are mainly related to tax instalments for the income year 2018 and income year 2019.

CO₂ tax
CO₂ tax is to some extent included in the fuel price/rig rental paid to external rig companies. The CO₂ tax paid on the Alvheim field includes the fields tied in to the Alvheim FPSO (Vilje, Volund and Bøyla) as Alvheim performs the payment and charges the other fields via opex share.

<table>
<thead>
<tr>
<th>Name of field/license</th>
<th>CO₂ tax paid in 2019 (NOK)</th>
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</thead>
<tbody>
<tr>
<td>Alvheim</td>
<td>97 108 741</td>
</tr>
<tr>
<td>Ivar Aasen</td>
<td>9 444 645</td>
</tr>
<tr>
<td>Hod</td>
<td>499 255</td>
</tr>
<tr>
<td>Valhall</td>
<td>12 759 856</td>
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<tr>
<td>Ula</td>
<td>76 835 053</td>
</tr>
<tr>
<td>Skarv</td>
<td>176 400 910</td>
</tr>
<tr>
<td><strong>Total CO₂ paid</strong></td>
<td><strong>373 048 460</strong></td>
</tr>
</tbody>
</table>

NOx
The company is member of the NOx fund and all NOx payments are made to this fund rather than to the government.
The table below specifies the area fee paid by Aker BP on behalf of the different licenses in 2019. Licenses of which the company has received net refund of area fee are not included in the figures.

<table>
<thead>
<tr>
<th>Name of field/license</th>
<th>Area fee paid in 2019 (NOK)</th>
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<tbody>
<tr>
<td>Alvheim</td>
<td>9 249 369</td>
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<td>Hod</td>
<td>2 695 000</td>
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<tr>
<td>Skarv</td>
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<tr>
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<tr>
<td>Val</td>
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Aker BP ASA (Aker BP) aims to ensure the greatest possible value creation to shareholders and society over time in a safe and prudent manner. A good management and control model with a clear division of responsibility and roles between the owners, represented by the shareholders in the General Meeting, the Board of Directors and corporate management is crucial to achieve this.

### 1. Implementation and reporting on corporate governance

The Board of Aker BP is responsible for actively adhering to sound corporate governance standards.

Aker BP is a Norwegian public limited liability company (ASA), listed on the Oslo Stock Exchange and established under Norwegian laws. In accordance with the Norwegian Accounting Act, section 3-3b, Aker BP includes a description of principles for corporate governance as part of the Board of Directors’ Report in the annual report or alternatively makes a reference to where this information can be found.

The Norwegian Corporate Governance Board (NCGB) has issued the Norwegian Code of Practice for Corporate Governance (the Code). The Code can be found on www.nues.no. Adherence to the Code is based on the “comply or explain” principle, which means that a company must comply with all the recommendations of the Code or explain why it has chosen an alternative approach to specific recommendations.

The Oslo Stock Exchange requires listed companies to publish an annual statement of their policy on corporate governance in accordance with the Code in force at the time. Continuing obligations for companies listed on the Oslo Stock Exchange is available at www.oslobors.no.

Aker BP complies with the current edition of the Code, issued on 17 October 2018, unless otherwise specifically stated. The following statement on corporate governance is structured in the same way as the Code, thus following the 15 chapters included in the Code.

**Deviations to the code:** None

### 2. Business

According to Aker BP’s Articles of Association article 3, its objective is “to carry out exploration for, and recovery of, petroleum and activities related thereto, and, by subscribing for shares or by other means, to participate in corresponding businesses or other business, alone or in cooperation with other enterprises and interests”. Further information about the Articles of Association is available at: http://www.akerbp.com/en/investor/corporate-governance/articles-of-association/.

Through an annual strategy process, the Board defines and evaluates the company’s objectives, main strategies and risk profiles for the company’s business activities such that the company creates value for shareholders. Together with the company’s financial status, these objectives are communicated to the market.

It is Aker BP’s vision to create the leading independent offshore exploration and production (E&P) company. In order to achieve this, the company will carry out exploration, development and production activities and be opportunistic in its approach to M&A, including buying and selling interests in companies, fields and discoveries.

In the beginning of 2020, the spread of the COVID-19 virus has created increased uncertainty and disruption to the global economy. The situation will affect the company’s business activities, and it is the Board’s objective to make sure Aker BP is taking all necessary measures to protect its people and operations from the virus, and to make sure the company is prepared to handle the potential operational and financial consequences of the situation. Any updates to the company’s business plan and/or objectives resulting from this situation will be communicated to the market following Aker BP’s procedures for information and communications (cf. chapter 13 of this report).
The company has adopted a Code of Conduct to ensure that employees, hired personnel, consultants and others acting on behalf of Aker BP, operate in a consistent manner with respect to ethics and good business practice. The Code of Conduct clarifies the company’s fundamental ethical values, including corporate social responsibility and is a guideline for those making decisions on behalf of the company. The Code of Conduct is available on the website http://www.akerbp.com/en/about-us/code-of-conduct/.

The company demonstrates responsibility through actions, the quality of its work, the projects and products and all its activities. The company’s ambition is that business activities shall integrate social, ethical and environmental goals and measures. As a minimum, Aker BP will comply with laws, regulations and conventions in the areas where the company operates, but the established set of ethical guidelines extends beyond such compliance. Established procurement procedures secure non-discrimination and transparency in the procurement processes. It is also stated in the Code of Conduct that any form of corruption is not tolerated. Aker BP’s Anti-Corruption Policy sets out in more detail the company’s expectations with regard to the actions of Aker BP Representatives and Business Partners and is available on the website: https://www.akerbp.com/en/about-us/code-of-conduct/aker-bp-anti-corruption-policy/.

In addition, the company has a sponsorship program to promote the company and its activities. Guidelines for the use of sponsorships are included in the Code of Conduct. Aker BP supports measures that are directly related to the company’s business as an oil company, measures that improve the company’s profile and measures that can be of benefit for the employees. Examples of the company’s ongoing sponsorships is described in Aker BP’s Sustainability Report.

The company integrates considerations related to its stakeholder into its value creation and shall achieve its objectives in accordance with the Code of Conduct. In Aker BP’s annual Sustainability Report, the company describes its business activities in terms of sustainability performance and development, including information on matters that relate to human rights, employee rights and social matters, the external environment, the prevention of corruption, the working environment, equal treatment, discrimination and environmental impact. The report is available on the website: https://www.akerbp.com/en/investor/reports/sustainability-report/.

Deviations to the code: None

3. Equity and dividends

The Board seeks to optimize the company’s capital structure by balancing risk, return on equity against lenders’ security and liquidity requirements. The company aims to have a good reputation in all debt and equity markets. The Board continuously evaluates the company’s capital structure, ensuring a capital and debt structure that is appropriate to the company’s objective, strategy and risk profile. This involves monitoring available funding sources and related cost of capital.

It is the company’s goal that over time, Aker BP’s shareholders shall receive a competitive return on their investment through increased share price and cash dividends. The Annual General Meeting (AGM) in April 2019 authorized the Board to approve the distribution of dividends based on the approved annual accounts for 2018. The background of this proposal was to facilitate the company’s aim to distribute dividends quarterly. In 2019, the company paid USD 750 million (USD 2.0288 per share) in dividends to shareholders.

The company’s financial liquidity is considered to be good, although the near-term cash flow outlook has deteriorated due to the recent drop in global oil prices. At 31 December 2019, the company’s cash and cash equivalents were USD 107 million. In addition, available undrawn amounts on committed credit facilities were USD 2.55 billion. Aker BP is currently rated by three rating agencies, S&P, Fitch and Moody’s. During 2019, S&P and Fitch announced investment grade ratings (BBB-) on Aker BP, strengthening our credit profile. Rating from Moody’s is one notch lower at Ba1. All ratings had stable outlook as of year end 2019. The risk of downgrades to the credit ratings has increased as a result of the COVID-19 situation and the recent drop in global oil prices.

At year-end 2019, the company’s book equity was USD 2.37 billion, which represents 19 percent of the balance sheet total of USD 12.27 billion. The market value of the company’s equity was USD 11.81 billion (NOK 103.71 billion) on 31 December 2019. As pointed out in March 2019, the market value of the company’s equity has fallen sharply.

The company is prepared to make necessary adjustments in the investment plans and shareholder distributions in order to protect the liquidity and the robustness of its balance sheet, and to retain its investment grade (IG) credit profile.

In April 2019, the AGM authorized the Board to increase the share capital by a maximum of NOK 18,005,675, representing up to five percent of the total share capital at the time of such meeting. The authorization can be utilized for share capital increases, mergers, demergers or other transactions, i) of investment or for subsequent sale or cancellation of such shares and ii) in connection with the share savings plan for employees. The mandate is valid until the AGM in 2020. At 31 December 2019 the mandate had only been used in part and in connection with the share savings plan for employees. The company’s employees subscribed for a total of 521,815 shares (0.14 percent of total shares outstanding). After delivery of these shares, Aker BP held zero treasury shares.

Deviations to the code: None

4. Equal treatment of shareholders and transactions with close associates

The company has one class of shares and all shares carry the same rights.

When the company considers it to be in the best interest of shareholders to issue new equity there is a clear objective to limit the level of dilution. Aker BP will carefully consider alternative financing options, its overall capital structure, the purpose and need for new equity, the timing of such an offering, the offer share price, the financial market conditions and the need for compensating existing shareholders in the event that pre-emption rights are waived. Arguments for waiving pre-emption rights will be clearly stated.

In the event that the Board decides to use its current authorization to re-purchase company shares, the transactions will be carried out through the stock exchange or at prevailing stock exchange prices if carried out in any other way.

At 31 December 2019, Aker Capital AS owned 40 percent and BP P.L.C. owned 30 percent of Aker BP. Aker Capital AS is a wholly-owned subsidiary of Aker ASA, Aker ASA and BP P.L.C. accounts for Aker BP in accordance with the equity method.

Aker BP is committed to equal treatment of all shareholders. The Board is of the view that it is positive for Aker BP that Aker ASA and BP P.L.C. assume the role of active owners and are actively involved in matters of major importance to Aker BP and to all shareholders. The cooperation with Aker ASA and BP P.L.C. offers Aker BP access to expertise and resources within upstream business activities, technology, strategy, transactions and funding. It may be necessary to offer Aker ASA and BP P.L.C. special access to commercial information in connection with such cooperation. Any information disclosed to Aker ASA’s and BP P.L.C’s representatives in such a context will be disclosed in compliance with the laws and regulations governing the stock exchange and the securities market.

Applicable accounting standards and regulations require Aker ASA and BP P.L.C. to prepare their consolidated financial statements to include accounting information of Aker BP. Aker BP is considered an associate of Aker ASA and BP P.L.C. under the applicable accounting standard. In order to comply with these accounting standards, Aker ASA and BP P.L.C. have in the past received, and will going forward receive, unpublished accounting information from Aker BP. Such distribution of unpublished accounting information from Aker BP to Aker ASA and BP P.L.C. is executed under strict confidentiality and in accordance with applicable regulations on the handling of inside information.

The Board recognizes Aker ASA’s and BP P.L.C’s contribution as active shareholders. Investor communication seeks to ensure that any shareholders are able to contribute, and management will actively meet with and seek the views of shareholders.

Aker BP has no related parties, as defined in the Public Limited Liability Company Act ("Almernskaploven"). The company has nevertheless established procedures for transactions with such parties and also extended these to include Aker ASA. The Board of Directors and executive management are very conscious that all relations with Aker ASA and BP P.L.C., its subsidiaries and other companies in which Aker ASA or BP P.L.C. have ownership interests or entities they have significant control over, shall be premised on commercial terms and are entered into on an arm’s-length basis. Transactions with Aker and BP controlled companies are described in the financial statements’ disclosure about transactions with related parties.

Deviations to the code: None
5. Shares and negotiability

Aker BP’s shares are freely negotiable securities and the company’s Articles of Association do not impose any form of restriction on their negotiability.

The company’s shares are listed on the Oslo Stock Exchange and the company works actively to attract the interest of new Norwegian and foreign shareholders. Strong liquidity in the company’s shares is essential if the company is to be viewed as an attractive investment and thus achieve a low cost of capital.

Deviations to the code: None

6. General meetings

The General Meeting of shareholders is the company’s highest authority. The Board strives to ensure that the General Meeting is an effective forum for communication between the shareholders and the Board and encourages shareholders to participate in the meetings.

The Board can convene an extraordinary General Meeting at any time. A shareholder or a group holding at least five percent of the company’s shares can request an extraordinary General Meeting. The Board is then obliged to hold the meeting within one month of receiving the request.

Preparation for General Meetings

The AGM is normally held before the end of April each year, and no later than the end of June, which is the latest date permitted by the Public Limited Liability Companies Act. The date of the next AGM is normally included in the company’s financial calendar, which is available at https://www.akerbp.com/en/investor/financial-calendar/

The notice of a General Meeting is sent to shareholders and published on the company’s website and the stock exchange, no later than 21 days prior to the meeting.

Article 7 of the company’s Articles of Association, about the General Meeting, stipulates that documents concerning matters to be considered by the General Meeting will be made available to the shareholders on the company’s website. This also applies to documents that are required by law to be included or enclosed with the notice of the General Meeting.

Participation in a General Meeting

The Board ensures that the company’s shareholders can participate in the general meeting. According to Article 7 in the Articles of Association, the right to attend and vote at the General Meeting can only be exercised when the share transaction is recorded in the shareholder register no later than the fifth business day prior to the General Meeting (registration date).

Shareholders who are unable to attend a General Meeting are encouraged to vote by proxy. A form for the appointment of a proxy, which allows separate voting instructions to be given for each matter to be considered by the meeting, is included with the notice. The deadline for registration is set as close as possible to the date of the meeting, normally the day before.

Conduct of a General Meeting and agenda for AGM

The Board proposes the agenda for the AGM. The main agenda items are determined by the requirements of the Public Limited Liability Companies Act and Article 7 in the company’s Articles of Association.

Before the AGM, the Board will nominate a person who can vote on behalf of shareholders as their authorized representative. Shareholders may cast their votes in writing, including by means of electronic communication, in a given period prior to the General Meeting. Appropriate arrangements are made for shareholders to vote separately on candidates nominated for election to the company’s corporate bodies.

Aker BP’s General Meetings are chaired by the person elected by the General Meeting.

The Code states that it is appropriate that all members of the Board should attend General Meetings. Representatives from the Board, the nomination committee, the auditor and the executive management will attend the AGM.

Minutes of General Meetings are published on the company’s website and through a stock exchange announcement.

Deviations from the code: The code recommends that all members of the Board are present at the General Meeting and that the chairman of the Nomination Committee should attend the AGM. Due to the nature of discussions at General Meetings, Aker BP has not deemed it necessary to require all Board members and the chairman of the Nomination Committee to be present.

7. Nomination committee

Article 8 in the company’s Articles of Association stipulates that the Nomination Committee shall consist of three members elected by the General Meeting. It also stipulates that the majority of the members shall be independent of the Board and the executive management and that the members shall be elected for a period of two years at a time. The committee’s remuneration is determined by the General Meeting.

At the AGM in April 2019, Arild Staren Frick was re-elected as the Chair of the Nomination Committee for two years. Finn Haugan and Hilde Myrberg were re-elected as members of the Nomination Committee for two years in 2018. No members of the committee are members of executive management or the Board of Aker BP.

The Nomination Committee should be composed in such a way that it represents a wide range of shareholders’ interests. If possible, both genders should be represented in the committee. The Nomination Committee’s duties are also stated in Article 8 in the Articles of Association. The committee shall propose candidates and remunerations to the Board of Directors and the Nomination Committee and justify its recommendation for each candidate separately.

Shareholders have an opportunity to submit proposals to the committee. The electronic mailbox for submitting proposals to the committee, with deadlines for submitting proposals where such apply, is accessible through the company’s website at http://www.akerbp.com/proposecandidate/.

Deviations from the code: None

8. Board of Directors: Composition and independence

The Board of Aker BP consisted of eleven members at 31 December 2019. The company’s Articles of Associations Article 5 stipulates that the Board shall consist of up to twelve members.

The general meeting elects the Chairman of the Board. The term of office for members of the Board is two years at a time.

Among the shareholder-elected Board members, two (Kjell Ingge Rakke and Øyvind Eriksen) are affiliated with the company’s largest shareholder Aker ASA. Among the shareholder-elected Board members, two (Bernard Looney and Kate Thomson) are affiliated with the company’s second largest shareholder BP P.L.C.. All other Board members are considered independent of the company’s two main shareholders, as well as of the company’s material business contacts. All Board members are considered independent of the company’s executive personnel.

In 2019, the Board conducted a total of 10 Board meetings. Participation was 92 percent.

The Board composition ensures alignment of interests with all shareholders and members of the Board are encouraged to own shares in the company. It is the Board’s view that the Board collectively meets the need for expertise, capacity and diversity. Board members possess strong experience from banking and finance, oil and gas sector in general, and reservoir engineering, exploration and field development in particular.


Deviations from the code: None

9. The work of the board of directors

The Board has authority over and is responsible for supervising the company’s business operations and management and has adopted a yearly plan for its activities. The Board handles matters of major importance, or of an extraordinary nature and may in addition require management to refer any matter to it. The objectives of the Board’s work are to create value for the company’s shareholders in both the short and long term and to ensure that Aker BP fulfills its obligations at all times. An important task for the Board is to appoint the CEO and while the CEO is responsible for the day-to-day management of the company’s business activities, the Board acknowledges its responsibility for the overall management of the company. The Board is responsible for:

A. Drawing up strategic plans and supervising these through regular reporting and reviewing,
B. Identifying significant risks to Aker BP’s activities and establishing appropriate systems to monitor and manage such risks,
C. Ensuring that shareholders have access to timely and correct information about financial circumstances and important business-related events in accordance with relevant legislation, and
D. Ensuring the establishment and securing the integrity of the company’s internal control and management systems.

D. Ensuring the establishment and securing the integrity of the company’s internal control and management systems.
The Board recognizes the significant risks associated with operations. Consequently, the Board has dedicated significant resources and time to understand and discuss not only general risks facing an E&P company, but also inherent risks connected to organization, culture and leadership. For a company like Aker BP, the Board views the risks in taking on an operated development project and meeting the required financing for its entire portfolio as well as taking on operated assets, to be among the most significant risks. Accordingly, this is where the mitigating efforts are concentrated.

The work of the Board is based on the rules of procedure describing the Board’s responsibility including the division of roles between the Board and the CEO. There are specific instructions to guide the work of the CEO. The CEO, CFO and the company secretary attend all Board meetings. Other members of the company’s executive management attend the Board meetings by invitation and as necessary due to specific matters. If the Chair of the Board has been personally involved in matters of a material character, the Deputy Chair takes over the tasks of the chair directing the Board’s work in the specific matter.

Considering the size of the company and the scope of its activities, the Board finds it appropriate to keep all Board members informed about all Board matters, except for cases where Board members may have conflicting interests with the company. The Board carried out a self-evaluation of its own performance for 2019 which included an evaluation of the Board’s competence and potential areas for strengthening this competence.

The Board ensures that members of the Board of Directors and executive personnel make the company aware of any material interests that they may have in items to be considered by the board of directors. The company’s Code of Conduct provides clear guidelines as to how employees and representatives of the company’s governing bodies should act in situations where there is a risk of conflicts of interest and partiality.

**Audit and Risk Committee**

The Board has established an Audit and Risk Committee consisting of the following Board members:

- Trond Brandsrud, Chair
- Anne Marie Cannon
- Kate Thomson

All members are independent of the company’s executive management. Anne Marie Cannon sits on the Board of Directors in Aker Energy AS, which is 50 percent owned by Aker ASA (the largest shareholder in Aker BP). Kate Thomson is Group Treasurer for BP P.L.C.

The Chair of the Audit and Risk Committee is considered to have experience and formal background qualifying as “financial expert” according to the requirement stated in the Public Limited Liability Company Act. In the period 2016-2017 Trond Brandsrud was Chief Financial Officer at Lindorff. From 2010 to 2015, he was the Chief Financial Officer of Aker ASA. He has also been Chief Financial Officer in Seadrill, and he has held several leading financial positions in Shell for 20 years, both in Norway and globally.

The Audit and Risk Committee holds regular meetings and reviews the quality of all interim and annual reports before they are reviewed by the Board of Directors and then published. In 2019, the committee held eight meetings.

The company’s auditor works closely with the Audit and Risk Committee and attended all meetings during the year. The committee also oversees the company’s financial risk management and monitors and reviews the company’s business risk. The management and the Audit and Risk Committee evaluate the risk management on financial reporting and the effectiveness of established internal controls. Identified risks and effects of financial reporting are discussed on a quarterly basis.

It is the view of the committee that cooperation between the auditor and executive management is good. The Audit and Risk Committee has worked together with executive management and the auditor to improve the internal control environment according to the principles of the COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework over the last four years.

**Oversight of HSSE and operational risks**

Oversight of HSSE and operational risks is retained directly by the Board. In addition, the Board has established a committee to strengthen the administration work on health, safety, cyber security and environmental matters. The committee reports to the Board on a quarterly basis and consists of the following eight members:

- Fawas Bitar, Head of Chief Executive Upstream’s Office, BP - Chair of the committee
- Karl Johnny Hersvik, CEO, Aker BP
- Marit Blaasmo, SVP HSSEQ, Aker BP
- Kjetil Digre, SVP Operations & Asset Development, Aker BP
- Knut Sandvik, SVP Projects, Aker BP
- Ariel Flores, Head of North Sea, BP
- Tony Brook, Head of Safety and Operational Risk, BP

The committee reviews risks related to operating activities. The committee shares experiences and practices in the HSSE area, learnings from incidents and aligns leadership experiences on common areas of focus in relation to management of safety and operational risks. In 2019, the committee held four meetings.

**Compensation and Organizational Development Committee**

The Board has a Compensation and Organizational Development Committee consisting of the following three Board members:

- Øyvind Eriksen, Chair
- Gro Kjelland
- Terje Solheim

The Compensation and Organizational Development Committee is established to ensure that remuneration arrangements support the strategy of the business and enable the recruitment, succession planning and leadership development, and motivation and retention of senior executives. It needs to comply with the requirements of regulatory and governance bodies, satisfy the expectations of shareholders and remain consistent with the expectations of the wider employee population. Further, the committee shall ensure that the overall organizational structure is set up to deliver on the company’s strategy going forward. In 2019, the committee held three meetings.

In addition to the Audit and Risk Committee and Compensation and Organizational Development Committee, the Board may appoint various ad hoc sub-committees when required, with a limited timeframe and scope. The authority of a sub-committee is limited to preparing items and making recommendations to the Board.

**Deviations from the code**

None

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**Risk management and internal control**

**Risk Management**

Appropriate internal control and risk management contributes to transparency and quality reporting for the benefit of the company, stakeholders, shareholders’ long-term interests and the operational challenges as an operator on the Norwegian continental shelf.

The company continuously and systematically operates a robust and transparent risk management process vertically and horizontally throughout the organization.

The company’s operational activities are limited to Norway and are subject to Norwegian regulations. All activities taking place in a production license are subject to supervision and audits from governmental bodies (e.g. the Petroleum Safety Authority Norway (Norwegian PSA) and the Norwegian Environment Agency), and license partners.

The Board considers risk in the context of growing a sustainable business while meeting governance, safety and accountability expected by stakeholders. The Board and the Audit and Risk Committee regularly review major risks identified and reported through the company Enterprise Risk Management process.

The Business Management System (BMS) is formed by a cultural framework and a structural framework and encompasses the company’s guidelines for how it integrates considerations related to stakeholders into its creation of value (Code of Conduct). The structural framework consists of twelve common governing models, the asset value chain and a set of technical support and business support process areas. The purpose of the process is to enable the company to maximize opportunities, minimize threats and optimize achievements of business objectives. Risk is addressed and managed throughout the asset value chain. One common way of working supported by a common infrastructure enables holistic risk management at all levels. The company’s risk response includes monitoring of enduring and emerging risks through continuous analysis and engagement with operational management. Mitigating processes and plans are developed for all significant risks. The company may consult external advisors to find the most appropriate and balanced risk response.

**Internal control for financial reporting**

Aker BP has established a framework for Internal Control for Financial Reporting based on the principles of the COSO (Committee of Sponsoring Organizations of the Treadway Commission) and is operationalized as follows:

- Internal Control Environment
- Risk Assessment
- Risk Response and Control Activities
- Information and communication
- Monitoring
The established framework is an integrated part of the company’s management system. The company’s internal control environment is characterized by clearly defined responsibilities and roles between the Board of Directors, Audit and Risk committee and management. The implemented procedure for financial reporting is integrated with the company’s management system, including ethical guidelines that describe how the representatives of the company must act.

The company has established processes, procedures and controls for financial reporting, which are appropriate for an exploration and production company. The company’s documented procedures are designed to provide:

- Effective and appropriate identification and mitigation of financial reporting risks
- Measurement of compliance against procedures
- Appropriate segregation of duties
- Provision of relevant, timely and reliable financial reporting that provides a fair view of Aker BP’s business
- Safeguard against fraudulent manipulation of reported figures
- Compliance with all relevant requirements of IFRS

A risk assessment related to financial reporting is performed and documented by management. Risk assessments are monitored by the Audit and Risk Committee on a quarterly basis as part of the quarterly reporting process. The Board of Directors approves the overall risk assessment related to financial reporting on an annual basis. In 2019, the following main risk areas were identified related to financial reporting:

- Impairment of goodwill, tangible and intangible assets – There is a risk that reductions in recoverable values below book values are not identified and recorded in an appropriate manner
- Tax – Complexity in tax regulations and calculation entail risk of error in financial reporting
- Asset retirement obligation - There is a risk of errors in the estimates and calculations during the ARO process

The company seeks to communicate transparently on its activities and its financial reporting based on significant interaction between financial reporting management and management responsible for exploration, development, production and decommissioning activities in the business. Key events that may affect the financial reporting are identified and monitored continuously. An “issue list” is established to summarize accounting and tax effects and judgment arising from events and activities. Both the auditor and the Audit and Risk Committee review and discuss the “issue list” at least on a quarterly basis.

The Finance Department monitors the compliance with established procedures and reports any material deviations to the Audit and Risk Committee. It also identifies actions to improve procedures and conducts a self-assessment of its performance against objectives, which are then presented and discussed with the Audit and Risk Committee.

In 2020, Aker BP will continue to focus on improvements of internal controls and further develop the ERP system that was implemented in 2018. The internal control environment has been evaluated and will be continuously improved as part of the new SAP solution for Aker BP.

Deviations from the code: None

11. Remuneration of the board of directors

The remuneration of the Board members is not performance-based but based on a fixed annual fee. None of the shareholder-elected Board members have pension schemes or termination payment agreements with the company. The company does not grant share options to members of the Board. Information about all remuneration paid to individual Board members is provided in Note 7 to the annual accounts.

The General Meeting decides the remuneration of the Board and the sub-committees. The Nomination Committee proposes the remuneration of the Board to the General Meeting and ensures that it reflects the responsibility of its members and the time spent on Board work. The Board must approve any Board member’s consultancy work for the company and remuneration for such work. No such work was carried out during 2019.

Deviations from the code: None

12. Remuneration of executive personnel

The Board makes guidelines for executive remuneration, including the CEO’s remuneration and other terms and conditions of employment. These guidelines set out the main principles applied in determining the salary and other remuneration of executive personnel and are addressed as a separate item at the General Meeting. Note 7 to the annual accounts contains details about the remuneration of the Board and Executive Management Team (EMT), including payroll, bonus payments and pension expenses.

Members of EMT are covered under the same budget, guidelines and limitations as onshore Aker BP employees in the annual salary review. The CEO base salary is determined by the Board.

The bonus for all employees, including the EMT, is determined by the performance on a set of company-wide performance indicators (KPIs) and the delivery on a set of carefully selected company priorities. These KPIs and company priorities are weighted equally. KPIs include measures on safety, production, production cost, reserve additions, value creation and shareholder return. Company priorities are either important improvement initiatives or activities with clear deliverables that are critical for the company’s future success.

The CEO has maximum bonus potential corresponding to 100 percent of his base salary. For other members of EMT, the limit is 60 percent. The maximum bonus for employees outside the EMT varies from 10 percent to 30 percent based on internal job grade.

In addition, certain members of the EMT participate in a five-year incentive program started in January 2019, through December 2023, linked to the relative performance of the Aker BP share price versus a benchmark index consisting of the average of the Oslo Stock Exchange Energy Index and the Stoxx 600 Europe Oil & Gas Index (both weighing 50 percent each). The incentive program payment is calculated as a linear function of market outperformance, where an outperformance of 30 percent or more will result in a payment of the maximum cap. The maximum total payment is capped at 200 percent of the executive manager’s annual base salary. The CEO incentive program has the same mechanics and start/end date and is capped at NOK 30 million.

The pension scheme continued to be a defined contribution plan capped at twelve times the National Insurance scheme basic amount (12G) for all employees including the executive management.

Deviations from the code: None

13. Information and communications

Aker BP maintains a proactive dialogue with analysts, investors and other stakeholders of the company. The company strives to continuously publish relevant information to the market in a timely, effective and non-discriminatory manner, and has a clear goal to attract both Norwegian and foreign investors and to promote higher stock liquidity. The company complies with the Oslo Stock Exchange Code of Practice for IR of 1 July 2019.

All stock exchange announcements are made available on the Oslo Stock Exchange website, www.newsweb.no, as well as the company’s website (www.akerbp.com) at the same time. The announcements are also distributed to news agencies and other online services.

Aker BP publishes its preliminary annual accounts by the end of February, as part of its fourth quarter report. The complete annual report, including approved and audited accounts and the Board of Directors’ Report, is available no later than three weeks before the AGM. Information sent to shareholders is published on the website simultaneously.

The company’s financial calendar for the coming year is published as a stock exchange announcement and made available on the company’s website no later than 31 December each year, in accordance with the continuing obligations for companies listed on the Oslo Stock Exchange.

Aker BP holds open presentations or conference calls in connection with the publication of the company’s quarterly results in addition to an annual capital markets update. The presentations are webcasted for the benefit of investors who are prevented from attending or do not wish to attend the presentations. At the presentations, executive management review and comment on the published results, market conditions and the company’s future activities.

The company’s management gives high priority to communicating with the investor market. Individual meetings are organized for a wide range of existing and potential new investors and analysts. The company also attends relevant industry and investor conferences.

Aker BP will reduce its contacts with analysts, investors and journalists in the final two weeks before publication of its results. During this period, the company will give no comments to the media or other parties about the company’s results and future outlook. This is to ensure that all interested parties in the market are treated equally.

Deviations from the code: None
14. Take-overs
The Board has established a separate set of guidelines for how it will act in the event of a takeover bid, as recommended by the Code. The overriding principle for review of a takeover bid is equal treatment of shareholders. The principles are based on the Board of Directors and management having an independent responsibility for fair and equal treatment of shareholders in a takeover process, and that the day-to-day operations of the company are not unnecessarily disturbed. It is management’s responsibility to ensure that the Board of Directors is made aware of any potential takeover bid, while the Board of Directors is responsible for ensuring that shareholders are kept informed and are given reasonable time to consider the offer.

Unless the Board of Directors has particular reason, it will not take steps to prevent or obstruct a takeover bid for the company’s shares, nor hinder the progress of the bid without approval from shareholders.

If an offer is made for Aker BP’s shares, the Board of Directors should make a statement to the shareholders that contains an assessment of the bid, the Board of Directors’ recommendations and the reason for the recommendation. If the Board of Directors is unable to make a recommendation to shareholders, the Board of Directors shall explain its reasoning for this.

Transactions that have the effect of a sale of the company or a major part of it must be decided on by shareholders at a shareholders’ meeting.

Deviations from the code: None

15. Auditor
The AGM elects the auditor and approves the auditor’s fee. The Board of Directors will meet with the auditor annually without representatives of company management being present, to review internal control procedures and discuss any weaknesses and proposals for improvement. The auditor is invited and participates in the Board meetings to discuss the annual accounts. In these meetings, the auditor reports on any material changes in the company’s accounting principles and key aspects of the audit, including matters on which there has been disagreement between the auditor and the executive management of the company.

The auditor participates in all meetings with the Audit and Risk Committee and meets the Audit and Risk Committee without the company’s management being present. The Board ensures that the auditor submits the main features of the plan for the annual audit of the company to the Audit and Risk Committee annually. The auditor’s independence in relation to the company is evaluated annually. The auditor may carry out certain audit related or non-audit services for the company, providing these are not in conflict with its duties as auditor. The company has established an audit and non-audit service policy.

In the annual financial statements, the auditor’s remuneration is split between the audit fee and fees for other services. In the presentation to the AGM, the chair presents a breakdown between the audit fee and fees for other services.

Deviations from the code: None
FINANCIAL STATEMENTS WITH NOTES

OVERVIEW OF THE FINANCIAL STATEMENTS AND NOTES

Income statement
Statement of comprehensive income
Statement of financial position
Statement of changes in equity - group and parent
Statement of cash flow
Notes to the accounts
Note 1 Summary of IFRS accounting principles
Note 2 Overview of subsidiaries
Note 3 Segment information
Note 4 Income
Note 5 Proved volumes and over/underlift adjustment
Note 6 Exploration expenses
Note 7 Parcel expenses and remuneration
Note 8 Auditors fee
Note 9 Financial items
Note 10 Taxes
Note 11 Earnings per share
Note 12 Tangible fixed assets and intangible assets
Note 13 Impairments
Note 14 Accounts receivable
Note 15 Other short-term receivables
Note 16 Inventories
Note 17 Other non-current assets
Note 18 Cash and cash equivalents
Note 19 Share capital and shareholders
Note 20 Bonds
Note 21 Provision for abandonment liabilities
Note 22 Derivatives
Note 23 Provisions for other liabilities
Note 24 Other interest-bearing debt
Note 25 Other current liabilities
Note 26 Lease agreements
Note 27 Commitments
Note 28 Transactions with related parties
Note 29 Financial instruments
Note 30 Investments in joint operations
Note 31 Events after the balance sheet date
Note 32 Classification of reserves and contingent resources (unaudited)
Statement by the Board of Directors and Chief Executive Officer
Alternative performance measures
Independent Auditor’s Report

INCOME STATEMENT

[USD 1,000]

<table>
<thead>
<tr>
<th>Note</th>
<th>Group 2019</th>
<th>Restated 2018</th>
<th>Group 2019</th>
<th>Restated 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before tax</td>
<td>1,337,241</td>
<td>1,972,481</td>
<td>1,337,241</td>
<td>1,972,481</td>
</tr>
<tr>
<td>Taxation (s) (incl. income (s))</td>
<td>1</td>
<td>10</td>
<td>943,204</td>
<td>1,324,619</td>
</tr>
<tr>
<td>Net profit</td>
<td>1,410,031</td>
<td>471,778</td>
<td>1,410,031</td>
<td>471,778</td>
</tr>
</tbody>
</table>

STEMEAT OF COMPREHENSIVE INCOME

[USD 1,000]

<table>
<thead>
<tr>
<th>Note</th>
<th>Group 2019</th>
<th>Restated 2018</th>
<th>Group 2019</th>
<th>Restated 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the period</td>
<td>141,031</td>
<td>471,778</td>
<td>141,031</td>
<td>471,778</td>
</tr>
<tr>
<td>Items which will not be reclassified over profit and loss (net of taxes)</td>
<td>-4</td>
<td>8</td>
<td>-4</td>
<td>8</td>
</tr>
<tr>
<td>Items which may be reclassified over profit and loss (net of taxes)</td>
<td>-</td>
<td>72,612</td>
<td>-</td>
<td>72,612</td>
</tr>
<tr>
<td>Reclassification to profit and loss</td>
<td>-</td>
<td>47,504</td>
<td>-</td>
<td>47,504</td>
</tr>
<tr>
<td>Total comprehensive income in period</td>
<td>141,046</td>
<td>540,676</td>
<td>141,046</td>
<td>540,676</td>
</tr>
</tbody>
</table>
### STATEMENT OF FINANCIAL POSITION

<table>
<thead>
<tr>
<th>(USD 1,000)</th>
<th>Group</th>
<th>Restated</th>
<th>Parent</th>
<th>Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Intangible assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goodwill</td>
<td>12</td>
<td>1,712,809</td>
<td>1,660,126</td>
<td>1,712,809</td>
</tr>
<tr>
<td>Capitalized exploration expenditures</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other intangible assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Tangible fixed assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Right-of-use assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Financial assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term receivables</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other non-current assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term derivatives</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td></td>
<td>11,908,183</td>
<td>10,087,710</td>
<td>11,908,183</td>
</tr>
<tr>
<td><strong>Inventories</strong></td>
<td>Inventories</td>
<td>16</td>
<td>87,539</td>
<td>93,179</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td>Accounts receivable</td>
<td>14</td>
<td>193,444</td>
<td>162,798</td>
</tr>
<tr>
<td>Tax receivables</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other short-term receivables</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term derivatives</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cash and cash equivalents</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td></td>
<td>718,803</td>
<td>621,661</td>
<td>718,803</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td></td>
<td>12,226,786</td>
<td>10,709,371</td>
<td>12,226,786</td>
</tr>
</tbody>
</table>

### STATEMENT OF FINANCIAL POSITION

<table>
<thead>
<tr>
<th>(USD 1,000)</th>
<th>Group</th>
<th>Restated</th>
<th>Parent</th>
<th>Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EQUITY AND LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>19</td>
<td>57,056</td>
<td>57,056</td>
<td>57,056</td>
</tr>
<tr>
<td>Share premium</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other equity</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td></td>
<td>2,367,585</td>
<td>2,976,539</td>
<td>2,367,585</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivatives</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term abandonment provision</td>
<td>21</td>
<td>2,645,420</td>
<td>2,447,558</td>
<td>2,645,420</td>
</tr>
<tr>
<td>Provisions for other liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term bonds</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term lease debt</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other interest-bearing debt</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade creditors</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued public charges and indirect taxes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax payable</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term debt</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term abandonment provision</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term lease debt</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td></td>
<td>9,819,201</td>
<td>7,732,833</td>
<td>9,819,201</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY AND LIABILITIES</strong></td>
<td></td>
<td>12,226,786</td>
<td>10,709,371</td>
<td>12,226,786</td>
</tr>
</tbody>
</table>

The Board of Directors and the CEO of Aker BP ASA
Amirkvaret, 19 March 2020

OYVIND EIKSEN
Chairman

ANNE MARIE CANNON
Deputy chair

BERNARD LOOMAN
Board member

TICNU BRANDERUD
Board member

KATE THOMSON
Board member

INGAR HAUSSBERG
Board member

ORHN HOILSTAD
Board member

THEL JOHANSEN
Board member

JOHNNY NESS
Chief Executive Officer
**RELATES TO CHANGE IN ACCOUNTING PRINCIPLE FOR REVENUE RECOGNITION, AS DESCRIBED IN NOTE 1.**

**STATEMENT OF CASH FLOW**

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>Restated</th>
<th>2018</th>
<th>Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flow from operating activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit before taxes</td>
<td>1,084,254</td>
<td>1,101,976</td>
<td>1,084,254</td>
<td>1,101,976</td>
</tr>
<tr>
<td>Taxes paid</td>
<td>-658,915</td>
<td>-655,062</td>
<td>-658,915</td>
<td>-655,062</td>
</tr>
<tr>
<td>Decrease in receivables</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Interest on receivables</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation</td>
<td>12</td>
<td>811,874</td>
<td>752,437</td>
<td>811,874</td>
</tr>
<tr>
<td>Net impairment losses</td>
<td>12</td>
<td>146,808</td>
<td>20,312</td>
<td>146,808</td>
</tr>
<tr>
<td>Acquisition expenses</td>
<td>9</td>
<td>121,723</td>
<td>120,377</td>
<td>121,723</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>9</td>
<td>199,569</td>
<td>200,124</td>
<td>199,569</td>
</tr>
<tr>
<td>Changes in derivatives</td>
<td>4</td>
<td>22,484</td>
<td>11,516</td>
<td>22,484</td>
</tr>
<tr>
<td>Amortization of caplease contracts</td>
<td>9</td>
<td>21,705</td>
<td>29,722</td>
<td>21,705</td>
</tr>
<tr>
<td>Payment of capitalized dry wells</td>
<td>6</td>
<td>174,419</td>
<td>65,852</td>
<td>174,419</td>
</tr>
<tr>
<td>Changes in inventories, accounts payable and receivables</td>
<td>34,369</td>
<td>-7,800</td>
<td>34,369</td>
<td>-7,800</td>
</tr>
<tr>
<td>Changes in other current balance sheets</td>
<td>98,567</td>
<td>27,764</td>
<td>98,567</td>
<td>27,764</td>
</tr>
<tr>
<td><strong>Net cash flow from operating activities</strong></td>
<td>1,185,140</td>
<td>1,379,370</td>
<td>1,185,140</td>
<td>1,379,370</td>
</tr>
</tbody>
</table>

**Cash flow from investing activities**

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>Restated</th>
<th>2018</th>
<th>Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payment for purchase of oil and gas</td>
<td>1,084,254</td>
<td>1,101,976</td>
<td>1,084,254</td>
<td>1,101,976</td>
</tr>
<tr>
<td>Cash paid in connection with capital projects</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash flow used in investing activities</strong></td>
<td>1,184,433</td>
<td>1,347,433</td>
<td>1,184,433</td>
<td>1,347,433</td>
</tr>
</tbody>
</table>

**Cash flow from financing activities**

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>Restated</th>
<th>2018</th>
<th>Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash provided by short-term debt</td>
<td>24</td>
<td>-</td>
<td>1,500,000</td>
<td>-</td>
</tr>
<tr>
<td>Net cash provided by long-term debt</td>
<td>24</td>
<td>1,425,222</td>
<td>1,425,222</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash provided by financing activities</strong></td>
<td>26</td>
<td>1,425,222</td>
<td>1,425,222</td>
<td>-</td>
</tr>
</tbody>
</table>

**Net increase in cash and cash equivalents**

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>Restated</th>
<th>2018</th>
<th>Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents at start of period</td>
<td>44,944</td>
<td>232,509</td>
<td>44,944</td>
<td>232,509</td>
</tr>
<tr>
<td>Effect of exchange rate fluctuations on cash held</td>
<td>-328</td>
<td>-2,216</td>
<td>-328</td>
<td>-2,216</td>
</tr>
<tr>
<td><strong>Net cash and cash equivalents at end of period</strong></td>
<td>107,504</td>
<td>44,944</td>
<td>107,504</td>
<td>44,944</td>
</tr>
</tbody>
</table>
GENERAL INFORMATION
Aker BP ASA ("Aker BP" or "the company") is an oil company involved in exploration, development and production of oil and gas on the Norwegian Continental Shelf (NCS).

The company is a public limited liability company registered and domiciled in Norway. Aker BP’s shares are listed on Oslo Stock Exchange (Oslo Børs) under the ticker AKERBP. The company’s registered business address is Økernveien 50, 1366 Lysaker, Norway.

Aker BP’s group consolidated financial statements comprise the parent company Aker BP ASA and the subsidiary Aker BP AS (previously Hess Norge AS) which was liquidated during 2018. For more information regarding subsidiaries, see note 2.

The financial statements were approved by the Board of Directors on 19 March 2020 and will be presented for approval at the Annual General Meeting on 16 April 2020.

Note 1
Summary of IFRS accounting principles

1.1 BASIS OF PREPARATION

The consolidated group and the company’s financial statements have been prepared in accordance with the Norwegian Accounting Act and International Financial Reporting Standards as adopted by the EU ("IFRS").

The financial statements have been prepared on a historical cost basis with the exception of the following accounting items which are measured on an alternative basis at each reporting date:
- Financial instruments at fair value through profit or loss
- Loans, receivables and other financial liabilities, which are recognized at amortized cost.

All amounts have been rounded to the nearest thousand unless otherwise stated. As a result of rounding adjustments, the figures in one or more rows or columns included in the financial statements and notes may not add up to the total of that row or column.

1.2 FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

The functional currency of Aker BP ASA and the presentation currency of the group is United States Dollars ("USD").

1.3 IMPORTANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that have an effect on the application of accounting principles and the reported assets, liabilities, income and expenses.

The significant judgments management has made regarding the application of accounting principles are as follows:

- **Goodwill allocation and methodology for impairment testing**
  For the purpose of impairment testing, goodwill is allocated to a cash-generating unit (CGU), or groups of CGUs that are expected to benefit from the synergies of the business combination from which it arose. The allocation of goodwill requires judgment and may significantly impact any subsequent impairment charge. Although not an IFRS term, "technical goodwill" is used by Aker BP to describe the category of goodwill arising as an offsetting account to deferred tax liabilities recognized in business combinations, as described in section 1.18 below. There are no specific IFRS guidelines pertaining to the allocation of technical goodwill, and management has therefore applied the general guidelines for allocating goodwill. In general, technical goodwill is allocated at the CGU level for impairment testing purposes, while residual goodwill may be allocated across all CGUs based on the facts and circumstances of the business combination.

- **Impairment testing**
  When performing the impairment test for technical goodwill, deferred tax liabilities recognized in relation to the acquired business combination are reclassified as an asset. The impairment test is performed at the CGU level, and the recoverable amount is determined based on fair value less cost to sell. The recoverable amount of a CGU is the higher of the value in use and fair value less cost to sell. The fair value of a CGU is estimated using discounted future cash flows to estimate the CGUs value in use or fair value. Proven and probable oil and gas reserves

- **Oil and gas reserves**
  Oil and gas reserves are estimated by the company’s experts in accordance with industry standards. The estimates are based on Aker BP’s own assessment of internal information and information received from operators. In addition, proven and probable reserves are certified by an independent third party. Proven and probable oil and gas reserves consist of the estimated quantities of crude oil, natural gas and condensates shown by geological and engineering data to be recoverable with reasonable certainty from known reservoirs under existing economic and operational conditions, i.e. on the date that the estimates are prepared. Current market prices are used in the estimates.

- **Proven and probable reserves and production volumes**
  Production volumes are calculated using the petroleum plate model ("PTP") method, which estimates production volumes from oil and gas fields by applying the unit-of-production method. Reserve estimates are based on geological and engineering data, including production, geological well data, recoverable reserves, and field performance history. The fair value of an asset or a liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability.

- **Impairment/reversal of impairment**
  Impairment losses are recognized in the financial statements if the recoverable amount of an asset or a CGU is below its carrying amount. The recoverable amount of an asset or CGU is the higher of the value in use and fair value less cost to sell. A CGU’s value in use is calculated based on discounted future cash flows. The value in use is reduced to the extent that the value in use of the CGU is lower than the book value (including any allocated goodwill). Estimates of recoverable value involve the application of judgment and assumptions, including in relation to the modelling of future cash flows to estimate the CGUs value in use or fair value.

The evaluation of impairment requires long-term assumptions concerning a number of often volatile economic factors, including future oil prices, oil production, currency exchange rates and discount rates. Such assumptions require the estimation of relevant factors such as long-term prices, the levels of capex and opex, production estimates and decommissioning costs. These evaluations are also necessary to determine a CGU’s fair value unless information can be obtained from an actual observable market transaction. See note 12. "Tangible fixed assets and intangible assets" and note 13 "Impairments" for details of impairments.

- **Decommissioning and removal obligations**
  The company has obligations to decommission and remove offshore installations at the end of their production period. Obligations associated with decommissioning and removal of long-term assets are recognized at present value of future expenditures at the date they are expected to be incurred. At the initial recognition of an obligation, the estimated cost is capitalized as a provision in the plant and depreciated over the useful life (typically by application of the unit-of-production method). There is significant future uncertainty in the estimate of costs for decommissioning and removal, as these estimates are based on currently applicable laws and regulations, and existing technologies. Many decommissioning and removal activities will take place many decades in the future, and the technology and related costs are expected to evolve in this time. The estimates include costs based on expected removal concepts using existing technology and estimated costs of maritime operations, hiring of lift-ship and heavy-lift barges and drilling rigs. As a result, there may be significant adjustments to the estimates of decommissioning liabilities and associated assets that can affect future financial results. See note 21. "Provision for abandonment liabilities" for further details about decommissioning and removal obligations.

- **Income tax**
  Income tax expense, tax payables or receivables, and deferred taxes are based on management’s interpretation of applicable laws. Whilst, income tax estimates and regulations, and on relevant court cases and opinions, are considered relevant. These estimates are dependent on management’s ability to interpret and apply the requirements of tax and other relevant legislation, and requires judgment in respect of the recognition and measurement of any disputed tax positions.

NOTES TO THE ACCOUNTS

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that have an effect on the application of accounting principles and the reported assets, liabilities, income and expenses. As a result of rounding adjustments, all amounts have been rounded to the nearest thousand unless otherwise stated.
1.4 FOREIGN CURRENCY TRANSACTIONS

Transactions and balances

Transactions denominated in foreign currencies are translated using the exchange rates at the reporting date. Foreign exchange gains and losses are recognized as incurred. Non-monetary items that are measured at historical costs in a foreign currency are translated using the exchange rates on the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated on the exchange rate on the date when the fair value is determined.

1.5 REVENUE RECOGNITION

Revenue from the sale of liquids or gas is recognized at the point in time when the company’s contractual performance obligations have been fulfilled and control is transferred to the customer, which will ordinarily be at the point of delivery when title passes (sales method).

There is no significant judgement applying IFRS 15 ‘Revenue from contracts with customers’ to the company’s revenue generating contracts.

Prior to 2019, the group recognized revenue on the basis of the proportionate share of production during the period, regardless of actual sales (entitlement method). Following development in IFRIC discussions relating to the interpretation of the entitlement method under IFRS 15, the company changed its revenue recognition policy to the sales method effective 1 January 2019. As a result, changes in over/under/nil balances are valued at production cost including depreciation and presented as an adjustment to cost. See note 5 for further details.

Comparative figures have been restated.

Gains or losses on asset disposals as described in section 1.9 are included in other operating income.

Revenue from processing of oil and gas is recognized as earned in line with underlying agreements.

1.6 INTERESTS IN JOINT ARRANGEMENTS

IFRS defines a joint arrangement as an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control which exists only when decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require joint operation.

The following year’s instalments on long-term liabilities are classified as current liabilities. Financial investments in shares are classified as current assets, while strategic investments are classified as non-current assets.

1.8 BUSINESS COMBINATIONS AND GOODWILL

In order to consider an acquisition as a business combination, the acquired asset or groups of assets must constitute a business (an integrated set of operations and assets conducted and managed for the purpose of providing a return to the investors). The combination consists of inputs and processes applied to these inputs that have the ability to create outputs.

Acquired businesses are included in the financial statements from the transaction date. The transaction date is defined as the date on which the company obtains control over the acquired asset or group of assets. This date may differ from the actual date on which the assets are transferred.

For accounting purposes, the acquisition method is applied to the purchase of businesses. Acquisition cost equals the fair value of consideration, including contingent consideration, and liabilities assumed in connection with the transfer of control. Acquisition cost is measured against the fair value of the acquired assets and liabilities. Identifiable intangible assets are included in connection with acquisitions if they can be separated from other assets or meet the legal contractual criteria. If the acquisition cost at the time of the acquisition exceeds the fair value of the acquired net assets (when the acquiring entity achieves control of the transferring entity), goodwill arises.

If the fair value of the net identifiable assets acquired exceeds the acquisition cost on the acquisition date, the excess amount is taken to the income statement immediately.

The majority of the company’s goodwill is related to the requirement to recognize deferred tax for the difference between the assigned fair values and the related tax base (‘technical goodwill’). The fair value of all of the company’s licenses, all of which are located on the Norwegian Continental Shelf, are based on cash flows after tax. This is because these licenses are only sold in an after-tax market based on the tax carry-over principles pursuant to the Petroleum Taxation Act section 10. The tax base is therefore allocated to a tax deduction for the consideration paid over and above the seller’s tax values. In accordance with IAS 12 paragraphs 15 and 24, a provision is made for deferred tax corresponding to the difference between the tax and the transaction cost and the tax depreciation basis. The offsetting entry to this deferred tax is goodwill. Hence, goodwill arises as a technical effect of deferred tax. Technical goodwill is tested for impairment separately for each CGU which give rise to the technical goodwill.

A CGU may be individual oil fields, or a group of oil fields that are connected to the same infrastructure/production facilities.

The estimation of fair value and goodwill may be adjusted up to 12 months after the acquisition if new information has emerged about facts and circumstances that existed at the time of the acquisition and which, had they been known, would have affected the calculation of the amounts recognized.

Acquisition-related costs, except costs to issue related debt or equity securities, are expensed as incurred.

1.9 ACQUISITIONS, SALES AND LICENSE SWAPS

On acquisition of a license that involves the right to explore for and produce petroleum resources, it is considered in each case whether the license should be treated as a business combination (see Item 1.8) or an asset purchase. Generally, purchases of licenses in a development or production phase will be regarded as a business combination. Other license purchases regarded as asset purchases are described below.

Oil and gas production licenses

For licenses in the development phase, the acquisition cost is allocated between capitalized exploration expenses, license rights and production plant.

When entering into agreements regarding the purchase/swaps of assets, the parties agree on an effective date for the takeover of the net cash flow (usually 1 January in the calendar year which would also normally be the effective date for tax purposes). In the period between the effective date and the completion date, the seller will include its share of the license in the financial statements. In accordance with the purchase agreement, there is a settlement with the seller of the net cash flow from the asset in the period from the effective date to the completion date (pro & contra settlement). The pro & contra settlement will be adjusted to the seller’s losses/gains and to the assets for the purchaser, in that the settlement (after a tax reduction) is deemed to be part of the consideration in the transaction. Revenues and expenses from the relevant license are included in the purchaser’s income statement from the acquisition date, as defined in 1.8 above.

For tax purposes, the purchaser will include the net cash flow (pro & contra) and any other income and costs as from the effective date.

When acquiring licenses that are defined as asset acquisitions, no provision is made for deferred tax.

1.10 UNITIZATIONS

According to Norwegian law, a unitization is required if a party to a contract which is subject to the Petroleum Taxation Act in the exploration phase has commercial substance. If so, the unitization is approved by the Ministry of Petroleum and Energy.

The company normally recognizes unitizations in the exploration phase based on historical cost, as the fair value cannot be reliably measured.

1.11 TANGIBLE FIXED ASSETS AND INTANGIBLE ASSETS

General

Tangible fixed assets are recognized on a historical cost basis.

The book value of tangible fixed assets consists of acquisition cost net of accumulated depreciation and impairment losses.

Ordinary repair and maintenance costs relating to day-to-day operations are charged to the income statement in the period in which they are incurred.
Gains and losses relating to the disposal of assets are deter-
mined by comparing the selling price with the book value, and
are included in other operating income/expenses on a post tax
basis. Assets held for sale are measured at the lower of the
book value and the fair value less cost to sell.

OPERATING ASSETS RELATED TO PETROLEUM ACTIVITIES

Exploration and development costs related to oil and gas fields
Capitalized exploration expenditures are classified as intan-
gible assets and reclassified to tangible assets at the start of
development. For accounting purposes, the field is considered
to enter the development stage when the technical feasibil-
ity and commercial viability of extracting hydrocarbons from
the field are demonstrable, normally at the time of concept
selection. All costs relating to the development of commercial
oil and/or gas fields are recognized as tangible assets. Pre-op-
erational costs are expensed as they are incurred.

The company employs the ‘successful efforts’ method to ac-
count for exploration and development costs. All exploration
costs (including seismic shooting, seismic studies and ‘own
time’), with the exception of acquisition costs of licenses and
drilling costs for exploration wells, are expensed as incurred.
When exploration drilling is ongoing in a period after the report-
ing date and the result of the drilling is subsequently not suc-
cessful, the capitalized exploration cost as of the reporting date
is expensed if the evaluation of the well is completed before
the date when the financial statements are authorized for issue.

Drilling cost for exploration wells are temporarily capitalized
pending the valuation of potential recoveries of oil and gas
resources; such costs will remain capitalized for more than
one year. The main criteria is that there must be plans for fu-
ture activity in the license area or that a development decision
is expected in the near future. If no resources are discovered,
or if recovery of the resources is considered technically or
commercially unviable, expenses relating to the drilling of ex-
ploration wells are charged to expense.

Acquired license rights are recognized as intangible assets at
the time of acquisition. Acquired license rights related to fields
in the exploration phase remain as intangible assets also when
the related fields enter the development or production phase.

Depreciation of oil and gas fields
Capitalized exploration and evaluation expenditures, devel-
opment expenditures from construction, installation or com-
pletion of infrastructure facilities such as platforms, pipelines
and production wells, and field dedicated transport systems
for oil and gas are capitalized as production facilities and are
depreciated using the unit-of-production method based on
proven and probable reserves. The reserve basis used for de-
preciation purposes is updated at least annually. Any changes in
the reserves affecting unit-of-production calculations are re-
lected prospectively.

Depreciation of assets other than oil and gas fields, including
right of use assets, is calculated using the straight-line method
over estimated useful lives and adjusted for any impairment
or change in residual value, if applicable.

1.12 IMPAIRMENT

Tangible fixed assets and intangible assets
Tangible fixed assets and intangible assets (including license
rights, exclusive of goodwill) with a finite useful life will be
assessed for potential impairment when events or changes in
circumstances indicate that the book value of the assets is
higher than the recoverable amount.

The unit of account for assessment of impairment is based on
the lowest level at which it is possible to identify cash inflows
that are independent of cash inflows from other groups of
fixed assets. For oil and gas assets, this is typically the field or
license level. Impairment is recognized when the book value of
the CGU (excluding any allocated goodwill) exceeds the recov-
erable amount. The recoverable amount is the higher of the
asset’s fair value less cost of disposal and value in use. When
estimating value in use and fair value less cost of disposal,
the net present value of the cash flows from the related asset
value by applying a discount rate after tax that reflects the
specific risk related to the asset. The discount rate is derived
from the Weighted Average Cost of Capital (WACC).

The lifetime of the field for the purpose of impairment testing
is normally determined by the point in time when the operat-
ing cash flow from the field becomes negative.

For exploration licenses, impairment is based on an assessment
of whether plans for further activities by the company or, if,
or applicable, an evaluation of whether development will
be decided on in the near future as described in section 1.11.

A previously recognized impairment can only be reversed if
changes have occurred in the estimates used for the calcula-
tion of the recoverable amount. However, the reversal cannot
to be an amount that is higher than it would have been if
the impairment had not previously been recognized. Such reversals
are recognized in the Income statement. After a reversal, the
depreciation amount is adjusted in future periods in order to dis-
tribute the asset’s revised book value, minus any residual value,
on a systematic basis over the asset’s expected remaining life.

Goodwill
Goodwill is tested for impairment annually or more frequently
if events or changes in circumstances indicate that the value
may be impaired.

Impairment is recognized if the recoverable amount of the
CGU (or group of CGUs) to which the goodwill is related
is less than the book value, including associated good-
will and deferred tax as described in section 1.8. Losses relating
to impairment of goodwill cannot be reversed in future periods.

1.13 FINANCIAL INSTRUMENTS

The company has classified the financial instruments into the
following categories of financial assets and liabilities:

- Financial assets at fair value designated as such upon initial
  recognition
- Cash and receivables
- Financial liabilities at fair value designated as such upon
  initial recognition
- Financial liabilities measured at amortized costs

Financial assets with fixed or determinable cash flows that are
not quoted in an active market are classified as loans and receiv-
able.

Financial liabilities that do not form part of the ‘held for trad-
ing purposes’ category and which have not been designated as
being at fair value with changes in value through profit or
loss are classified as other financial liabilities.

Further details on fair values of financial instruments are pro-
vided in note 29 ‘Financial instruments’.

1.14 IMPAIRMENT OF FINANCIAL ASSETS

Financial assets at amortized cost and impaired cost are impaired
when, based on objective evidence, it is likely that the instru-
ment’s cash flows have been negatively affected by one or
more events that have occurred after initial recognition. In
addition, the loss event must have an impact on estimated
future cash flows that can be reliably estimated. The impair-
ment is recognized in the Income statement.

1.15 RESEARCH AND DEVELOPMENT

Research consists of original, planned studies carried out with
a view to achieving new scientific or technical knowledge or
understanding, and the associated costs are expensed as in-
turred. Development consists of the application of information
gained through research, or of other knowledge, to a plan or
design for the production of new or significantly improved
materials, facilities, products, processes, systems or services
before commercial production or use commences. Develop-
ment costs are capitalized when the underlying project is
technically feasible.

1.16 PRESENTATION OF PAYROLL AND ADMINISTRATION COSTS

The company presents its payroll and administration costs
based on the functions in development, operational and explo-
ration activities respectively, based on allocation of registered
hours worked, net of amount recharged to operated licenses.

1.17 LEASES

At the inception of a contract, the company assesses whether
the contract is, or contains, a lease. A contract is, or contains, a
lease if the contract conveys the right to control the use of an
identified asset for a period of time in exchange for considera-

The lease liability is recognized at the commencement date and
measured at the present value of the remaining lease payments,
discounted using the company’s incremental borrowing rate at the
commencement date. The borrowing rate is derived from the
terms of the company’s existing credit facilities. ROU assets are
depreciated over the lease term as this is ordinarily shorter than
the useful life of the assets. The lease term represents the
non-cancelable period of the lease, together with periods
covered by an option either to extend or to terminate the lease
when the company is reasonably certain to exercise this option.

The company applies the exemption for short term leases
(12 months or less) and low value leases. As such, related
lease payments are not recognized in the balance sheet, but
expensed or capitalized in line with the accounting treatment
for other non-lease expenses. The inclusion of non lease com-
ponents may vary across different lease categories, but for
the most material class of assets (rigs), the company has included
the non-lease components when measuring the lease liability.

The company may enter into lease contracts as an operator
on behalf of a license, and for such leases only recognized
expected future cashflows related to the lease contract and the
licence or field on which the ROU asset shall be used. Other
lease contracts, such as offices and supply vessels not linked
to specific fields, are recognized on a gross basis although the
related cashflows are charged to the license partners, typically
via cost pools. For such contracts, the partner’s share of the
cost recovered by the company are presented as other income.

The company may enter into lease contracts in its own name at
the initial signing, and subsequently allocate the related
ROU asset to operated licenses. In such cases, the license al-
location will normally be the basis for determining both the
commitments and the duration of the lease (and application of
the short-term lease exemption).

1.18 TRADE DEBTORS

Impairments are recognized in the Statement of Financial Position
at nominal value after a deduction for the provision for
credit losses.

1.19 BORROWING COSTS

Borrowing costs that can be directly associated to procurement,
processing or production of a qualifying asset are capitalized
as part of the asset’s acquisition cost. Borrowing cost is only
capitalized if a direct link between the project and the under-
lying cost. Other borrowing costs are expensed in the period in
which they are incurred.
A qualifying asset is one that necessarily takes a substantial period of time to be made ready for its intended use or sale.

Qualified assets are generally those that are subject to major development or construction projects.

### 1.20 INVENTORIES
Inventories mainly consists of equipment for the drilling of exploration and production wells and are valued at the lower of cost (based on weighted average cost) and net realizable value.

### 1.21 CASH AND CASH EQUIVALENTS
Cash and cash equivalents include cash, bank deposits, and other short-term highly liquid investments with an original due date of three months or less. Bank overdrafts are included in the Statement of Financial Position as short-term loans.

### 1.22 INTEREST-BEARING DEBT
All borrowings are initially recognized at transaction price, which equals the fair value of the amount received net of directly related to the establishment of the loan or issuance of debt.

Subsequently, interest-bearing borrowings are valued at amortized cost using the effective interest method; the difference between the transaction price (after transaction costs) and the face value is recognized in the Income statement in the period until the loan falls due. Amortized costs are calculated by considering all issue costs on the settlement date, except for any discount or premium expensed immediately.

### 1.23 TAX

#### General
Tax consists of tax payable and changes in deferred tax. Deferred tax/tax benefits are calculated on the basis of the differences between book value and tax basis of assets and liabilities, with the exception of temporary differences on acquisition of licenses that are defined as asset purchases.

Deferred tax is measured using the expected tax rate when the tax benefit is realised or the tax liability is met, based on tax rates and tax regulations that have been enacted or substantively enacted at the reporting date.

Tax payable and deferred tax is recognized directly against equity or other comprehensive income insofar as the tax items are related to equity transactions or items of other comprehensive income.

Deferred tax and tax benefits are presented net, where netting is legally permitted and the deferred tax benefit and liability are related to the same tax subject and are payable to the same tax authorities.

#### Functional currency
The company’s functional currency is USD, while it is a statutory requirement to calculate the current tax based on NOK functional currency. This may impact the effective tax rate when the exchange rate between NOK and USD fluctuates. The revaluation of tax receivable and payable is presented as foreign exchange gains/losses, while the impact on deferred tax from revaluation of tax balances is presented as tax expense / income.

### Petroleum taxation
As a production company, Aker BP is subject to the special provisions of the Petroleum Taxation Act. Taxable profits from activities on the Norwegian Continental Shelf are liable to ordinary company tax and special tax. The tax rate for general corporate tax was 25 percent in 2018, and was changed to 22 percent in 2019. The rate for special tax was 55% and 56% correspondingly.

### Tax depreciation
 Pipelines and production facilities can be depreciated by up to 16.2/3 percent annually, i.e., using the straight-line method over six years. Tax depreciation commences when the expenses are incurred. When a field stops producing, any remaining tax values (except for future uplift) may be deducted in that year.

### Uplift
Uplift is a special income deduction in the basis for calculation of special tax. Uplift is calculated on the basis of investments in pipelines and production facilities, and can be regarded as an extra depreciation deduction in the special tax regime. The uplift rate was 5.3 percent in 2018 and 5.2 percent from 2019 over a period of four years, totalling 21.2 percent from 2018 and 20.8 percent from 2019. Uplift is recognized in the year it is deducted in the companies’ tax returns, and this has a similar effect on the tax for the period as a permanent difference.

### Financial items

#### Interest on debt with associated currency losses/gains (net financial expenses on interest-bearing debt) is distributed between the offshore and onshore tax regimes. Offshore interest deduction is calculated as the net financial costs of interest-bearing debt multiplied by 50 percent of the ratio between net asset value for tax purposes allocated to the offshore tax regime as of 31 December in the income year and the average interest-bearing debt through the income year.

Remaining financial expenses, currency losses and all interest income as well as currency gains are allocated to the onshore jurisdiction.

Uncovered losses in the onshore tax jurisdictions resulting from the distribution of net financial items can be allocated to the offshore tax jurisdictions and deducted from regular income.

Only 50 percent of other losses in the onshore tax jurisdictions are permitted to be reclassified to the offshore tax jurisdictions as deductions in regular income.

### Tax loss
Companies subject to special tax may, without time limitations, carry forward losses with the addition of interest. A corresponding rule also applies to unused uplift. The tax position can be recovered on recapitalisation of the company or merger. Alternatively, distribution of the tax value can be claimed from the State if the company ceases petroleum activities. The tax loss will thus be reclassified from deferred tax to current tax at the time the petroleum activity ceases, or is transferred to another company.

### 1.24 EMPLOYEE BENEFITS

#### Pension schemes
The company complies with the requirement to have an occupational pension scheme in accordance with the Norwegian law on non-governmental occupational pension ("lov om obligatorisk tjenestepensjon").

The company makes contributions to the pension plan for full-time employees equal to 7 percent for salary up to 71 G and 25.1 percent between 71 and 12 G. The pension premiums are charged to expenses as they are incurred.

An early retirement scheme (AFP) has been introduced for all employees. The scheme is a multi-employer defined benefit plan, but is accounted for as a defined contribution pension, and premiums are expensed as incurred.

### 1.25 PROVISIONS
A provision is recognized when the company incurs a commitment (legal or constructive) as a result of a past event. It is probable that financial settlement will take place as a result of this commitment, and the amount can be reliably calculated. Provisions are evaluated at each period end and are adjusted to reflect the best estimate.

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. If the discounting effect is significant, provisions are discounted using a discount rate before tax that reflects the market’s pricing of the time value and risk specifically associated with the commitment. As discounting unwind, the book value of the provisions is increased in each period to reflect the change in time relative to the due date of the commitment. The effect of this increase is expensed as an accretion expense.

### Decommissioning and removal costs:
In accordance with the license terms and conditions for the licenses in which the company participates, the Norwegian State can require license owners to remove the installation in whole or in part when production ceases or the license period expires.

### 1.26 SEGMENT
Since its formation, the company has conducted its entire business in one consistent segment, defined as exploration and production of petroleum in Norway. The company conducts its activities on the Norwegian Continental Shelf, and management monitors the company at this level. The financial information relating to geographical distribution and large customers is presented in note 3.

### 1.27 EARNINGS PER SHARE
Earnings per share are calculated by dividing the net profit/loss attributable to ordinary equity holders of the parent entity by the weighted average number of the total outstanding shares. Shares issued during the year are weighted in relation to the period in which they have been outstanding.

### 1.28 CONTINGENT LIABILITIES AND ASSETS

Except for in the event of a business combination, neither contingent liabilities nor contingent assets are recognized.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are disclosed with the exception of contingent liabilities where the probability of the liability having to be settled is remote. Contingent assets are possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Information about such contingent assets is provided if inflow of economic benefits is probable.
**1.29 CHANGES TO ACCOUNTING STANDARDS AND INTERPRETATIONS THAT:**

**HAVE ENTERED INTO FORCE:**

**IFRS 16 Leases**

IFRS 16 Leases was issued in January 2016 and replaced the current lease accounting standard, IAS 17 Leases, including related interpretations. The new standard introduces a single on-balance sheet accounting model for all leases, which results in the recognition of a lease liability and a right of use asset (‘RoU asset’) in the balance sheet. The standard was effective from 1 January 2019.

The company has applied the modified retrospective approach with no restatement of comparative figures. The lease liability at the date of the initial application is measured at the present value of the remaining lease payments, discounted using the company’s incremental borrowing rate of approximately 6.7 percent. The borrowing rate is derived from the terms of the company’s existing credit facilities. RoU assets are depreciated over the lease term as this is ordinarily shorter than the useful life of the assets.

The company has applied the exemption for short term leases (12 months or less) and low value leases. This means that related lease payments are not recognized in the balance sheet, but expensed or capitalized in line with the accounting treatment for other non-lease expenses. The inclusion of non-lease components may vary across different lease categories, but for the most material class of assets (rigs), the company has excluded the non-lease components when measuring the lease liability.

The company may enter into lease contracts as an operator on behalf of a license, and has for such leases only recognized its net share of the related lease liability. Whether a contract is entered into on behalf of the license is subject to a contract specific assessment, but the general principle is that there needs to be a direct link between the lease contract and the license or field on which the RoU asset shall be used. Other lease contracts, such as offices and supply vessels not linked to specific fields, are recognized on a gross basis although the related cashflows are charged to the license partners, typically via cost pools. For such contracts, the partner’s share of the cost recovered by the company are presented as other income.

The company may enter into lease contracts in its own name at the initial signing, and subsequently allocate the related RoU asset to operated licenses. In such cases, the license allocation will normally be the basis for determining both the commencement and the duration of the lease (and application of the short-term lease exemption).

The lease liability and corresponding RoU asset was USD 590 million at initial recognition on 1 January 2019. Existing onerous lease contract values (recognized based on IFRS 3 in previous years business combinations) of approximately USD 150 million, reduced the value of the corresponding RoU asset.

The transition has no impact on equity.

The IFRS 16 impact on the income statement is immaterial in 2019, as the majority of the RoU assets have mainly been used in activity not charged to the income statement, such as field development (including production drilling) and plugging and abandonment. The main impact on the statement of cash flows is that lease payments are generally presented under financing activities whilst they have been presented as operating or investing activities under IAS17.

The impact on the balance sheet is presented on separate balance sheet items, and further details are provided in the notes, in particular note 12 and 26.

**Change in accounting principles for revenue recognition**

Prior to 2019, the group recognized revenue on the basis of the proportionate share of production during the period, regardless of actual sales (entitlement method). Due to recent development in IFRIC discussions, the group decided to change to the sales method from 1 January 2019. This means that changes in over/underlift balances are valued at production cost including depreciation and presented as an adjustment to cost. See note 5 for further details. Comparative figures have been restated in line with IAS 8.

The following table shows the effects of the change in accounting policy:

<table>
<thead>
<tr>
<th>Group restated 2018</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production costs</td>
<td>691,102</td>
</tr>
<tr>
<td>Taxes (+)tax income (-)</td>
<td>1,558</td>
</tr>
<tr>
<td>Other short-term receivables</td>
<td>360,194</td>
</tr>
<tr>
<td>Other equity</td>
<td>-704,432</td>
</tr>
<tr>
<td>Deferred taxes</td>
<td>1,800,199</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>590,860</td>
</tr>
<tr>
<td>Net profit</td>
<td>476,423</td>
</tr>
<tr>
<td>Taxes (+)tax income (-)</td>
<td>476,778</td>
</tr>
</tbody>
</table>

**IFRIC 23 Uncertainty over Income Tax Treatments**

The interpretation clarifies how to consider uncertain tax treatment within the scope of IAS 12 Income Taxes. Uncertainty over income tax treatments arises when it is unclear how the applicable tax regulations should be understood for a specific transaction or event, and when it is uncertain whether taxation authorities will approve an entity’s tax treatment. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately or together
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates (how to reflect uncertainty in these positions)
- How an entity considers changes in facts and circumstances

The interpretation is effective for annual reporting periods beginning on or after 1 January 2020, but certain transition reliefs are available.

The interpretation had no significant impact on the company’s financial statement.

**Amendments to IFRS 3 Definition of a Business**

The amendments provide updated guidance on whether an acquisition is of a business or a group of assets.

The amended definition emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focussed on returns in the form of dividends, lower costs or other economic benefits to investors and others. In addition to amending the wording of the definition, the Board has provided supplementary guidance.

The amendments must be applied to transactions for which the acquisition date is on or after the first the beginning of the first annual reporting period beginning on or after 1 January 2020. Early application is permitted.

It is not expected that the amendments will have an immediate impact. However, it may have an impact on the assessment of whether a group of assets constitutes a business with regard to future acquisitions.
**Note 2 Overview of subsidiaries**

Aker BP ASA has three subsidiaries which are not consolidated in the group accounts in 2019 due to materiality considerations:

- **Det norske oljeselskap ASA (100 percent)**
  - Det norske oljeselskap ASA, previously Valo Energy Oil & Gas ASA, was acquired by Aker BP in October 2010. All activity was transferred to Det norske in October 2014. As of year-end 2019, the only remaining asset in the company is cash equivalents reflecting the share capital amounting to USD 1.0 million.

- **Althea AS (65 percent)**
  - The sale of Althea ASA is to an anchor partner of the MIST Althea, the Floating production facility which is used to produce oil and gas from the Althea fields. The costs of and benefits from operating the MIST Althea will be carried by the partners in the Althea field. Hence, Althea AS only has the formal ownership rather than the actual value of the production facilities. Aker BP has a 30 percent share in Althea AS, which corresponds to the ownership in the Althea field.

- **Sandvik Fjellstue AS (100 percent)**
  - Sandvik Fjellstue AS owns a conference centre used by Aker BP, located in Sandvik in Verdal.

**Note 3 Segment information**

The company's business is entirely related to exploration for and production of petroleum in Norway. The company's activities are considered to have a homogeneous risk and return profile before tax, and the business is located in the geopositional area Norway. The company operates within a single operating segment with matches the internal reporting to the company's executive management. In 2019 the company had sales transactions with one customer, BP Oil International Ltd, which represented more than 50 percent of total sales, and accounted for USD 1.26 billion. In 2018 the company had sales transactions with two customers, BP Oil International Ltd and BP Can Marketing Ltd, which represented more than 30 percent of the total sales, and accounted for USD 2.297 billion and USD 1.360 billion.

**Note 4 Income**

**Note 5 Produced volumes and over/underlift adjustment**

<table>
<thead>
<tr>
<th></th>
<th>Group 2019</th>
<th>Parent 2019</th>
<th>Group 2018</th>
<th>Parent 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total produced volumes (boe 1 000) (unaudited)</td>
<td>56,886</td>
<td>49,198</td>
<td>56,815</td>
<td>49,198</td>
</tr>
<tr>
<td>Production cost based on produced volumes</td>
<td>356,886</td>
<td>409,198</td>
<td>356,815</td>
<td>409,198</td>
</tr>
<tr>
<td>Adjustment for year end lift</td>
<td>14,054</td>
<td>4,463</td>
<td>14,054</td>
<td>4,463</td>
</tr>
<tr>
<td>Production cost based on sold volumes</td>
<td>370,331</td>
<td>403,661</td>
<td>370,331</td>
<td>403,661</td>
</tr>
</tbody>
</table>

**Note 6 Exploration expenses**

**Note 7 Payroll expenses and remuneration**

**Employee share program**

The company has an annual share purchase program for all employees, including senior executives. The shares in the program are offered at a 20 percent discount and are subject to three year lock-up during which employees are not allowed to sell the shares. In connection with the share purchase program, all employees are also offered an interest free loan of 50 percent of the basic amount in the National Average Wage Scheme ("OY") to be repaid within one year. In total, employees subscribe for USD 1.5 million in 2019 compared to USD 1.3 million in 2018.

**Number of full time equivalents employed during the year**

<table>
<thead>
<tr>
<th></th>
<th>Group 2019</th>
<th>Parent 2019</th>
<th>Group 2018</th>
<th>Parent 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>1,703</td>
<td>1,493</td>
<td>1,703</td>
<td>1,493</td>
</tr>
<tr>
<td>Total</td>
<td>1,703</td>
<td>1,493</td>
<td>1,703</td>
<td>1,493</td>
</tr>
</tbody>
</table>

**Reported profit (loss) on oil derivatives**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Realized profit (loss) on oil derivatives</td>
<td>16,924</td>
<td>16,342</td>
</tr>
<tr>
<td>Unrealized gain (loss) on oil derivatives</td>
<td>19,085</td>
<td>24,944</td>
</tr>
<tr>
<td>Other income 1</td>
<td>40,010</td>
<td>29,859</td>
</tr>
</tbody>
</table>

**Total after operating income**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total after operating income</td>
<td>8,442</td>
<td>39,932</td>
</tr>
</tbody>
</table>

1 For 2019 the amount includes insurance settlement during Q4 2019 relating to prior years, in addition to partner coverage of RUL assets reflected on gross basis in the balance sheet used in operating activity. For 2018 the amount mainly related to non-recurring staff compensation.

Refer to note 22 and 29 for further details regarding commodity derivatives.
Per Harald Kongelf (SVP Improvement) 416 153 1 4 384 21 54 602 0.0%
Tommy Sigvaldstad (SVP Overview) 349 137 3 1 330 20 8,838 0.0%
Ole Jakob Halvorsen (SVP Financial Development) 369 137 1 - 336 20 9,582 0.0%
Kjell Gaykrud (SVP Exploration) 338 135 1 2 475 25 5,684 0.0%
Lene Lundøy (SVP Strategy and Business Development) 1) 316 128 2 - 447 20 5,221 0.0%
Daniel Randi Tunnel (Chief Financial Officer) 348 137 2 6 467 20 5,778 0.0%
Mark Blasius (SVP HR/ES) 2) 253 82 1 - 337 24 - -
Jørgen Kristian Digne (Chief Operating Officer) 3) 385 174 1 7 1,256 14 2,002 0.0%
Knut Arne Kristian Sandvik (SVP Projects) 4) 145 77 1 - 223 13 - -
Alexander Krane (Chief Financial Officer) 5) 190 92 1 - 391 15 17,031 0.0%
Ole Morten Jansen (SVP Projects) 5) 294 158 1 1 346 11 - -
Jonas Hovland (SVP ESK) 6) 270 67 1 17 356 21 - -
Interim substitution for Chief Financial Officer 1) 170 72 1 17 336 21 - -
Total remuneration of senior executives in 2019 (USD 1,000) 5,054 1,197 23 836 7,893 254 115,891 0.0%

1) SVP Strategy and Business Development since 01.04.2017
2) Chief Financial Officer since 02.02.2019
3) SVP Financial Development since 01.02.2019
4) Chief Operating Officer since 01.05.2019
5) Other includes signing on fee
6) SVP Projects since 10.07.2019
7) Chief Financial Officer and SVP Projects since 30.01.2019
8) SVP Projects until 21.03.2019
9) SVP Financial Development until 06.05.2019
10) Acting SVP Operations and Asset Development until 30.04.2019

* All remuneration to senior executives is paid in NOK and converted to USD using a yearly average USD/NOK-rate of 8.8037.

** Numbers represent actual shares earned in 2019. No LTI accrual has been included in the table above, as Aker BP share price does not surpass the benchmark index as of the date of this report (see description in note 1).
In 2019, the company’s remuneration policy has been in accordance with the guidelines described in the Board of Director’s Report for 2018 and submitted to the annual general meeting for advisory approval in April 2019.

The pension scheme continues to be a defined contribution plan capped at twice the national insurance scheme basic amount (12G) for all employees including the executive management.

The rate weighted average interest rate used to determine the amount of borrowing cost eligible for capitalisation in 2019 is 6.57 percent. The corresponding rate for 2018 was 6.52 percent.

The Board has established guidelines for 2020 for executive remuneration, including the CEO’s remuneration, and other terms and conditions of employment. These guidelines set out the most significant principles applicable in determining the salary and other remuneration of executive personnel and will be communicated to the company’s annual general meeting in April 2020.

The pension scheme continues to be a defined contribution plan capped at twice the national insurance scheme basic amount (12G) for all employees including the executive management.
### Note 10 Taxes

#### Foreign currency translation of NOK monetary items

<table>
<thead>
<tr>
<th>2019</th>
<th>Restated 2019</th>
<th>2018</th>
<th>Restated 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>78%</td>
<td>-1 205 357</td>
<td>-1 752 757</td>
<td>-1 205 357</td>
</tr>
</tbody>
</table>

#### Change in tax rates

<table>
<thead>
<tr>
<th>2019</th>
<th>Restated 2019</th>
<th>2018</th>
<th>Restated 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>-2 047</td>
<td>-2 047</td>
<td>-2 047</td>
<td>-2 047</td>
</tr>
</tbody>
</table>

#### Prior periods' adjustments to deferred tax

<table>
<thead>
<tr>
<th>2019</th>
<th>Restated 2019</th>
<th>2018</th>
<th>Restated 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>19 509</td>
<td>-33 912</td>
<td>19 509</td>
<td>-33 912</td>
</tr>
</tbody>
</table>

### Other intangible assets

<table>
<thead>
<tr>
<th>2019</th>
<th>Restated 2019</th>
<th>2018</th>
<th>Restated 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>-1 037 789</td>
<td>-1 100 480</td>
<td>-1 037 789</td>
<td>-1 100 480</td>
</tr>
</tbody>
</table>

### Other provisions

<table>
<thead>
<tr>
<th>2019</th>
<th>Restated 2019</th>
<th>2018</th>
<th>Restated 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>-2 160 924</td>
<td>-1 984 262</td>
<td>-2 160 924</td>
<td>-1 984 262</td>
</tr>
</tbody>
</table>

### Financial instruments

<table>
<thead>
<tr>
<th>2019</th>
<th>Restated 2019</th>
<th>2018</th>
<th>Restated 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>6 686</td>
<td>6 686</td>
<td>6 686</td>
<td>6 686</td>
</tr>
</tbody>
</table>

#### Total deferred tax liability

<table>
<thead>
<tr>
<th>2019</th>
<th>Restated 2019</th>
<th>2018</th>
<th>Restated 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>-2 205 357</td>
<td>-1 752 757</td>
<td>-2 205 357</td>
<td>-1 752 757</td>
</tr>
</tbody>
</table>

---

**Note 10 Taxes**

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.

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

### Note 11 Earnings per share

Earnings per share is calculated by dividing the year’s profit attributable to ordinary equity holders of the parent company, which was USD 1.40 billion (USD 1.76 billion) in 2018, by the year’s weighted average number of outstanding ordinary shares, which was 593.0 million (564.1 million) in 2018. There are no conversion schemes or convertible bonds in the company, meaning there is no difference between the ordinary and diluted earnings per share.

<table>
<thead>
<tr>
<th>2019</th>
<th>Restated 2019</th>
<th>2018</th>
<th>Restated 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.35</td>
<td>1.35</td>
<td>1.35</td>
<td>1.35</td>
</tr>
</tbody>
</table>
See note 13 for information regarding impairment charges.

*The note includes a series relating to the Jetson Sverdrup field and Valhall Franklin Fields, which entered into production phases during Q4 2019 in addition to reclassification from right-of-use assets.

Established exploration expenditures are reclassified to 'Assets under development' when the field advances into the development phase. If development plans are subsequently evaluated, the associated costs remain in assets under development and are not reclassified 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, future drilling rigs, etc., are depreciated using the straight-line method over their useful life, i.e. 2-5 years. Renewal and decommissioning costs are included in production facilities or assets under development.

See note 11 for information regarding impairment charges.

**Right-of-use assets**

* | USD 1,000 | Drilling Rigs | Vessels and Boats | Office | Other | Total |
--- | --- | --- | --- | --- | --- |
Right-of-use assets at initial recognition/01.01.2019 | 132,270 | 76,628 | 29,593 | 2,308 | 240,795 |
Additions | 24,301 | - | - | - | 24,301 |
Abandonment activity* | - | 7,156 | - | - | 7,156 |
Reclassification** | - | - | - | - | - |
Acquisition cost 31.12.2019 | 108,854 | 72,106 | 29,593 | 2,305 | 212,950 |
Accumulated depreciation and impairments 31.12.2019 | - | - | - | - | - |
Depreciation | 3,369 | 3,166 | 7,820 | 177 | 14,333 |
Impairment | - | - | - | - | - |
accumulated depreciation and impairments 31.12.2019 | 3,369 | 3,166 | 7,820 | 177 | 14,333 |

* This represents the share of right-of-use assets used in abandonment activity, and thus booked against the abandonment provision.
** Of which 60,271 reclassified to tangible fixed assets and 66,667 reclassified to capitalized explorations in line with the activity of the right-of-use asset.

Right-of-use assets are depreciated linearly over the lifetime of the related lease contract.
Impairment testing

Impairment is recognized when the recoverable amount of an asset or a cash-generating unit, including associated goodwill, is less than the asset's or unit's carrying amount. The recoverable amount is the higher of an asset's or unit's fair value less costs to sell and value in use. For assets and cash-generating units to the CGUs: Mørkleiv, Alsvann, Valtø, Krøtt, and Enhedsgruppen, the impairment testing has been based on value in use. For assets and cash-generating units to the CGUs: Ula/Tambar, Alvheim, Valtø Krøtt, and Barren Field, the impairment testing has been based on fair value (level 3 in the fair value hierarchy). For both value in use and fair value, the impairment testing is performed based on discounted cash flows. The present value future cash flow is discounted to the present value at applying a discount rate after tax that reflects the company's historical assessment of the time value of money, and the specific risks 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 2019.

**Oil and gas prices**

Future price levels assume significant impact on the impairment value. Forecasted oil and gas prices are based management's estimates and available market data. Information about market prices in the near future can be derived from the futures contract market. The information about future prices is less reliable on a long-term basis, as there are fewer observable market transactions going forward. In the impairment test, the oil and gas prices are therefore based on the forward curve from the beginning of 2020 to the end of 2022. From 2023, the oil and gas prices are based on the company’s long-term price assumptions. Long-term oil price assumption is unchanged from year-end 2018.

The nominal oil prices applied in the impairment test were as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>USD/mt</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>64.2</td>
</tr>
<tr>
<td>2021</td>
<td>59.4</td>
</tr>
<tr>
<td>2022</td>
<td>52.3</td>
</tr>
<tr>
<td>Total</td>
<td></td>
</tr>
</tbody>
</table>

The nominal gas prices applied in the impairment test were as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>GBP/MMBtu</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>0.32</td>
</tr>
<tr>
<td>2021</td>
<td>0.42</td>
</tr>
<tr>
<td>2022</td>
<td>0.44</td>
</tr>
<tr>
<td>Total</td>
<td></td>
</tr>
</tbody>
</table>

**Oil and gas reserves**

Future cash, open and abandonment cost are calculated based on expected production profiles and the best estimate of the related costs.

**Discount rate**

The discount rate is derived from the company’s weighted average cost of capital (“WACC”). The capital structure considered in the WACC calculation is derived from the capital structures of an identified peer group and market participants with consideration given to optimal structures. The cost of equity is derived from the expected return on investment by the company’s investors. The cost of debt is based on interest-bearing borrowings on debt specific to the assets acquired. The beta factors are evaluated annually based on publicly available market data about the identified peer group.

For both value in use and fair value testing the post tax nominal discount rate used is 7.8 percent. This represents a change from 7.9 percent applied in previous quarters in 2019 and year-end 2018 for value in use testing and a change from 10.3 percent applied in previous quarters in 2019 and year-end 2018 for fair value testing.

**Currency rates**

<table>
<thead>
<tr>
<th>Year</th>
<th>USD/NOK</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>8.79</td>
</tr>
<tr>
<td>2021</td>
<td>8.80</td>
</tr>
<tr>
<td>2022</td>
<td>8.86</td>
</tr>
<tr>
<td>Total</td>
<td></td>
</tr>
</tbody>
</table>

The long-term currency rate is unchanged from year-end 2018.

**Inflation**

The long-term inflation rate is assumed to be 2.0 percent, which is the same as applied at year-end 2018.

**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 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.

**Impairment testing of technical goodwill**

Technical goodwill has been allocated to individual CGUs for the purpose of impairment testing. The residual goodwill is allocated to group of CGUs including all fields acquired together with all existing Aker BP’s fields, as this mainly relates to tax and workforce synergies and the ability to capture synergies from managing a portfolio of both acquired and existing fields on the NCS.

The reversal of impairment of USD 0.5 million in 2019 relates to changes in ARO liability on CGUs with no carrying value.

**Technical goodwill**

Technical goodwill has been allocated to individual CGUs for the purpose of impairment testing. The residual goodwill is allocated to group of CGUs including all fields acquired together with all existing Aker BP’s fields, as this mainly relates to tax and workforce synergies and the ability to capture synergies from managing a portfolio of both acquired and existing fields on the NCS.

The carrying value of the CGUs consists of the carrying values of the oilfield assets plus associated technical goodwill. The impairment test performed, carrying value is adjusted by the remaining post tax aftertask from which the technical goodwill was used to assist in immediate impairment of all technical goodwill. When other factors lead to changes in the assets 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.

For the Alvheim, Valtø Krøtt and Skarv/Arctic CGUs no impairment has been recognized during 2019. For the Ula/Tambar CGU, an impairment charge was recognized in Q1 2019 and Q3 2019.

Below is an overview of the impairment charge and the carrying value per cash generating unit when impairment has been recognized in 2019.

**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 CGUs’ impacted are Ula/Tambar and Alvheim.

**Assumption**

<table>
<thead>
<tr>
<th>USD (1,000)</th>
<th>Change in</th>
<th>Increase in</th>
<th>Change in</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>+/- 1%</td>
<td>+/- 1%</td>
<td>+/- 1%</td>
</tr>
<tr>
<td>Discount rate</td>
<td>+/- 1%</td>
<td>+/- 1%</td>
<td>+/- 1%</td>
</tr>
<tr>
<td>Currency risk USD/NOK</td>
<td>+/- 10 NOK</td>
<td>+/- 10 NOK</td>
<td>+/- 10 NOK</td>
</tr>
<tr>
<td>Inflation</td>
<td>+/- 1%</td>
<td>+/- 1%</td>
<td>+/- 1%</td>
</tr>
</tbody>
</table>

Although illustrative impairment sensitivity assumes no changes to other input factors, a price reduction of 20% is likely to result in changes in business plans as well as other factors used when estimating an asset's recoverable amount. Changes in such input factors would likely significantly reduce the actual impairment amount compared to the illustrative sensitivity above.
Impairment testing of goodwill

As mentioned above, goodwill goodwill is allocated across all ICAUs for impairment testing. The combined recoverable amount exceeds the carrying amount by a substantial margin. Based on this, no impairment of goodwill has been recognised.

Impairment in 2019

In 2019, the impairment charge was immaterial in relation to goodwill from acquisitions and impairment of tangible fixed assets. The methodology for impairment testing was the same as in 2019 as described in this note.

The following assumptions were applied for the impairment testing at year end 2018:
- Discount rate of 7.7 percent nominal after tax (2018 and 11.0 percent nominal after tax (fair value)
- Long term inflation of 2.0 percent
- Long term exchange rate of NOK/USD 7.5 (forward curve first three years)
- Long term oil price assumption of 65 USD/bbl, using forward curve first three years

Summary of impairments/reversals of impairments

The following impairments/reversals of impairments have been recorded:

<table>
<thead>
<tr>
<th></th>
<th>Group 2019</th>
<th>Group 2018</th>
<th>Parent 2019</th>
<th>Parent 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impairment of other intangible assets/perm rights</td>
<td>-</td>
<td>316</td>
<td>-</td>
<td>316</td>
</tr>
<tr>
<td>Impairment of tangible fixed assets</td>
<td>-529</td>
<td>19,657</td>
<td>-529</td>
<td>19,657</td>
</tr>
<tr>
<td>Impairment of technical goodwill</td>
<td>247,327</td>
<td>-</td>
<td>247,327</td>
<td>-</td>
</tr>
<tr>
<td>Total impairments</td>
<td>148,808</td>
<td>20,172</td>
<td>146,808</td>
<td>20,172</td>
</tr>
</tbody>
</table>

As described in note 21, the spread of COVID-19 virus during the first quarter 2020, combined with the significant drop in oil prices, may have a significant impact on recoverable amounts of Aker BP’s assets going forward.

Note 14 Accounts receivable

The company's customers are mainly large, financially sound companies. Accounts receivable consist of receivables related to the sale of oil and gas.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Receivables related to the sale of petroleum</td>
<td>163,444</td>
<td>162,790</td>
<td>163,444</td>
<td>162,790</td>
</tr>
<tr>
<td>Total accounts receivable</td>
<td>163,444</td>
<td>162,790</td>
<td>163,444</td>
<td>162,790</td>
</tr>
</tbody>
</table>

Age distribution of accounts receivable as of 31 December for the group is as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Not due</th>
<th>&lt;30d</th>
<th>30-90d</th>
<th>&gt;90d</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>193,444</td>
<td>191,960</td>
<td>446</td>
<td>445</td>
<td>576</td>
</tr>
<tr>
<td>2018</td>
<td>162,790</td>
<td>162,790</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note 15 Other short-term receivables

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepayments</td>
<td>65,813</td>
<td>64,004</td>
<td>65,813</td>
<td>64,004</td>
</tr>
<tr>
<td>VAT receivable</td>
<td>3,100</td>
<td>8,711</td>
<td>3,100</td>
<td>3,100</td>
</tr>
<tr>
<td>Undership of petroleum*</td>
<td>46,515</td>
<td>54,924</td>
<td>46,515</td>
<td>54,924</td>
</tr>
<tr>
<td>Accounts receivable from sale of petroleum products</td>
<td>30,534</td>
<td>32,825</td>
<td>30,534</td>
<td>32,825</td>
</tr>
<tr>
<td>Other receivables, mainly balances with license partners</td>
<td>8,711</td>
<td>11,761</td>
<td>8,711</td>
<td>11,761</td>
</tr>
<tr>
<td>Total other short-term receivables</td>
<td>190,536</td>
<td>292,406</td>
<td>190,536</td>
<td>292,406</td>
</tr>
</tbody>
</table>

Impairment of other intangible assets/license rights

Impairment of other intangible assets/license rights is based on an impairment test performed at year end 2018.

* Comparable figure has been restated to reflect the valuation of undership to production cost, in line with the sales method as described in note 1.
Note 21: Provision for abandonment liabilities

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Provisions as at January</td>
<td>2,552,592</td>
<td>2,463,884</td>
<td>2,552,592</td>
<td>-104,884</td>
</tr>
<tr>
<td>Provision for abandonment</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Insured cost remission</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Accumulated provision - future value calculation</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Change in net present value from changed discount rate</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Change in estimates and insured liabilities on new drilling and installations</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total provisions for abandonment liabilities</td>
<td>2,552,592</td>
<td>2,463,884</td>
<td>2,552,592</td>
<td>-104,884</td>
</tr>
</tbody>
</table>

Breakdown of the provision for short term and long term liabilities

| Short term                  | 3,785,918  | 2,557,552  | 2,786,918  | 2,552,950 |
| Long term                   | 2,552,592  | 2,463,884  | 2,552,592  | -104,884  |

The estimate is based on exercising the concept for abandonment in accordance with the Petroleum Activities Act and international regulations and guidelines. The calculation assumes an inflation rate of 2.0% and a nominal discount rate before tax of between 3.77% and 5.9%.

Note 22: Derivatives

The group has a number of financial instruments. The commodity derivatives are used to hedge the risk of oil price reduction. The group manages its interest rate exposure using interest rate derivatives, including in some cases interest rate swaps. Foreign currency exchange derivatives are used to manage the company’s exposure to currency risks, mainly NOK, EUR and GBP. These derivatives are marked to market with changes in market value recognized in the income statement. In the income statement, impacts from commodity derivatives are presented as other income, while impacts from other derivatives are presented as financial income.

Note 23: Provisions for other liabilities

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Provisions as at January</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fair value of contracts assumed in acquisitions*</td>
<td>-</td>
<td>104,040</td>
<td>-</td>
<td>104,040</td>
</tr>
<tr>
<td>Other long term liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total provisions for other liabilities</td>
<td>104,040</td>
<td>104,040</td>
<td>104,040</td>
<td>104,040</td>
</tr>
</tbody>
</table>

* The negative cost values are mainly related to significant contracts entered into by companies acquired by Aker BP, which are financed with market rates at the date of the acquisition.

The fair value is based on the difference between market price and contract price at the time of the acquisitions. Upon the implementation of IFRS 15 on 1 January 2019, the amount was retroactively applied to the cost of asset as described in note 6.
### Note 24 Other interest-bearing debt

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserved interest-bearing debt</td>
<td>1,429,132</td>
<td>979,954</td>
<td>1,429,132</td>
<td>979,954</td>
</tr>
</tbody>
</table>

Long-term interest-bearing debt

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserved interest-bearing debt</td>
<td>1,429,132</td>
<td>979,954</td>
<td>1,429,132</td>
<td>979,954</td>
</tr>
</tbody>
</table>

In May 2019, the group refinanced the Reserved interest-bearing facility (RIB) with a USD 4.0 billion senior unsecured Revolving credit facility (RCF). The RCF comprises a 3-year USD 2.0 billion Working Capital Facility and a USD 2.0 billion 5-year facility. The cash flows from the refinanced RIB include a 12-month extension option. The interest rates are 98 basis points on the underlying cash flows. The financial covenants are as follows:

- **Revenue Ratio**: Total net debt divided by EBITDA shall not exceed 3.5 times.
- **Interest Coverage Ratio**: EBITDA divided by interest expenses shall be a minimum of 3.5 times.

The financial covenants in the group’s current debt facilities exclude the effects from IFRS 16, and therefore cannot be directly derived from the group’s financial statements.

### Note 25 Other current liabilities

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating lease commitments</td>
<td>1,600,753</td>
<td>1,600,753</td>
<td>1,600,753</td>
</tr>
<tr>
<td>Short-term and long-term lease commitments</td>
<td>472,730</td>
<td>472,730</td>
<td>472,730</td>
</tr>
<tr>
<td>Non-lease components excluded</td>
<td>222,551</td>
<td>222,551</td>
<td>222,551</td>
</tr>
</tbody>
</table>

**Non-cancellable lease commitments**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>within one year</td>
<td>355,386</td>
<td>291,671</td>
<td>355,386</td>
<td>291,671</td>
</tr>
<tr>
<td>One to five years</td>
<td>520,204</td>
<td>432,445</td>
<td>520,204</td>
<td>432,445</td>
</tr>
<tr>
<td>After five years</td>
<td>162,955</td>
<td>122,341</td>
<td>162,955</td>
<td>122,341</td>
</tr>
<tr>
<td>Total</td>
<td>978,541</td>
<td>757,451</td>
<td>978,541</td>
<td>757,451</td>
</tr>
</tbody>
</table>

**Breakdown of the lease debt to short-term and long-term liabilities**

- **Within one year**
  - Operating lease commitments: NOK 300 million
  - Non-lease components excluded: NOK 480 million

### Note 26 Operating lease commitments

The company has a bank guarantee related to withheld payroll tax of NOK 300 million.

**Transportation cost in the coming two years**

- The figures have been calculated based on the assumed net share for the company based on the planned use of the related leased assets as at 31 December 2019.
- The ability to allocate future rig lease payments may be significantly impacted by the COVID-19 crisis, as described in note 23.
- The planned duration for each license indicates that the short-term exemption will be applied. It is thus not expected that these commitments at any point in time will be recognized as lease liability.
- The numbers below exclude any liabilities disclosed in note 26 in relation to right-of-use assets.

### Note 27 Commitments

**Capital commitments and other contractual obligations**

The group has entered into lease for rig contracts, other license related commitments and offfices premises. The leases do not contain any restrictions on the company’s dividend policy or financing. To the extent the leases have been approved and committed by the partners in the relevant Aker BP operated licenses, the commitments disclosed represent Aker BP share only.

**Significant lease agreements**

For 2019, the group had seven rig commitment contracts in place. These included four jack-up rigs from Maersk Drilling: Maersk Invincible, Maersk Integrator, Maersk Reacher and Maersk Interceptor. The Maersk Invincible is contracted on the Valhall license until May 2022. The Maersk Integrator is contracted for approximately 14 months to the Ula area, which commenced in June 2019. In addition, the Maersk Reacher is part of the accommodation packages on Valhall until October 2020. All of these times are included as leases in the table below. In addition, the Maersk Interceptor was contracted on the Valhall license until the end of 2019 and fall under the short-term exemption.

The group has two new commitment contracts with Delfjord Drilling: the Deepsea Stavanger and the Deepsea Nordkapp. The Deepsea Stavanger is on contract until the end of the 4H11 Phase 2 campaign (which is estimated to be March 2020), and the Deepsea Nordkapp is on a three-year contract from May 2019 until June 2022. In December 2019, the first option period for the Deepsea Nordkapp was signed, and extended the contract until June 2022. In addition, there is a commitment for Stordabi until June 2019. These rig leases have been entered into at the company’s own risk at the initial signing, and subsequently partly allocated to licenses. According to the planned use of the related leased assets, the duration for each license indicates that the short-term exemption will be applied. It is thus not expected that these commitments at any point in time will be recognized as lease liability.

### Note 28 Lease agreements

The company has entered into leases for rig contracts, other license related commitments and offfices premises. The leases do not contain any restrictions on the company’s dividend policy or financing. To the extent the leases have been approved and committed by the partners in the relevant Aker BP operated licenses, the commitments disclosed represent Aker BP share only.

**Illustrative examples**

- **As described in note 23**, the fair value of contracts was in 2019 netted against the right-of-use assets as at 1 January 2019.
- 

### Note 29 Guarantees

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>within one year</td>
<td>355,386</td>
<td>291,671</td>
<td>355,386</td>
<td>291,671</td>
</tr>
<tr>
<td>One to five years</td>
<td>520,204</td>
<td>432,445</td>
<td>520,204</td>
<td>432,445</td>
</tr>
<tr>
<td>After five years</td>
<td>162,955</td>
<td>122,341</td>
<td>162,955</td>
<td>122,341</td>
</tr>
<tr>
<td>Total</td>
<td>978,541</td>
<td>757,451</td>
<td>978,541</td>
<td>757,451</td>
</tr>
</tbody>
</table>

**Breakdown of the lease debt to short-term and long-term liabilities**

- **Within one year**
  - Operating lease commitments: NOK 300 million
  - Non-lease components excluded: NOK 480 million

**Guarantees**

The company has a bank guarantee relating to withheld payroll tax of NOK 300 million.
Note 28 Transactions with related parties

Transactions with related parties

At year-end 2019, Aker (Aker Capital AS) and BP Exploration Operating Company Ltd are the two major shareholders in Aker BP, with a total ownership interest of 46.03% and 30.00% respectively. An overview of the 20 largest shareholders is provided in note 19. Entities controlled either by the Aker Group or the BP Group are considered to be related parties under IFRS.

Transactions with related parties are carried out on the basis of the "arm's length" principle. Transactions with related parties are carried out on the basis of the "arm's length" principle.
Financial risk
The company has financial activities with revolving credit facility (see note 24) and bonds (see note 20 and note 31). In addition, the company has financial instruments such as commodity derivatives, commodity contracts, etc., directly related to the company’s day-to-day operations. For hedging purposes, the company has different types of economic hedging instruments, but no hedge accounting is applied. Commodity derivatives are used to hedge against lower oil prices, foreign currency exchange contracts and options are used in order to reduce currency risk related to cash flows. The company manages a portion of its interest rate exposure with a cross currency interest rate swap and interest rate derivatives.

The most important financial risks which the company is exposed to relates to lower oil and gas prices, change in foreign exchange rates and interest rates and access to cost efficient funding.

The company’s risk management, including financial risk management, is designed to ensure identification, analysis and systematic and cost-efficient handling of risk. Established management procedures provide a sound basis for reporting and monitoring of the company’s financial risk exposure.

(i) Commodity price risk
Aker BP’s revenue are derived from the sale of petroleum products, and the revenue flows is therefore exposed to oil and gas price fluctuations. The company continues in evaluating and assessing opportunities for hedging as part of prudent financial risk management process. In 2019 the company entered into new commodity hedges for 2020. These are put options with an average strike price $4 USD/bbl for approximately 6 percent of estimated 2020 oil production, corresponding to approximately 39 percent of the after tax revenue.

In 2019 the company had put options in place with a strike of $85, 55 and $65 USD/bbl for approximately 20 percent of the 2019 oil production, corresponding to approximately 49 percent of the after tax revenue.

The following table summarizes the sensitivity of the commodity derivatives to a reasonably probable change in the forward oil price as of 31 December 2019, with all other variables held constant. As the company has no hedging positions other than 2020, the calculation is based on forward curve only. The impact presented below is on the fair value of the commodity derivatives only, and does not include other income statement effects from changes in oil prices.

<table>
<thead>
<tr>
<th>USD 1,000</th>
<th>Increase/Decrease in oil price</th>
<th>31.12.2019</th>
<th>31.12.2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effect on pre-tax profit/loss</td>
<td>+30%</td>
<td>+263</td>
<td>-21,141</td>
</tr>
<tr>
<td>-20%</td>
<td>-397</td>
<td>79,889</td>
<td></td>
</tr>
</tbody>
</table>

(ii) Currency risk
Revenues from sale of petroleum and gas are mainly in USD, EUR and GBP, while expenditures are mainly in NOK, USD, EUR and GBP. Sales and expenses in the same currency contribute to mitigating some of the currency risk. Currency fluctuations may be used further reduce this risk.

The table below shows the company’s exposure in NOK as of 31 December:

<table>
<thead>
<tr>
<th>Exposure relating to NOK (1,000)</th>
<th>31.12.2019</th>
<th>31.12.2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax receivables, cash and cash equivalents, other short term receivables and deposits</td>
<td>136,056</td>
<td>191,599</td>
</tr>
<tr>
<td>Trade credits, tax payable, leasing liability and other short term liabilities</td>
<td>-960,920</td>
<td>-1,050,045</td>
</tr>
<tr>
<td>Bonds</td>
<td>-2,392,992</td>
<td>-2,162,976</td>
</tr>
<tr>
<td>Net exposure to NOK</td>
<td>-1,085,356</td>
<td>-1,077,334</td>
</tr>
</tbody>
</table>

The amounts above do not include tax balances in NOK, as they are not deemed to be financial instruments. The company’s management of currency risk takes into account the USD volume of non-USD assets, liabilities, operations and investments over time, including those exposures arising from the requirement to perform the tax calculation in NOK while the company’s functional currency is in USD.

The company is also exposed to changes in other exchange rates such as GBP/USD and EUR/USD, but the amounts are deemed immaterial.

The table below shows the impact on pre-tax profits if changes in USD/NOK exchange rate. Other currencies are not included as the exposure is deemed immaterial.

<table>
<thead>
<tr>
<th>USD 1,000</th>
<th>Change in exchange rate</th>
<th>31.12.2019</th>
<th>31.12.2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effect on pre-tax profit/loss</td>
<td>+10%</td>
<td>+14,903</td>
<td>+16,040</td>
</tr>
<tr>
<td>-10%</td>
<td>-21,760</td>
<td>-24,730</td>
<td></td>
</tr>
</tbody>
</table>

The sensitivity above includes the impact from currency derivatives.

(iii) Interest rate risk
The company is exposed to interest rate risk from borrowings and cash deposits. Floating interest loans involve risk exposure for the company’s future cash flows. As of 31 December 2019, the company’s total standstill exposed to interest risk amounted to approximately USD 1.3 billion, distributed between short-term bonds and revolving credit facility. The corresponding debt liabilities as of 31 December 2018 amounted to approximately USD 1.1 billion.

The terms of the company’s debt instruments are described in notes 20 and 34. The interest rate risk relating to cash and cash equivalents is relatively limited. The following table shows the company’s sensitivity to potential changes in interest rates which is reasonably possible:

<table>
<thead>
<tr>
<th>Change in interest rate level in basis points</th>
<th>31.12.2019</th>
<th>31.12.2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effect on pre-tax profit/loss: +100 basis points</td>
<td>-11,425</td>
<td>-112</td>
</tr>
<tr>
<td>-100 basis points</td>
<td>11,882</td>
<td>1,278</td>
</tr>
</tbody>
</table>

In order to calculate sensitivity of interest rate changes, floating interest rates have been changed by +/−100 basis points.

The table presents the annual effect on profit and loss for the financial instruments exposed to interest risk at the balance sheet date. Any changes in interest rates will impact the fair value of interest rate swaps, as the floating rate interest received on the interest rate swaps is associated with a corresponding floating rate interest payment on a bond or a loan. A change in the value on the interest rate swaps has reduced the exposure to interest rate risk by USD 1.5 billion in the sensitivity presented.

In July 2017, the UK Financial Conduct Authority announced that from 1 January 2022 it would no longer compel banks to submit the rates required to calculate LIBOR and the transition away from LIBOR to alternative reference rates shows an increasing speed in different markets. However, new benchmark regulation demands that an alternative fallback rate must be in place in the event that the current LIBOR rate should be discontinued. The various countries are at different stages in deciding and implementing the new rate and determining the fallback mechanisms.

This will require Aker BP to replace the references to the relevant LIBOR rate in financial agreements with new benchmark rates or insert fallback language in case of a discontinuation of LIBOR rates. As the latest by the end of 2023, the new proposed benchmark rates are not fully adopted by regulations and capital markets, however we expect no material impact as the alternative reference rates is expected to be lower than the current LIBOR rate. Aker BP will continue to follow the developments and consultations closely.

(iv) Liquidity risk/liquidity management
The company’s liquidity risk is the risk that it will not be able to meet its financial obligations as they fall due.

Short term (12 month) and long term (five years) forecasts are prepared on a regular basis to plan the company’s liquidity requirements. These plans are updated regularly for various scenarios and form part of the decision basis for the company’s management and Board of Directors.

Excess liquidity is defined as the sum of bank account balances, short-term bank deposits and unused credit facilities. For excess liquidity, the requirement for low liquidity risk (i.e. the risk of restriction on short notice is generally more important than maximizing the return).

The company’s objective for the placement and management of excess capital is to maintain a low risk profile and good liquidity.

The company’s liquid assets as of 31 December 2019 are deposited in bank accounts. As of 31 December 2019 the company had cash reserves of USD 107 million (2018: USD 45 million). Revenues and expenses are carefully managed on a day-to-day basis for liquidity risk management purposes.
### Financial liabilities measured at amortized cost (2,740,708)

<table>
<thead>
<tr>
<th></th>
<th>Book value</th>
<th>Less than 1 year</th>
<th>1-2 years</th>
<th>2-5 years</th>
<th>over 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-derivative financial liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds</td>
<td>1,857,626</td>
<td>329,714</td>
<td>400,000</td>
<td>1,229,188</td>
<td>1,007,944</td>
<td>2,285,053</td>
</tr>
<tr>
<td>Other interest-bearing debt</td>
<td>1,429,132</td>
<td>146,155</td>
<td>146,877</td>
<td>1,137,736</td>
<td>1,709,706</td>
<td></td>
</tr>
<tr>
<td>Trade creditors and other liabilities</td>
<td>805,074</td>
<td>805,074</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>805,074</td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivatives</td>
<td>40,208</td>
<td>40,208</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>40,208</td>
</tr>
<tr>
<td><strong>Total as of 31.12.2019</strong></td>
<td></td>
<td><strong>1,520,900</strong></td>
<td><strong>1,426,444</strong></td>
<td><strong>1,946,014</strong></td>
<td><strong>1,807,944</strong></td>
<td><strong>4,876,382</strong></td>
</tr>
</tbody>
</table>

### Financial liabilities measured at fair value

#### Fair value hierarchy

The company classifies fair value measurements by employing a value hierarchy that reflects the significance of the input used in preparing the measurements. The fair value hierarchy consists of the following levels:

- **Level 1** - input in the form of quoted (unadjusted) prices in active markets for identical assets or liabilities.
- **Level 2** - input other than quoted prices of assets and liabilities included in Level 1 that either is observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived therefrom).
- **Level 3** - input for assets or liabilities for which there is no observable market data (non-observable input).

The company has no assets or liabilities in Level 3.

<table>
<thead>
<tr>
<th></th>
<th>Book value</th>
<th>Less than 1 year</th>
<th>1-2 years</th>
<th>2-5 years</th>
<th>over 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-derivative financial liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds</td>
<td>1,130,408</td>
<td>70,333</td>
<td>287,926</td>
<td>517,474</td>
<td>539,614</td>
<td>1,464,223</td>
</tr>
<tr>
<td>Other interest-bearing debt</td>
<td>967,954</td>
<td>24,108</td>
<td>927,051</td>
<td>-</td>
<td>-</td>
<td>941,999</td>
</tr>
<tr>
<td>Trade creditors and other liabilities</td>
<td>666,427</td>
<td>666,427</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>666,427</td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivatives</td>
<td>22,058</td>
<td>8,763</td>
<td>25,275</td>
<td>-</td>
<td>-</td>
<td>21,009</td>
</tr>
<tr>
<td><strong>Total as of 31.12.2019</strong></td>
<td></td>
<td><strong>800,051</strong></td>
<td><strong>1,341,201</strong></td>
<td><strong>517,474</strong></td>
<td><strong>539,614</strong></td>
<td><strong>2,004,676</strong></td>
</tr>
</tbody>
</table>

#### Determination of fair value

The fair value of forward exchange contracts is determined using the forward exchange rate at the end of the reporting period. The fair value of commodity derivatives is determined using the forward interest rate at the end of the reporting period. The fair value of interest rate swaps and cross currency interest rate swaps is determined using the expected floating interest rates at the end of the period and confirmed by external market sources. See note 22 for detailed information about the derivatives.

The fair value of the company’s financial instruments have not been valued at fair value trade derivatives, other short term receivables, other long term receivables, short term loans and other short term liabilities, bonds and other interest bearing liabilities.

The carrying amount of cash and cash equivalents is approximately equal to fair value since these instruments have a short term to maturity. Similarly, the carrying amount of accounts receivable, other receivables, trade creditors and other short term liabilities is materially the same as their fair value as they are entered into on ordinary terms and conditions.

The fixed issued September 2013 is listed on Oslo Børs, and the fair value for disclosure purposes is determined using the quoted value as of 31 December 2019. The USD LIBO, SIBOR and TIBOR Senior notes are all listed on The International Stock Exchange, and the fair values for disclosure purposes are determined using the quoted value as of 31 December 2019. For the RCI facility, the fair value is assessed to equal the book value.

The following is a comparison between the book value and fair value of the company’s financial instruments, except where the carrying amount is a reasonable approximation of fair value (such as short term trade receivables and payables in addition to instruments measured at fair value):

### Fair value of financial instruments (USD 1,000)

<table>
<thead>
<tr>
<th></th>
<th>Book value</th>
<th>Fair value</th>
<th>Book value</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial liabilities measured at amortized cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds</td>
<td>1,857,626</td>
<td>1,968,037</td>
<td>1,109,488</td>
<td>1,146,537</td>
</tr>
<tr>
<td>Other interest-bearing debt</td>
<td>1,429,132</td>
<td>1,429,132</td>
<td>1,429,132</td>
<td>1,429,132</td>
</tr>
<tr>
<td>Trade creditors and other liabilities</td>
<td>907,954</td>
<td>907,954</td>
<td>907,954</td>
<td>907,954</td>
</tr>
<tr>
<td><strong>Total financial liabilities</strong></td>
<td>3,284,712</td>
<td>3,405,237</td>
<td>3,526,578</td>
<td>3,526,578</td>
</tr>
</tbody>
</table>
### Note 3 Investments in joint operations

#### License-operated

<table>
<thead>
<tr>
<th>License</th>
<th>PL 554</th>
<th>PL 562</th>
<th>PL 554C</th>
<th>PL 562C</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>30.00%</td>
<td>30.00%</td>
<td>30.00%</td>
<td>30.00%</td>
</tr>
<tr>
<td>Aker BP</td>
<td>0.000%</td>
<td>0.000%</td>
<td>0.000%</td>
<td>0.000%</td>
</tr>
</tbody>
</table>

#### Non-operated

**Note**: Aker BP has acquired a 40% share of PL 780.

**Note**: Aker BP has relinquished or Aker BP has withdrawn from the license.

#### Note 30 Investments in joint operations

<table>
<thead>
<tr>
<th>License</th>
<th>Tambar</th>
<th>Vilje</th>
<th>Valhall</th>
<th>Vari</th>
<th>Volve</th>
<th>Timbar</th>
<th>Tambar Qit</th>
<th>Laila</th>
<th>Sleipnir</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>55.00%</td>
<td>46.904%</td>
<td>80.000%</td>
<td>70.000%</td>
<td>65.000%</td>
<td>55.000%</td>
<td>46.200%</td>
<td>80.000%</td>
<td>23185%</td>
</tr>
</tbody>
</table>

**Note**: Relinquished license or Aker BP has withdrawn from the license.
Note 31: Events after the balance sheet date

During the first quarter of 2020, the spread of the COVID-19 virus (Coronavirus) caused global disruption with negative consequences for both human health and economic activity. Aker BP has implemented measures to minimize the spread of the virus and minimize the risk of disruptions to its operations. The coronavirus situation has created significant uncertainty in the global oil market. This uncertainty has further amplified by ongoing production volumes from several major oil-producing countries, and has caused a significant decline in globaloil prices.

The long-term impact from these events on the global economy and the oil market is difficult to predict. From an accounting perspective, this may have a significant impact on recoverable amounts of Aker BP’s assets.

On 24 February 2020, Aker BP disbursed USD 212.5 million in dividend to shareholders.

Gina Krog field and an 11.9175 percent interest in license 127C, in exchange for a 5 percent interest and operatorship in license 838 and a cash consideration. The transaction will recoverable amounts of Aker BP’s assets.

During first quarter 2020, the spread of the COVID-19 virus ("corona") caused global disruption with negative consequences both for human health and economic activity. Aker BP has

Note 32: Classification of reserves and contingent resources (unaudited)

Classification of reserves and contingent resources

Aker BP ASA’s reserve and contingent resource volumes have been classified in accordance with the Society of Petroleum Engineer’s (SPE’s) “Petroleum Resources Management System”. This classification system is consistent with Oslo Børs requirements for the disclosure of hydrocarbon reserves and contingent resources. The framework of the classification system is illustrated in Figure 6.

Figure 1: SPE’s classification system used by Aker BP ASA

Reserves, developed and non-developed:

All reserve estimates are based on available data including seismic, wellsinfo, core data, drill stem tests and production history. Industry standards are used to establish SP and IP.

This includes decline analysis for mature fields in which reliable trends are established. For undeveloped fields and less mature producing fields reservoir simulation models or simulations models in combination with decline analysis have been used for profiles generation.

Note that an independent third party, ACG Petroleum Services AS, has certified SP and IP reserves for all Aker BP assets except for the minors assets Atles and Ench, representing approximately USD 2013 million of total SP reserves.

Aker BP ASA has a growing interest in 40 fields/projects containing reserves, see Table 1 and 2. Of the 40 fields/projects, 19 are in the sub-class “Approved for Development”. Undeveloped and five are in the sub-class “Justified for Development”. Undeveloped. Note that several fields have reserves in more than one sub-class.

Table 1: Aker BP fields - Developed reserves

<table>
<thead>
<tr>
<th>Field/Project</th>
<th>Investment share</th>
<th>Operator</th>
<th>Reserve class</th>
</tr>
</thead>
<tbody>
<tr>
<td>Victoria (I-Ch)</td>
<td>65.00% Aker BP</td>
<td>Aker BP</td>
<td>Approved for Development</td>
</tr>
<tr>
<td>Blau</td>
<td>57.62% Aker BP</td>
<td>Aker BP</td>
<td>Approved for Development</td>
</tr>
<tr>
<td>Kveim</td>
<td>65.00% Aker BP</td>
<td>Aker BP</td>
<td>Approved for Development</td>
</tr>
<tr>
<td>Slett</td>
<td>65.00% Aker BP</td>
<td>Aker BP</td>
<td>Approved for Development</td>
</tr>
<tr>
<td>Fossa</td>
<td>65.00% Aker BP</td>
<td>Aker BP</td>
<td>Approved for Development</td>
</tr>
<tr>
<td>Vitt</td>
<td>46.00% Aker BP</td>
<td>Aker BP</td>
<td>Approved for Development</td>
</tr>
<tr>
<td>Villan</td>
<td>65.00% Aker BP</td>
<td>Aker BP</td>
<td>Approved for Development</td>
</tr>
<tr>
<td>Ula</td>
<td>80.00% Aker BP</td>
<td>Aker BP</td>
<td>Approved for Development</td>
</tr>
<tr>
<td>Tanberg</td>
<td>55.00% Aker BP</td>
<td>Aker BP</td>
<td>Approved for Development</td>
</tr>
<tr>
<td>Tanberg East</td>
<td>42.50% Aker BP</td>
<td>Aker BP</td>
<td>Approved for Development</td>
</tr>
<tr>
<td>Vatfall</td>
<td>65.00% Aker BP</td>
<td>Aker BP</td>
<td>Approved for Development</td>
</tr>
<tr>
<td>Hauk</td>
<td>100.00% Aker BP</td>
<td>Aker BP</td>
<td>Approved for Development</td>
</tr>
<tr>
<td>Skrea</td>
<td>23.84% Aker BP</td>
<td>Aker BP</td>
<td>Approved for Development</td>
</tr>
<tr>
<td>Jotun A-1</td>
<td>23.84% Aker BP</td>
<td>Aker BP</td>
<td>Approved for Development</td>
</tr>
<tr>
<td>Jotun Shepherd Phase 1</td>
<td>11.57% Equinor</td>
<td>Equinor</td>
<td>Approved for Development</td>
</tr>
<tr>
<td>Gavioker</td>
<td>3.30% Equinor</td>
<td>Equinor</td>
<td>Approved for Development</td>
</tr>
<tr>
<td>Oda</td>
<td>15.00% Spirit Energy</td>
<td>Spirit Energy</td>
<td>Approved for Development</td>
</tr>
<tr>
<td>Aka</td>
<td>10.00% TGS</td>
<td>TGS</td>
<td>Approved for Development</td>
</tr>
<tr>
<td>Aker</td>
<td>2.00% TGS</td>
<td>TGS</td>
<td>Approved for Development</td>
</tr>
</tbody>
</table>

Table 2: Aker BP fields - Undeveloped reserves

<table>
<thead>
<tr>
<th>Field/Project</th>
<th>Investment share</th>
<th>Operator</th>
<th>Reserve class</th>
</tr>
</thead>
<tbody>
<tr>
<td>Johan Sverdrup Phase 1</td>
<td>65.00% Aker BP</td>
<td>Aker BP</td>
<td>Approved for Development</td>
</tr>
<tr>
<td>Ivar Aasen</td>
<td>34.79% Aker BP</td>
<td>Aker BP</td>
<td>Approved for Development</td>
</tr>
<tr>
<td>Atla</td>
<td>35.00% Aker BP</td>
<td>Aker BP</td>
<td>Approved for Development</td>
</tr>
<tr>
<td>Austen</td>
<td>65.00% Aker BP</td>
<td>Aker BP</td>
<td>Approved for Development</td>
</tr>
<tr>
<td>Knaben</td>
<td>65.00% Aker BP</td>
<td>Aker BP</td>
<td>Approved for Development</td>
</tr>
<tr>
<td>Tap</td>
<td>65.00% Aker BP</td>
<td>Aker BP</td>
<td>Approved for Development</td>
</tr>
<tr>
<td>Velvet</td>
<td>65.00% Aker BP</td>
<td>Aker BP</td>
<td>Approved for Development</td>
</tr>
<tr>
<td>Trolls</td>
<td>65.00% Aker BP</td>
<td>Aker BP</td>
<td>Approved for Development</td>
</tr>
<tr>
<td>Tuchlennit</td>
<td>15.00% Spirit Energy</td>
<td>Spirit Energy</td>
<td>Approved for Development</td>
</tr>
<tr>
<td>Ivar Aasen</td>
<td>25.00% Aker BP</td>
<td>Aker BP</td>
<td>Approved for Development</td>
</tr>
</tbody>
</table>

Total net proven reserves (SPRsp) as at 31 December 2019 for Aker BP ASA are estimated at 663 million barrels of oil-equivalents. Total net proven plus probable reserves (SRPsp) are estimated at 1563 million barrels of oil-equivalents. The split between liquid and gas, and between the different subcategories, are given in tables 1 and 2.

TOTAL PETROLEUM INITIALLY-IN-PLACE (PIIP)

On Production

Approved for Production

Justified for Development

Figure 6: Range of uncertainties

Total net proven reserves (SPRsp) as at 31 December 2019 for Aker BP ASA are estimated at 663 million barrels of oil-equivalents. Total net proven plus probable reserves (SRPsp) are estimated at 1563 million barrels of oil-equivalents. The split between liquid and gas, and between the different subcategories, are given in tables 1 and 2.

TOTAL PETROLEUM INITIALLY-IN-PLACE (PIIP)

On Production

Approved for Production

Justified for Development

Figure 6: Range of uncertainties
### Table 3 - Reserves by field and reserve class

<table>
<thead>
<tr>
<th>Field</th>
<th>SP / P (low estimate)</th>
<th>2P / P (best estimate)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gross monthly</td>
<td>Net monthly</td>
</tr>
<tr>
<td></td>
<td>Gross monthly</td>
<td>Net monthly</td>
</tr>
</tbody>
</table>

#### Table 4 - Reserves by production class

<table>
<thead>
<tr>
<th>Field</th>
<th>SP / P (low estimate)</th>
<th>2P / P (best estimate)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gross monthly</td>
<td>Net monthly</td>
</tr>
<tr>
<td></td>
<td>Gross monthly</td>
<td>Net monthly</td>
</tr>
</tbody>
</table>

### Table 5 - Aggregated reserves, production, developments, and adjustments

<table>
<thead>
<tr>
<th>Type of reserve</th>
<th>On production</th>
<th>Approved for development</th>
<th>Justified for development</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>New</td>
<td>1387</td>
<td>346</td>
<td>346</td>
<td>346</td>
</tr>
<tr>
<td>Total</td>
<td>1387</td>
<td>2200</td>
<td>2200</td>
<td>2200</td>
</tr>
</tbody>
</table>

### Table 6 - Reserves by field and reserve class

<table>
<thead>
<tr>
<th>Field</th>
<th>Gross monthly</th>
<th>Net monthly</th>
<th>Gross annual net</th>
<th>Net annual net</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gross monthly</td>
<td>Net monthly</td>
<td>Gross annual net</td>
<td>Net annual net</td>
</tr>
<tr>
<td></td>
<td>Gross monthly</td>
<td>Net monthly</td>
<td>Gross annual net</td>
<td>Net annual net</td>
</tr>
</tbody>
</table>

### Table 7 - Justified for development

<table>
<thead>
<tr>
<th>Field</th>
<th>Gross monthly</th>
<th>Net monthly</th>
<th>Gross annual net</th>
<th>Net annual net</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gross monthly</td>
<td>Net monthly</td>
<td>Gross annual net</td>
<td>Net annual net</td>
</tr>
<tr>
<td></td>
<td>Gross monthly</td>
<td>Net monthly</td>
<td>Gross annual net</td>
<td>Net annual net</td>
</tr>
</tbody>
</table>

### Table 8 - Aggregated reserves, production, developments, and adjustments

<table>
<thead>
<tr>
<th>Type of reserve</th>
<th>On production</th>
<th>Approved for development</th>
<th>Justified for development</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>New</td>
<td>1387</td>
<td>346</td>
<td>346</td>
<td>346</td>
</tr>
<tr>
<td>Total</td>
<td>1387</td>
<td>2200</td>
<td>2200</td>
<td>2200</td>
</tr>
</tbody>
</table>

#### Footnotes

1. Numbers may differ slightly due to rounding.
2. Total reserves exclude non-commercial reserves.
3. Total production excludes non-commercial reserves.
STATEMENT BY THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

Pursuant to the Norwegian Securities Trading Act section 5-5 with pertaining regulations, we hereby confirm that, to the best of our knowledge, the company’s and the group’s financial statements for 2019 have been prepared in accordance with IFRS, as adopted by the EU, and requirements in accordance with the Norwegian Accounting Act. The information presented in the financial statements gives a true and fair view of the company’s liabilities, financial position and results overall.

To the best of our knowledge, the Board of Directors’ Report gives a true and fair view of the development, performance and financial position of the company, and includes a description of the principal risk and uncertainty factors facing the company and the group. Additionally, we confirm to the best of our knowledge that the report Payment to governments as provided in a separate section in this annual report has been prepared in accordance with the requirements in the Norwegian Securities Act Section 5-5a with pertaining regulations.

The Board of Directors of Aker BP ASA
Aker kvartalet, 19 March 2020

ØYVIND ERIKSEN
Chairman

KATE THOMSON
Board member

ANNE MARIE CANNON
Deputy chair

INGARD HAUSSBERG
Board member

BERNHARD LOONEY
Board member

KJELL INGE RØKKE
Chairman

BERNARD LOONEY
Chief Executive Officer

Kate Thomson, Board member

Annie Marie Cannon, Director

Kjell Inge Røkke, Board member

Èorjan Holstad
Board member

Anne Marie Cannon, Deputy Chair

Trond Brandsrud, Board member

Karen Haugeberg
Board member

Bernard Looney, Board member

Karl Johnny Herve
Chief Executive Officer

** Includes leasing debt from 2019

* The definition of Leverage ratio has been adjusted to comply with the financial covenants in the group’s current debt facilities. Both leasing debt and IFRS 16 impacts on EBITDAX are thus excluded when calculating this ratio.

† The definition of Leverage ratio has been adjusted to comply with the financial covenants in the group’s current debt facilities. Both leasing debt and IFRS 16 impacts on EBITDAX are thus excluded when calculating this ratio.

‡ The definition was changed in 2019 as production cost in the income statement includes adjustment for own land/RF, while this APM still applies to produced volumes.

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, users by 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 (special) is payment for removal and decommissioning of oil fields.

Description per bar= is depreciation divided by number of barrels of oil equivalents produced in the corresponding period

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

Carry in is divestments on investments in fixed assets deducted by capitalized interest cost

Operating profit 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

EBITXO 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 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, excluding impacts from IFRS 16

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

Production cost per bar= is production cost based on produced volumes (see note 5), divided by number of barrels of oil equivalents produced in the corresponding period***

Aker BP Annual Report 2019 — Financial Statements
To the General Meeting of Aker BP ASA

Independent Auditor’s Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Aker BP ASA. The financial statements comprise:

- The financial statements of the parent company Aker BP ASA (the Company), which comprise the statement of financial position as at 31 December 2019, and income statement, statement of comprehensive income, statement of changes in equity, statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Aker BP ASA and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2019, and income statement, statement of comprehensive income, statement of changes in equity, statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in formulating our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of licence assets and associated goodwill

Refer to Board of Directors’ report and financial statement Note 1.3 (Important accounting judgments, estimates and assumptions), Note 1.12 (Impairment accounting policy) and Note 13 (Impairments).

The key audit matter

The recoverable amounts of licence assets and the associated goodwill are sensitive to changes in assumptions, in particular oil and gas prices, discount rate and forecast operational performance including the volumes of oil and gas to be produced and licence related expenditures. Any negative developments in these assumptions and forecasts may be an impairment trigger, even if other factors have moved favourably.

In addition, the goodwill balances allocated to licence cash generating units will be subject to impairment charges over time as the related oil and gas reserves are produced.

Management’s determination of the recoverable amounts of licence assets requires a number of estimates and assumptions relating to operational and market factors, some of which involve a high degree of judgment. In addition, the calculation of recoverable amounts requires complex financial modelling of the cash flows of each cash generating unit.

Significant auditor judgment is required when evaluating whether the recoverable amounts, and the assumptions which drive the underlying cash flow estimates, are reasonable and supportable.

For each cash generating unit where a material risk of impairment was identified, we critically assessed the key elements of the cash flow forecasts, including:

- production profiles with reference to reserves estimates prepared by the Company’s reservoir engineers and third party reserves certification reports;
- three year oil and gas prices with reference to forward curve data and the Company’s long term oil price assumptions against benchmark data from third party analysts;
- opex and capex expenditures with reference to historical forecasts, approved licence budgets and management forecasts; and
- abandonment expenditures with reference to our audit work on the abandonment provision (refer Abandonment provisions Key Audit Matter).

In addition, KPMG valuation specialists assessed the mathematical and methodological integrity of management’s impairment models, including the modelling of tax related cash flows, and assessed the reasonableness of the discount rate applied with reference to market data.

We also considered whether the disclosures regarding key assumptions and sensitivities adequately reflected the underlying impairment assessments.

Abandonment provisions

Refer to financial statement Note 1.3 (Important accounting judgments, estimates and assumptions), Note 1.25 (Provisions) and Note 20 (Provision for abandonment liabilities).

The key audit matter

Management’s estimate of abandonment provisions requires significant judgment due to:

- the technically challenging nature of the decommissioning work which may be performed over several years;
- applying experiences and data from actual decommissioning projects (e.g. number of days required to plug wells) to estimates of future decommissioning activities;
- uncertainties over current market costs for decommissioning work (e.g. rig rates) and future cost escalation; and
- the relatively limited number of analogous decommissioning projects completed by the Company and the wider industry which can act as benchmarks.

As a result of these uncertainties, there are typically a wide range of possible abandonment provision estimates for each license. Significant auditor judgment is therefore required when

For each licence with a potentially significant abandonment liability, we critically assessed management’s estimate of the decommissioning costs, including:

- well count and relevant technical details of facilities and infrastructure with reference to publicly available information and licence reporting;
- assumptions for the number of days required for plugging and abandonment activities, with reference to the Company’s internal benchmark data where available;
- plug and abandonment costs for drilled wells, including rig costs, with reference to contractual terms where available and / or the Company’s benchmark data;
- facilities removal and decommissioning costs with reference to contractual terms where available and / or the Company’s internal benchmark data and third-party reports where available; and

Audit Report - 2019
Aker BP ASA
evaluating the abandonment provisions, and to determine whether there is sufficient evidence available to support the estimates and judgments made.

- foreign currency, inflation and cost escalation assumptions with reference to market and industry data.

For non-operated licences where the Company uses the operator company estimates, we assessed the amounts against reports from the operator company.

In addition, we assessed the assumed economic cut-off date with reference to licence forecasts, including an assessment of the consistency with the forecasts and assumptions used in impairment testing and other audit work.

We assessed the mathematical accuracy of management's discounting model to confirm the year-end present values of decommissioning cost estimates and accretion recognised during the year, and the discount rate applied with reference to industry practice along with market and Company data.

**Other information**

Management is responsible for the other information. The other information comprises information included in the Annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Board of Directors and the Chief Executive Officer for the Financial Statements**

The Board of Directors and the Chief Executive Officer (Management) are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s and the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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**Auditor’s Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s or the Group’s internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s or the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.
Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report including the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 19 March 2020

KPMG AS

Mona Irene Larsen
State Authorised Public Accountant
CONTACT
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