Second quarter 2018

Quarterly report
Point Resources Holding AS

pointresources

Content

Consolidated statements of comprehensive income

USD million	NOTE	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	YEAR-TO-DATE Q2 2018	YEAR-TO-DATE Q2 2017	FULL YEAR 2017
Petroleum revenues	2.3	**208.7**	238.6	148.4	14.9	15.0	**447.4**	**29.0**	192.3
Production costs	2.4	**-51.4**	-68.1	-30.8	-5.2	-6.4	**-119.5**	**-8.8**	-44.8
Other including hedging activities	2.3	**0.8**	0.8	-11.5	-27.4	-2.7	**1.5**	**-1.2**	-40.1
General and administrative expenses		**1.9**	-2.8	-6.6	-3.2	-2.6	**-0.9**	**-3.6**	-13.5
EBITDAX		**160.0**	168.5	99.5	-20.9	3.3	**328.5**	**15.3**	93.9
Exploration expenses	2.6	**-8.7**	-10.6	-14.0	-9.7	-12.1	**-19.3**	**-32.8**	-56.5
Changes in fair value of contingent consideration	2.5	**-18.5**	-8.6	-	-	-	**-27.2**	**-**	-
Depreciation, depletion, amortisation and impairment	3.2	**-54.0**	-61.7	-44.4	-7.8	-7.0	**-115.7**	**-16.6**	-68.9
Operating profit/(loss) (EBIT)		**78.7**	87.6	41.1	-38.4	-15.8	**166.3**	**-34.1**	-31.5
Finance income	5.4	**4.1**	5.8	13.0	1.3	0.3	**9.9**	**0.4**	14.7
Finance costs	5.4	**-26.2**	-24.0	-22.8	1.8	-0.2	**-50.2**	**-3.0**	-24.0
Profit/(loss) before net profit interest and income taxes		**56.6**	69.4	31.4	-35.4	-15.7	**126.0**	**-36.7**	-40.7
Net profit interest	2.7	**-10.1**	-11.9	-2.5	-	-	**-21.9**	**-**	-2.5
Profit/(loss) before income taxes		**46.5**	57.6	28.9	-35.4	-15.7	**104.1**	**-36.7**	-43.2
Income tax expenses	6.1	**-48.7**	-36.5	-17.9	12.5	10.1	**-85.2**	**29.1**	23.7
Profit/(loss) for the period		**-2.2**	21.1	11.0	-22.9	-5.6	**18.9**	**-7.6**	-19.5
Items that may be reclassified subsequently to income statement:									
Currency translation differences		**-**	-	5.1	14.0	5.8	**-**	**7.0**	26.1
Net gain/(loss) on put options used for hedging	5.5	**-3.2**	-2.3	-	-	-	**-5.5**	**-**	-
Total comprehensive income/(loss)		**-5.4**	18.8	16.1	-8.9	0.2	**13.4**	**-0.6**	6.6
Earnings per share									
Basic, profit for the period attributable to ordinary equity holders of the parent		**-0.01**	0.13	0.07	-2.12	-0.52	**0.11**	**-0.70**	-0.44
Diluted, profit for the period attributable to ordinary equity holders of the parent		**-0.01**	0.13	0.07	-2.12	-0.52	**0.11**	**-0.70**	-0.44

The ExxonMobil transaction is reflected from 1 November 2017.

Consolidated statements of financial position

USD million	NOTE	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	FULL YEAR 2017
ASSETS							
Non-current assets							
Intangible assets							
Goodwill		**562.9**	562.9	562.9	16.1	15.3	562.9
Other intangible assets		**34.0**	35.4	36.9	-	-	36.9
Deferred tax assets	6.1	**2.5**	-	0.8	-	-	0.8
Exploration and evaluation assets	3.1	**203.6**	204.0	196.9	146.2	133.4	196.9
Tangible fixed assets							
Oil and gas properties	3.2	**1 431.7**	1 432.6	1 450.7	368.2	343.9	1 450.7
Other property, plant and equipment		**26.1**	25.1	25.4	0.5	0.4	25.4
Financial assets							
Other non-current assets	4.2	**132.5**	151.0	143.9	0.4	0.4	143.9
Total non-current assets		2 393.3	2 410.9	2 417.6	531.4	493.4	2 417.6
Current assets							
Inventories		**64.1**	65.7	63.8	8.6	8.8	63.8
Trade and other receivables	5.3	**169.0**	178.3	224.9	206.3	191.6	224.9
Other current financial assets	5.5	**4.0**	8.7	9.3	12.5	41.1	9.3
Cash and cash equivalents		**528.2**	579.7	282.6	67.7	57.7	282.6
Total current assets		765.4	832.3	580.7	295.1	299.2	580.7
TOTAL ASSETS		3 158.7	3 243.3	2 998.3	826.6	792.6	2 998.3

Consolidated statements of financial position

USD million	NOTE	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	FULL YEAR 2017
EQUITY AND LIABILITIES							
Equity							
Share capital		**2.0**	2.0	2.0	1.3	1.3	2.0
Share premium		**687.2**	687.2	687.2	309.4	309.4	687.2
Other equity		**-19.5**	-14.0	-32.9	-48.5	-39.6	-32.9
Total equity		**669.7**	675.1	656.2	262.2	271.1	656.2
Non-current liabilities							
Interest-bearing loans and borrowings	5.1	**837.8**	994.0	783.4	145.7	98.2	783.4
Deferred tax liabilities	6.1	**274.3**	250.5	238.7	137.3	133.3	238.7
Non-current abandonment provision	4.2	**974.6**	977.1	965.2	99.0	93.1	965.2
Other non-current liabilities	4.1	**101.2**	103.9	103.6	12.0	12.0	103.6
Total non-current liabilities		**2 220.7**	2 325.5	2 090.9	394.1	336.6	2 090.9
Current liabilities							
Current abandonment provision	4.2	**61.1**	75.9	97.7	-	-	97.7
Accounts payable and accrued liabilities	5.2	**81.6**	70.4	75.7	14.6	17.4	75.7
Taxes payable	6.1	**70.1**	47.9	24.1	-	-	24.1
Interest-bearing loans and borrowings	5.1	**32.9**	-	-	111.8	106.2	-
Other current liabilities	4.1	**31.6**	20.6	21.2	11.4	18.2	21.2
Other current financial liabilities		**24.0**	27.9	32.5	32.5	43.0	32.5
Total current liabilities		**268.3**	242.7	251.2	170.2	184.8	251.2
Total liabilities		**2 489.0**	2 568.2	2 342.1	564.3	521.5	2 342.1
TOTAL EQUITY AND LIABILITIES		**3 158.7**	3 243.3	2 998.3	826.6	792.6	2 998.3

The ExxonMobil transaction is reflected as of 1 November 2017.

Oslo, 28 August 2018
The Board of Directors of Point Resources Holding AS

Liv Marit Lundby
Chairman

Thomas Bjørgo
CEO

Ole Ertvaag
Board member

Pål Magnus Reed
Board member

Consolidated statements of equity

USD million	SHARE CAPITAL	SHARE PREMIUM	OTHER EQUITY: OTHER EQUITY	OTHER EQUITY: TRANSLATION DIFFERENCES	OTHER EQUITY: HEDGE RESERVE	OTHER EQUITY: RETAINED EARNINGS (LOSS)	TOTAL EQUITY
Balance at 1 January 2017	1.3	291.5	12.3	-8.3	-	-43.3	**253.4**
Profit/(loss) for the period	-	-	-	-	-	-19.5	**-19.5**
Other comprehensive income/(loss)	-	-	-	26.1	-	-	**26.1**
Total comprehensive income/(loss)	-	-	-	26.1	-	-19.5	**6.6**
Issue of share capital	0.7	395.7	-	-	-	-	**396.4**
Other	-	-	-0.1	-	-	-	**-0.1**
Balance at 31 December 2017	2.0	687.2	12.2	17.8	-	-62.8	**656.2**
Balance at 1 January 2018	2.0	687.2	12.2	17.8	-	-62.8	**656.2**
Profit/(loss) for the period	-	-	-	-	-	18.9	**18.9**
Other comprehensive income/(loss)	-	-	-	-	-5.5	-	**-5.5**
Total comprehensive income/(loss)	-	-	-	-	-5.5	18.9	**13.4**
Other	-	-	-	-	-	-	**-**
Balance at 30 June 2018	2.0	687.2	12.2	17.8	-5.5	-44.0	**669.7**
Balance at 1 January 2017	1.3	291.5	12.3	-8.3	-	-43.3	**253.4**
Profit/(loss) for the period	-	-	-	-	-	-7.6	**-7.6**
Other comprehensive income/(loss)	-	-	-	7.0	-	-	**7.0**
Total comprehensive income/(loss)	-	-	-	7.0	-	-7.6	**-0.6**
Issue of share capital	0.0	17.9	-0.4	-	-	-	**17.5**
Other	-	-	0.79	-	-	-	**0.8**
Balance at 30 June 2017	1.3	309.4	12.6	-1.3	-	-50.9	**271.1**

Consolidated statements of cash flow

							YEAR-TO-DATE		FULL YEAR
USD million	**NOTE**	**Q2 2018**	**Q1 2018**	**Q4 2017**	**Q3 2017**	**Q2 2017**	**Q2 2018**	**Q2 2017**	**2017**
Cash flows from operating activities									
Profit/(Loss) before income taxes		46.5	57.6	28.9	-35.4	-15.7	104.1	-36.7	-43.2
Depreciation, depletion and amortisation	3.2	54.0	61.7	44.4	7.8	7.0	115.7	16.6	68.9
Unsuccessful exploration and evaluation expenditures	3.1	-	-	0.1	0.8	0.2	-	7.0	7.9
Utilisation of decommissioning provision	4.2	-24.3	-27.1	-16.2	-	-	-51.4	-	-16.2
Other non-cash income and expenses		32.1	-0.7	-98.4	-22.1	43.0	31.4	41.4	-79.1
Accretion expenses (asset retirement obligation)		11.8	12.3	7.7	1.1	1.0	24.2	2.0	10.8
Add: Finance expense (disclosed in financing activities)		6.4	8.6	23.2	-2.9	-0.8	15.0	0.5	20.9
Deduct: Finance income (disclosed in investing activities)		1.2	-2.4	-6.8	-1.3	-0.3	-1.1	-0.3	-8.4
Changes in inventories, accounts and other payables, trade and other receivables, and provisions	5.2, 5.3	8.5	22.0	139.5	32.4	-38.0	30.6	-92.1	79.9
Income tax received/(paid)		-4.1	-	88.2	-	-	-4.1	-	88.2
Net cash flows from/-used in operating activities		132.3	132.0	210.6	-19.4	-3.6	264.2	-61.6	129.6
Cash flows used in investing activities									
Expenditures on exploration and evaluation assets	3.1	0.4	-7.0	-0.5	-7.3	-12.0	-6.7	-19.4	-27.2
Expenditures on oil and gas assets	3.2	-50.2	-40.7	-24.6	-14.6	-7.5	-90.8	-11.6	-50.8
Expenditures on other property, plant and equipment		-2.2	-0.6	-1.2	-0.3	-	-2.7	-	-1.5
Expenditures on goodwill and other intangible assets			-	-3.8	-	-	-	-	-3.8
Business combination	2.1		-	-672.1	-	-	-	-	-672.1
Interest received		-1.2	2.4	6.8	1.3	0.3	1.1	0.3	8.4
Net cash flows from/-used in investing activities		-53.2	-45.9	-695.5	-20.9	-19.3	-99.1	-30.7	-747.1
Cash flow from financing activities									
Proceeds from issuance of shares		-	-	405.0	-	-	-	18.0	423.0
Proceeds from loans and borrowings	5.1	-	250.0	361.7	47.5	23.8	250.0	23.8	433.0
Payments of loan and borrowings	5.1	-124.1	-30.4	-80.2	-	-	-154.5	-	-80.2
Cash acquired in business acquisitions	2.1		-	36.6	-	-	-	-	36.6
Interest paid		-6.4	-8.6	-23.2	2.9	0.8	-15.0	-0.5	-20.9
Net cash from/-used in financing activities		-130.6	211.1	699.8	50.4	24.6	80.5	41.3	791.5
Increase/(decrease) in cash		-51.5	297.1	214.9	10.0	1.8	245.6	-51.0	174.0
Cash and cash equivalents, beginning of period		579.8	282.6	67.7	57.7	55.9	282.6	108.7	108.7
Cash and cash equivalents, end of period		528.2	579.8	282.6	67.7	57.7	528.3	57.7	282.7

Notes

1.1 Corporate information / Basis of preparation

Corporate information

The consolidated interim financial statements of Point Resources Holding AS and its subsidiaries (collectively, "the Group", "the Company" or "Point Resources") for the period ended 30 June 2018 were approved by the Board of directors on 28 August 2018. Point Resources Holding AS is a limited liability company incorporated and domiciled in Norway and the Company's shares are privately held. The Group's head office is located at Grundingen 3, 0250 Oslo, Norway.

Point Resources AS is a mid-sized, independent exploration and production (E&P) company with a diverse portfolio of production, development and exploration assets on the Norwegian Continental Shelf (NCS).

On 1 November 2017, Point Resources AS acquired ExxonMobil's operated upstream business in Norway from ExxonMobil Exploration and Production Norway AS. More detailed information is included in note 2.1.

The interim financial statements have not been subject to review or audit.

Basis of preparation

(All figures in USD million unless otherwise stated)
The consolidated interim financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and IAS 34 "Interim Financial Reporting". The consolidated interim financial statements do not include all information required by IFRS and should be read in conjunction with the Group's annual report for 2017 approved by the Board of Director's on 27 April 2018.

The following changes in accounting principles and estimates have been implemented and/or changed with effect from 1 January 2018:

- The parent company and subsidiaries have changed functional currency from NOK to USD.
- The Group has implemented IFRS 9 Financial Instruments, and as a result applied hedge accounting on its oil put options.
- Principle related to revenue recognition was changed from entitlement method to sales method according to IFRS 15.

The financial position related to Joint Operations are with effect from second quarter presented aggregated per license either as a receivable or payable.

In preparing these consolidated financial statements, the significant estimates and judgements made by Management were the same as those applied in the Group's annual report for 2017.

Change of functional currency

The financial statements are presented in US Dollars (USD), which is the functional currency of the parent company and subsidiaries from 1 January 2018.

As a result of the ExxonMobil transaction, Point Resources AS is more exposed for USD transactions through ordinary operation, current and future capital expenditures, asset retirement obligations and general financing. Accordingly, the Group has changed its functional currency from NOK to USD from 1 January 2018. The change has been implemented with prospective effect.

Implementation of hedge accounting

The Group has with effect from 1 January 2018 applied hedge accounting on its oil put options. The effect of hedge accounting is described in note 5.5.

Implementation of IFRS 15 Revenue recognition

The implementation of IFRS 15 Revenue from contracts with customers has been completed. As described in the Group's annual report for 2017, the Group performed a detailed analysis of IFRS 15 in 2017 and elected to change from the entitlement method to the sales method in 2017. The change made in 2017 did not have material impact on the financial statements.

Change in presentation of joint operations

Working capital, accruals and over-/undercall towards licenses were previously presented on separate lines in the consolidated statements of financial position. In the second quarter, it was decided to present these items together on a license per license basis as either accounts and other payables or trade and other receivables depending on the net position of each license. The change in presentation has also been applied to historical numbers.

2.1 Business combinations

Acquisition of ExxonMobil's operated upstream business in Norway

On 1 November 2017, the Group acquired ExxonMobil's operated upstream business in Norway from ExxonMobil Exploration and Production Norway AS. The acquisition included a transfer of the majority of ExxonMobil's offshore and onshore E&P staff in Norway; a significant package of operated producing assets (Balder, Ringhorne, Ringhorne East and Jotun) on the Norwegian Continental Shelf (NCS); field assets such as platforms and floating production storage and offloading vessels (FPSOs); as well as the Company's office building in Sandnes.

The business was acquired by and combined with Point Resources AS to create a strong, new mid-sized Norwegian E&P company. With an asset portfolio that includes several fields in the development phase, the combined Company has the potential to grow its production base organically to about 130 000 boepd by 2023 and has proven and probable reserves and contingent resources of about 369 million barrels of oil equivalent at year-end 2017.

As part of the transaction, the Group acquired 100 per cent of the shares in in Standard Marine Nordsjø AS and in ExxonMobil Property Norway (2) AS. In addition, the Group acquired the remaining 5 per cent of the interest in PR Jotun DA.

Standard Marine Nordsjø AS later changed name to Point Resources FPSO AS. Shares in Point Resources FSPO AS and PR Jotun DA were incorporated in the new company Point Resources FPSO Holding AS.

The shares in ExxonMobil Property Norway (2) AS (later renamed Grenseveien 6 AS) were sold to ABP Holdco AS immediately after the aqcuisition and the Group entered a lease agreement with the new owner.

The transaction with ExxonMobil Exploration and Production Norway AS is recorded as a business combination in accordance with IFRS 3. The acquisition date for accounting purposes corresponds to the completion date of the transaction on 1 November 2017. For tax and economic purposes, the effective date was 1 January 2017.

USD million

Purchase consideration at date of acquisition	
Cash consideration	672.1
Deferred payment	254.3
Contingent consideration (oil price dependent)	22.9
Contingent Forseti consideration	33.7
Payment for acquired assets and liabilities	983.0

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of ExxonMobil's operated upstream business in Norway at the date of acquisition were:

USD million	
ASSETS	
Non-current assets	
Oil and gas properties	1 136.7
Other property, plant and equipment	24.7
Exploration prospects	54.0
Other intangible assets	34.9
Other non-current assets	250.6
Deferred tax asset	3.1
Total non-current assets	1 504.0
Current assets	
Inventories	56.5
Trade and other receivables	0.1
Other current assets	0.3
Cash and short-term deposits	36.6
Total current assets	93.5
Total assets	1 597.5

USD million	
LIABILITIES	
Non-current liabilities	
Deferred tax liabilities	-
Provision for abandonment	911.3
Total non-current liabilities	911.3
Current liabilities	
Taxes payable	160.3
Provision for abandonment	88.4
Provisions, current	8.6
Total current liabilities	257.4
Total liabilities	1 168.7
Total identifiable net assets at fair value	428.8
Consideration paid on acquisition	983.0
Goodwill arising on acquisition	554.2
Goodwill as a result of deferred tax - technical goodwill	473.6
Goodwill related to synergies - residual goodwill	80.6
Net goodwill from acquisition	554.2

According to section 10 in the Norwegian Petroleum Tax Act, the transaction shall be carried out after tax and the buyer is therefore not entitled to claim a tax deduction for the part of the consideration that exceeds the tax position acquired from the seller. A provision for deferred tax is made for the difference between acquisition cost and acquired tax base in accordance with IAS 12. The offsetting entry to this non-cash deferred tax is technical goodwill.

The remaining goodwill of USD 80.6 million comprises the value of expected synergies arising from the acquisition and total workforce, which is not separately recognised. Goodwill is allocated entirely to operations on the the Norwegian Continental Shelf (NCS).

None of the goodwill recognised is expected to be deductible for income tax purposes.

The valuation is based on available information on fair values as of the acquisition date.

Net cash flows used in acquisition

USD million	
Net cash acquired	36.6
Cash paid	672.1
Net cash flows used in acquisition	-635.5

From the date of acquisition, ExxonMobil's operated upstream business in Norway contributed USD 131 million of revenue and USD 49 million in net profit before tax in 2017. If the acquisition had taken place at the beginning of the year, revenue would have been USD 812 million in 2017 and the profit before tax for 2017 would have been USD 109 million.

2.2 Segment information

Accounting policy - Segment information

Since the establishment of Point Resources in May 2016, its operations have been focused on the exploration and production of petroleum on the NCS.

The Group's activities are considered to have a homogeneous risk and return profile (same geographical area and activities), hence all of Point Resources' activities are concentrated in one single operation segment (NCS). Segment figures are therefore similar to the income statements.

2.3 Revenues and other income

						YEAR-TO-DATE		FULL YEAR
USD million	**Q2 2018**	**Q1 2018**	**Q4 2017**	**Q3 2017**	**Q2 2017**	**Q2 2018**	**Q2 2017**	**2017**
Revenue from crude oil sales	205.1	233.9	145.8	14.4	14.8	439.0	28.8	189.0
Revenue from gas sales	3.6	4.7	2.6	0.5	0.2	8.3	0.2	3.3
Revenue from NGL sales	-	-	-	-	-	-	-	-
Total petroleum revenues	208.7	238.6	148.4	14.9	15.0	447.4	29.0	192.3

USD million	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	YEAR-TO-DATE Q2 2018	YEAR-TO-DATE Q2 2017	FULL YEAR 2017
Unrealised Brent Crude put options 1)	-	-	-7.4	-16.7	-1.6	-	-2.2	-26.3
Realised Brent Crude put options 1)	-0.2	-	-4.7	-10.8	-1.2	-0.2	0.4	-15.1
Other income	0.7	0.7	0.5	-	0.2	1.4	0.6	1.2
Deferred revenue 2)	0.2	0.1	0.1	-	-	0.4	-	0.1
Other income including hedging activities	0.8	0.8	-11.5	-27.5	-2.7	1.5	-1.2	-40.1

1) The Group has with effect from January 1 2018 applied hedge accounting on its oil put options. Refer to note 5.5 for more information.
2) Deferred revenue is related to the sale-leaseback transaction of the Forus office building.

Key operational figures

USD million		Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	YEAR-TO-DATE Q2 2018	YEAR-TO-DATE Q2 2017	FULL YEAR 2017
Production	boe 1)	3 220 619	3 683 855	2 684 385	289 630	315 834	6 904 474	631 837	3 605 851
Average production per day	boe	35 391	40 932	29 178	3 148	3 471	38 146	3 491	9 879
Average price	USD/boe	69.9	62.1	58.9	49.9	50.0	65	52	57.0
Volumes sold	boe	2 986 921	3 844 941	2 518 203	298 940	299 010	6 831 862	556 297	3 373 439

1) boe = Barrel of Oil Equivalent

If the transaction with ExxonMobil had occurred on 1 January 2017, the total production in 2017 would have been 16 969 401 boe and average production per day would have been 46 492 boe.

2.4 Production cost

USD million	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	YEAR-TO-DATE Q1 2017	YEAR-TO-DATE 2017	FULL YEAR 2017
Direct production cost	56.4	58.5	38.0	4.4	5.9	114.9	10.2	52.6
Tariffs and transportation	0.6	1.2	0.5	0.1	0.2	1.8	0.3	0.9
Over-/underlift adjustments	-8.9	6.0	-8.9	-0.2	-0.6	-2.9	-3.8	-12.9
Other production cost incl allocated G&A	3.3	2.3	1.3	0.9	0.9	5.7	2.1	4.2
Total production cost	51.4	68.1	30.8	5.2	6.4	119.5	8.8	44.8

2.5 Contingent consideration from business combination

As part of the purchase agreement with ExxonMobil, Point Resources AS has agreed to pay an annual contingent consideration to ExxonMobil the following 5 years after transaction close if the yearly average oil price exceeds a certain threshold. The maximum contingent consideration each year is USD 25 million. As of 31 December 2017, the fair value of future contingent consideration was estimated to USD 22.7 million and was recognised as a liability as part of the business combination. As a result of increased future oil prices during 2018, this estimate was updated to 31.5 million as of 31 March 2018 and USD 50.1 million as of 30 June 2018.

2.6 Exploration expenses

USD million	Note	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	YEAR-TO-DATE Q2 2018	YEAR-TO-DATE Q2 2017	FULL YEAR 2017
Exploration costs		6.0	5.4	5.2	3.7	4.1	11.4	8.9	17.8
Seismic costs		0.1	2.3	4.1	0.3	4.1	2.4	8.2	12.6
G&A expenses allocated to exploration		2.5	3.0	4.8	4.8	3.5	5.5	8.1	17.4
Other exploration costs		-	-	0.3	0.3	0.1	-	-0.5	0.3
Exploration costs capitalised in previous periods, expensed		-	-	-	-	-	-	0.5	0.5
Exploration costs capitalised this period, expensed		-	-	-0.3	0.5	0.3	-	7.6	7.8
Total exploration expenses		8.7	10.6	14.0	9.7	12.1	19.3	32.8	56.5

2.7 Net profit interest

Accounting policy - Net profit interest

The Norwegian State has large holdings in oil and gas licences on Norway's continental shelf (NCS) through the State's Direct Financial Interest (SDFI). The Balder, Ringhorne and Ringhorne East fields are subject to a net profit interest ("NPI"), as these fields are located in some of the first licences issued on the NCS. SDFI receives a share of the net profit from the few fields in Norway subject to such agreements. Petoro is a state-owned limited company which manages the SDFI in the Norwegian oil and gas sector.

The net profit interest is calculated on the basis of quarterly cash flows. Losses in a quarter can be offset against profits in subsequent quarters. NPI related to abandonment costs incurred after the production has ceased will be refunded by Petoro.

Prior to the acquisition of ExxonMobil's operated upstream business in Norway on 1 November 2017, the Group did not hold assets that are subject to a net profit interest ("NPI"). The fourth quarter in 2017 was the first quarter with NPI costs.

LICENCE	NET PROFIT INTEREST TO PETORO
PL027	17.50 %
PL028	17.50 %

USD million	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	YEAR-TO-DATE Q2 2018	YEAR-TO-DATE Q2 2017	FULL YEAR 2017
PL027	8.9	10.1	2.0	-	-	19.0	-	2.0
PL028	1.2	1.8	0.5	-	-	3.0	-	0.5
Net profit interest costs	10.1	11.9	2.5	-	-	21.9	-	2.5

3.1 Exploration and evaluation assets

USD million	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	FULL YEAR 2017
Cost at the beginning of the period	204.0	196.9	146.2	133.4	118.9	234.2
Additions	-0.4	7.0	0.5	7.3	12.0	27.2
Additions through business combinations	-	-	54.0	-	-	54.0
Unsuccessful exploration expenditure derecognised	-	-	-0.1	-0.8	-0.2	-7.9
Currency translation effects	-	-	-3.6	6.3	2.7	9.9
Transfer to oil and gas properties	-	-	-	-	-	-120.5
Cost at the end of the period	203.6	204.0	196.9	146.2	133.4	196.9

In the first quarter of 2018, the Group participated in the successful drilling of the Frosk prospect (PL 340) located near the Bøyla field where the Group holds a 20 per cent working interest. Preliminary analysis prepared by the operator AkerBP indicates a discovery size of 30-60 mmboe.

The discovery provides valuable new geological information and further increases the attractiveness of other identified exploration targets in the license.

3.2 Oil and gas properties

USD million	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	FULL YEAR 2017
Costs at the beginning of the period	1 837.5	1 796.8	680.4	633.4	612.2	488.5
Additions	50.2	40.7	24.6	14.6	7.5	50.8
Additions through business combinations	-	-	1 136.7	-	-	1 136.7
Transferred from exploration and evaluation assets	-	-	-	-	-	120.5
Change in decommissioning provision	-	-	-20.7	-	-	-20.7
Currency translation effects	-	-	-24.2	32.4	13.7	21.1
Costs at the end of the period	1 887.7	1 837.5	1 796.8	680.4	633.4	1 796.8
Depletion and impairment at the beginning of the period	-404.9	-346.1	-312.3	-289.5	-276.3	-265.6
Depreciation	-51.1	-58.8	-42.5	-7.7	-7.0	-66.6
Currency translation effects	-	-	8.7	-15.0	-6.2	-13.9
Depletion and impairment at the end of the period	-456.0	-404.9	-346.1	-312.3	-289.5	-346.1
Net book value at the end of the period	1 431.7	1 432.6	1 450.7	368.2	343.9	1 450.7
Depreciation oil and gas properties	-51.1	-58.8	-42.5	-7.7	-7.0	-66.6
Other depreciation, depletion, amortisation and impairment	-2.9	-2.9	-1.9	-0.1	-	-2.3
Total depreciation, depletion, amortisation and impairment	-54.0	-61.7	-44.4	-7.8	-7.0	-68.9

4.1 Provisions for other liabilities

USD million	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	FULL YEAR 2017
Other provisions 1)	3.0	3.0	12.0	12.0	12.0	12.0
Contingent consideration Forseti 2)	34.5	34.2	33.7	-	-	33.7
Contingent consideration - oil price dependent 3)	28.9	31.5	22.7	-	-	22.7
Deferred revenue	13.1	13.3	13.4	-	-	13.4
Lease commitment Forus office	21.8	21.9	21.8	-	-	21.8
Total other non-current liabilities	101.2	103.9	103.6	12.0	12.0	103.6

1) Related to decommissioning costs on the Athena field in connection with former Spike Exploration AS' sale of Spike UK to Verus Petroleum Holding Limited. USD 9 million was reclassified to current liabilities as of 31 March 2018.
2) Related to contingent Forseti consideration from the acquisition of ExxonMobil's operated upstream business in Norway from ExxonMobil Exploration and Production Norway AS.
3) Related to the contingent consideration (oil price dependent) from the acquisition of ExxonMobil's operated upstream business in Norway from ExxonMobil Exploration and Production Norway AS. USD 21.2 million was reclassified to current liabilities as of 30 June 2018.

USD million	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	FULL YEAR 2017
Overlift oil	-	-	0.6	-	-	0.6
Working capital, accruals joint operations	7.4	17.6	17.6	11.4	18.2	17.6
Contingent consideration - oil price	21.2	-	-	-	-	-
Lease commitment Forus office	2.3	2.3	2.3	-	-	2.3
Deferred revenue	0.6	0.7	0.7	-	-	0.7
Total other current liabilities	31.6	20.6	21.2	11.4	18.2	21.2

Working capital, accruals and over-/undercall towards licenses were previously presented on separate lines in the consolidated statements of financial position. In the second quarter, it was decided to present these items together on a license per license basis as either accounts and other payables or trade and other receivables depending on the net position of each license. The change in presentation has also been applied to historical numbers.

4.2 Decommissioning provision

						YEAR-TO-DATE		FULL YEAR
USD million	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q2 2018	Q2 2017	2017
Provisions at the beginning of period	1 052.9	1 063.0	99.0	93.1	93.4	1 063.0	91.9	91.9
Additions	-	-	-	-	-	-	-	-
Additions through business combination	-	-	999.8	-	-	-	-	999.8
Changes in Operator's estimate	-	-	-17.3	-	-3.4	-	-3.4	-20.7
Unwinding of discount	11.8	12.3	7.7	1.1	1.0	24.2	2.0	10.8
Amounts used	-24.3	-27.1	-16.2	-	-	-51.4	-	-16.2
Unused reversed	-	-	-	-	-	-	-	-
Currency translation effects	-4.9	4.8	-10.0	4.8	2.1	-0.1	2.6	-2.6
Provisions at the end of the period	1 035.6	1 052.9	1 063.0	99.0	93.1	1 035.6	93.1	1 063.0

USD million	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	YEAR-TO-DATE Q2 2018	YEAR-TO-DATE Q2 2017	FULL YEAR 2017
Non-current abandonment provision	974.6	977.1	965.2	99.0	93.1	974.6	93.1	965.2
Current abandonment provision	61.1	75.9	97.7	-	-	61.1	-	97.7
Totat provisions the end of the period	1 035.6	1 052.9	1 063.0	99.0	93.1	1 035.6	93.1	1 063.0

Compensation of decommissioning costs for Jotun

As part of the transaction with ExxonMobil in 2017, the seller has in the sale and purchase agreement agreed to pay parts of the decommissioning costs for Jotun and the Group has recorded a receivable against ExxonMobil to cover those costs that are within compensation threshold. The Group expects that all decommissioning costs within the compensation threshold will be refunded from the seller.

USD million	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	YEAR-TO-DATE Q2 2018	YEAR-TO-DATE Q2 2017	FULL YEAR 2017
Provisions at the beginning of period	226.9	249.4	-	-	-	249.4	-	-
Additions through business combinations	-	-	250.6	-	-	-	-	250.6
Amounts used	-25.8	-36.2	-1.2	-	-	-62.0	-	-1.2
Unwinding of discount	2.2	2.3	1.8	-	-	4.6	-	1.8
Currency translation effects	-10.3	11.3	-1.7	-	-	1.0	-	-1.7
Total receivables related to decommissioning costs for Jotun	193.1	226.9	249.4	-	-	193.1	-	249.4

USD million	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	YEAR-TO-DATE Q2 2018	YEAR-TO-DATE Q2 2017	FULL YEAR 2017
Non-current receivables related to decommissioning costs for Jotun	131.9	151.0	143.9	-	-	131.9	-	143.9
Current receivables related to decommissioning costs for Jotun	61.1	76.0	105.6	-	-	61.1	-	105.6
Total receivables related to decommissioning costs for Jotun	193.1	226.9	249.4	-	-	193.1	-	249.4

USD million	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	YEAR-TO-DATE Q2 2018	YEAR-TO-DATE Q2 2017	FULL YEAR 2017
Non-current receivables related to decommissioning costs for Jotun	131.9	151.0	143.9	-	-	131.9	-	143.9
Other non-current assets, related parties	0.5	0.0	0.0	0.4	0.4	0.5	0.4	0.0
Total Other non-current assets	132.5	151.0	143.9	0.4	0.4	132.5	0.4	143.9

4.3 Commitments and contingencies

Point Resources Holding AS is an associate of Pure E&P AS. Pure E&P AS entered in May 2016 into a back-to-back agreement with Point Resources Holding AS, assuming all risks and benefits of Pure E&P AS including subsidiaries.

ONGC has issued cash calls for the drilling of 3 dry wells, amounting to USD 20.3 million (excluding any interest), which Pure E&P AS considers it is not obliged to and has consequently refused to pay.

ONGC is now pursuing its claim through arbitration proceedings in India. Pure E&P submitted its statement of defence on 31 May 2018.

There have been no further updates or changes to the Group's commitments and contigencies. For detailed description, we refer to note 4.3 in the Group's annual report for 2017.

5.1 Financial liabilities and borrowings

USD million	INTEREST RATE	MATURITY	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	FULL YEAR 2017
Interest-bearing loans and borrowings								
RBL credit facility [1]	3M LIBOR + 3 %	2024	**417.0**	542.0	542.0	147.5	100.0	542.0
Deferred payment ExxonMobil [2]	3M LIBOR + 1 %	2020	**47.6**	79.7	113.5	-	-	113.5
Deferred payment ExxonMobil	1.8 %	2020	**144.6**	144.6	141.2	-	-	141.2
Senior unsecured bond [3]	8.50 %	2024	**250.0**	250.0	-	-	-	-
Prepaid RBL and bond loan expenses			**-21.5**	-22.3	-13.3	-1.8	-1.8	-13.3
Total non-current interest-bearing loans and borrowings			**837.8**	994.0	783.4	145.7	98.2	783.4
Current interest-bearing loans and liabilites								
Exploration finance facilities		2017	**-**	-	-	111.8	106.2	-
Deferred payment ExxonMobil [2]		2019	**32.9**					
Total current interest-bearing loans and borrowings			**32.9**	-	-	111.8	106.2	-

1) In relation to the reserve based lending facility, Point Resources is obliged to submit a liquidity test every three months to ensure liquidity levels comply with what is outlined in the RBL agreement (the Group and the ultimate parent company (Point Resources Holding AS) shall have a net remaining cash or cash equivalents balance greater than zero). In addition, there is a covenant related to a maximum ratio of the Group's net debt divided by the Group's EBITDAX. The Group was in compliance with its covenants as at 30 June 2018. For details, refer to note 5.1 in the Group's annual report for 2017. As of 30 June 2018, the interest rate was 3 month LIBOR + 3 per cent margin. After five years, the margin will increase to 3,5 per cent.
2) Related to deferred payments to ExxonMobil for the Jotun FPSO vessel.
3) The bond was established in March 2018 and carries a fixed interest amount of 8.5 per cent and is nominated in USD. The principal falls due in September 2024 and interest is paid on a semi annual basis. The loan is senior unsecured and has financial covenants related to minimum liquidity of USD 50 million at all times and a maximum leverage ratio same as for RBL facility.

Credit facilities - utilised and unused amount

USD million	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	FULL YEAR 2017
Utilised amount credit facilities	417.0	542.0	542.0	147.5	100.0	542.0
Unused amount credit facilities	125.0	-	-	-	-	-

The RBL credit facility has an undrawn amount of USD 125 million at the end of the second quarter. As a result of redetermination during the second quarter, the Company has increased the undrawn amount from USD 125 million to USD 278 million as of 1 July 2018.

5.2 Accounts and other payables

USD million	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	FULL YEAR 2017
Trade creditors	24.7	18.9	21.0	8.2	12.4	21.0
Accrued public charges and indirect taxes	6.7	3.8	7.7	0.9	0.9	7.7
Payables / under call joint operations	2.6	5.4	0.8	4.7	3.7	0.8
Other payables [1)]	47.5	42.3	46.1	0.8	0.5	46.1
Total accounts and other payables	81.6	70.4	75.7	14.6	17.4	75.7

1) Other payables primarily consists of various accruals related to operated licences.

Working capital, accruals and over-/undercall towards licenses were previously presented on separate lines in the consolidated statements of financial position. In the second quarter, it was decided to present these items together on a license per license basis as either accounts and other payables or trade and other receivables depending on the net position of each license. The change in presentation has also been applied to historical numbers.

5.3 Trade and other receivables

USD million	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	FULL YEAR 2017
Trade receivables	69.7	82.0	80.8	5.6	4.0	80.8
Underlift oil	12.3	3.4	8.8	2.6	2.3	8.8
Tax receivable	-	-	-	133.9	118.1	-
Receivables / over call joint operations	19.6	11.0	14.0	8.1	9.2	14.0
Prepayments	9.1	5.3	6.0	-	-	6.0
Other receivables [1)]	58.3	76.6	115.3	56.2	57.9	115.3
Total trade and other receivables	169.0	178.3	224.9	206.3	191.5	224.9

1) Other receivables relate to ExxonMobil and Jotun B decommissioning costs.

Working capital, accruals and over-/undercall towards licenses were previously presented on separate lines in the consolidated statements of financial position. In the second quarter, it was decided to present these items together on a license per license basis as either accounts and other payables or trade and other receivables depending on the net position of each license. The change in presentation has also been applied to historical numbers.

5.4 Financial income and financial expenses

						YEAR-TO-DATE		FULL YEAR
USD million	**Q2 2018**	**Q1 2018**	**Q4 2017**	**Q3 2017**	**Q2 2017**	**Q2 2018**	**Q2 2017**	**2017**
Interest income on bank accounts and receivables	3.5	2.4	2.5	0.2	0.1	5.9	0.2	2.9
Net exchange rate gain	0.6	3.4	10.6	1.1	0.2	4.0	0.2	11.8
Financial income	4.1	5.8	13.0	1.3	0.3	9.9	0.4	14.7
Interest expense on financial liabilities measured at amortised cost	-14.4	-11.6	-7.4	-1.4	-1.0	-26.0	-1.9	-10.7
Accretion expenses (asset retirement obligation)	-11.8	-12.3	-7.7	-1.1	-1.0	-24.2	-2.0	-10.8
Net exchange rate loss	-	-	-6.5	5.3	2.9	-	3.6	2.3
Other financial expenses	-	-	-1.2	-1.1	-1.1	-	-2.6	-4.8
Financial expenses	-26.2	-24.0	-22.8	1.8	-0.2	-50.2	-3.0	-24.0
Net financial items	-22.1	-18.2	-9.7	3.0	0.1	-40.3	-2.5	-9.2

5.5 Derivatives

Accounting policy - Derivatives

The Group uses derivative financial instruments, such as Brent Crude put options, to hedge its commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss.

As of 30 June 2018 the Group had brent crude oil put options in place with a strike of USD 50 per barrel for approximately 28.5 per cent of the 2018 oil production.

For the purpose of hedge accounting, hedges are classified as:

Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

Put options used for hedging

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the hedge reserve, while any ineffective portion is recognised immediately in the profit or loss. The Group uses brent crude put options as hedges of its exposure to volatility in the commodity prices. The ineffective portion relating brent crude put options is recognised in other income and expenses including results from hedging activities.

Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss.

Valuation methods

Derivatives are valued using valuation techniques with market observable inputs; they are mainly commodity forward contracts. The most frequently applied valuation techniques include forward pricing, using present value calculations.

						FULL YEAR
USD million	**Q2 2018**	**Q1 2018**	**Q4 2017**	**Q3 2017**	**Q2 2017**	**2017**
Brent crude put options	4.0	6.7	7.3	12.5	41.1	7.3
Investment in shares	-	2.0	2.0	-	-	2.0
Other current financial assets	4.0	8.7	9.3	12.5	41.1	9.3

Brent crude put options used for hedging

USD million	**Q2 2018**	**Q1 2018**
The beginning of the period	6.7	7.3
Realised brent crude put options	-0.2	-
Effective portion recognised in OCI (before tax)	-4.2	-3.0
New Brent crude put options	1.7	2.3
The end of the period	4.0	6.7

As at 30 June 2018, the fair value of outstanding Brent Crude oil put options amounted to an asset of USD 4.0 million.
The ineffectiveness recognised in other income and expenses including results from hedging activities in the income statement for the period was USD 0.2 million (see Note 2.3).

The cumulative effective portion of USD 1.7 million after tax is reflected in OCI (hedge reserve) and will affect the income statement in future periods.

6.1 Tax

USD million	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	YEAR-TO-DATE Q2 2018	YEAR-TO-DATE Q2 2017	FULL YEAR 2017
Current income tax expense in respect of current period	-26.5	-23.8	-58.3	9.5	17.0	-50.3	31.1	-17.7
Prior period adjustment	-	-	-0.3	-	-	-	-	-0.3
Current income tax expense	-26.5	-23.8	-58.6	9.5	17.0	-50.3	31.1	-18.0
Origination and reversal of temporary differences	-22.2	-12.7	40.8	3.0	-6.9	-34.9	-2.0	41.8
Change in tax regulations	-	-	-	-	-	-	-	-
Prior period adjustments	-	-	-0.1	-	-	-	-	-0.1
Deferred tax expense	-22.2	-12.7	40.7	3.0	-6.9	-34.9	-2.0	41.7
Income tax expense	-48.7	-36.5	-17.9	12.5	10.1	-85.2	29.1	23.7

Reconciliation of nominal statutory tax rate to effective tax rate:

USD million	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	YEAR-TO-DATE Q2 2018	YEAR-TO-DATE Q2 2017	FULL YEAR 2017
Income before tax	46.5	57.6	28.9	-35.4	-15.7	104.1	-36.7	-43.2
Calculated income tax at statutory rate	-11.3	-13.2	-6.6	8.4	3.7	-24.6	8.5	10.4
Calculated Norwegian Petroleum tax	-21.9	-29.1	-5.4	19.1	8.5	-50.9	19.8	33.5
Tax effect uplift	7.3	7.6	23.0	1.8	0.1	14.9	2.7	27.5
Tax effect of permanent differences [1)]	-15.4	-9.5	-10.1	-0.5	-0.5	-24.8	-0.5	-11.1
Tax effect of finance income/expense	-5.6	1.6	-20.3	-13.3	-1.5	-3.9	-1.5	-35.1
Change in unrecognised deferred tax assets	-	-	1.6	-3.0	-0.2	-	-	-1.4
Change in tax regulations	-	-	0.3	-	-	-	-	0.3
Prior period adjustments	3.6	-	-0.4	-	-	3.6	-	-0.4
Other items including currency effects	-5.5	6.0	-	-	-	0.5	-	-
Income tax expense	-48.7	-36.5	-17.9	12.5	10.1	-85.2	29.1	23.7
Effective tax rate [1)]	105 %	63 %	62 %	35 %	64 %	82 %	79 %	55 %

1) Increase in effective tax rate in the second quarter is mainly due to change in fair value of the oil price contingent consideration in the ExxonMobil transaction (permanent difference) and impact from higher net financial costs (deductible only at 23 per cent)

The Group's functional currency is USD and the calculation of current income tax is required to be based on NOK functional currency in accordance with statutory requirements. This may have a significant impact on the Group's effective tax rate in the periods.

USD million	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	YEAR-TO-DATE Q2 2018	YEAR-TO-DATE Q2 2017	FULL YEAR 2017
Taxes payable (-) /Refund payable tax (+) at the beginning of the period	-47.9	-24.1	133.9	118.1	98.7	-24.1	84.0	84.0
Current income tax expense (-) /receivable (+)	-26.5	-23.8	-58.3	9.5	17.0	-50.3	31.1	-17.7
Net tax payment (+)/tax refund (-)	4.2	-	-88.2	-	-	4.2	-	-88.2
Currency effects	0.1	-	-4.7	6.3	2.5	0.1	3.0	4.6
Tax payable (Point Resources FPSO AS) before 1 November 2017 [1)]	-	-	-6.9	-	-	-	-	-6.9
Total taxes payable (-) / Refund payable tax (+) at the end of the period	-70.1	-47.9	-24.1	133.9	118.1	-70.1	118.1	-24.1

1) For accounting purposes the income statement reflects the acquired operation from ExxonMobil from 1 November 2017. For tax and economic purposes, the effective date was 1 January 2017.

USD million	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	YEAR-TO-DATE Q2 2018	YEAR-TO-DATE Q2 2017	FULL YEAR 2017
Changes in net deferred tax liability during the year were as follows:								
Net deferred tax liability at the beginning of the period	250.4	237.9	137.3	133.3	123.7	237.9	127.8	127.8
Charged (credited) to the statement of income	22.2	12.7	-40.7	-3.0	6.9	34.9	2.0	-41.7
Against equity (Point Resources AS)		-	139.8	-	-	-	-	139.8
Translation differences and other	-0.9	-0.1	1.4	7.0	2.7	-1.0	3.5	11.9
Net deferred tax liability at the end of period	271.8	250.4	237.9	137.3	133.3	271.8	133.3	237.9
Deferred tax assets	2.5	-	0.8	-	-	2.5	-	0.8
Deferred tax liabilities	274.3	250.5	238.7	137.3	133.3	274.3	133.3	238.7
Net deferred tax liability at end of period	271.8	250.5	237.9	137.3	133.3	271.8	133.3	237.9

7.1 Related parties

Point Resources Holding AS has made liquidity available to Point Resources AS through a credit facility.

During the second quarter 2018 no non-recurring related parties transactions have taken place. Other recurring related parties transactions are limited, for more information on recurring transactions, see note 8.3 in the Group's annual report for 2017.

7.2 Subsequent events

On 2 July, Eni and HitecVision announced the agreement to merge Point Resources AS into Eni Norge AS, renaming the company Vår Energi AS. The combined entity will be a leading independent Norwegian Exploration & Production company. The portfolio of the combined company will have a wide geographical coverage, from the Barents Sea to the North Sea, producing around 180,000 barrels of oil equivalent per day (boepd) this year from a portfolio of 17 producing oil and gas fields. The company will have reserves and resources of more than 1,250 million barrels of oil equivalent (Mboe). Vår Energi AS will be jointly owned by Eni (69.6 per cent) and by HitecVision (30.4 per cent). Point Resources Holding AS will have the direct ownership of the 30.4 % of the shares in Vår Energi AS. The merger is subject to customary closing conditions and regulatory approvals and is expected to be completed by the end of 2018.

On 5 July, the Ministry of Petroleum and Energy approved the plan for development and operation (PDO) for the Snorre Expansion Project (PL057 and PL089) in the Norwegian Sea. The Company has 1.1 per cent ownership interest in the field.

Risks and uncertainties

Point Resources is exposed to a variety of risks associated with oil and gas operations. Risk management is an integral part of the Company's business activities, and the business areas consequently have the main responsibility for managing risks arising from its business activities.

Risks relating to the Company's external environment
The Company's business, results of operations, value of assets, reserves, cash flows, financial condition and access to capital depend significantly upon and may be adversely affected by volatile oil and gas prices and general global economic, political and financial market situation which is beyond the Company's influence and control.

Risks relating to the Company's business and operations
The future success of the Company depends in part on its ability to find and develop or acquire additional reserves that are economically recoverable, which among other is dependent on oil and gas prices. Reserves and contingent resources are by their nature uncertain in respect of the inferred volume range. Many of the assumptions that are made when estimating reserves and resources are beyond the Company's control, and therefore these assumptions may prove to be incorrect over time.

Maritime disasters, employee errors and other operational risks may adversely impact the Company's reputation, financial condition and results of operations. The Company's offshore operations, are subject to all the risks common in its industry, including inter alia encountering unexpected rock formations or pressures, seismic shifts, blowouts, pollution, explosions, fires and equipment damage or failure. The facilities on offshore fields will also be subject to the hazards inherent in marine operations. If any of these events were to occur, they could, result in environmental damage, injury to persons, loss of life, a failure to produce oil and/or gas in commercial quantities, delays, shut-down of operations or other damage. These events can also put at risk some or all of the Company's licences and could inter alia result in the Company incurring significant civil liability claims, significant fines as well as criminal sanctions Any of these circumstances could adversely affect the operation of the Company's licences and result in loss of revenues or increased costs and adversely affect the Company's profitability.

The Company's ability to acquire or merge with other companies, sell or transfer license interests, may be restricted by regulatory consent requirements, provisions in its joint operating agreements including pre-emption rights, if any, or applicable legislation.

Financial risks and risks related to debt obligations
The Company has, significant debt outstanding today and may incur substantial indebtedness in the future, either under the Reserve Based Lending facility or under the terms of the Bond Agreement. The Company's ability to make payments on, or repay or refinance, any debt and to fund working capital and capital investments, will depend on its future operating performance and ability to generate sufficient cash. This depends on the success of its business strategy and on general economic, financial, competitive, market, legislative, regulatory, technical and other factors, many of which are beyond the Company's control.

The company seeks to reduce the risk related to foreign exchange rates, interest rates and commodity prices and may from time to time enter into hedging arrangements to manage the risk. Such security if provided could make it difficult for the Company to service its debt.

Transaction with related parties

During the second quarter 2018 Point Resources had no significant transactions with related parties. See note 7.1 for more information on transactions with related parties.

Events after balance sheet date

On 2 July, Eni and HitecVision announced the agreement to merge Point Resources AS into Eni Norge AS, renaming the company to Vår Energi AS. Please see note 7.2 for more information.

Responsibility statement

We confirm, to the best of our knowledge, that the unaudited, condensed half-year financial statements for the period 1 January to 30 June 2018 have been prepared in conformity with IAS 34 Interim Reporting and that the information in the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and the group taken as a whole, and that the half-year report provides a fair overview of the information specified in section 5-6, fourth paragraph, of the Norwegian Securities Trading Act.

Oslo, 28 August 2018
The Board of Directors of Point Resources Holding AS

Liv Marit Lundby Chairman	Thomas Bjørgo CEO	Ole Ertvaag Board member	Pål Magnus Reed Board member

Financial calendar 2018

First quarter results	30 May 2018 Oslo, Norway
Second quarter results	29 August 2018 Oslo, Norway
Third quarter results	14 November 2018 Oslo, Norway
Fourth quarter results	27 February 2019 Oslo, Norway

pointresources

artbox.no