# Second quarter 2018

Quarterly report

Point Resources AS

Q2

pointresources

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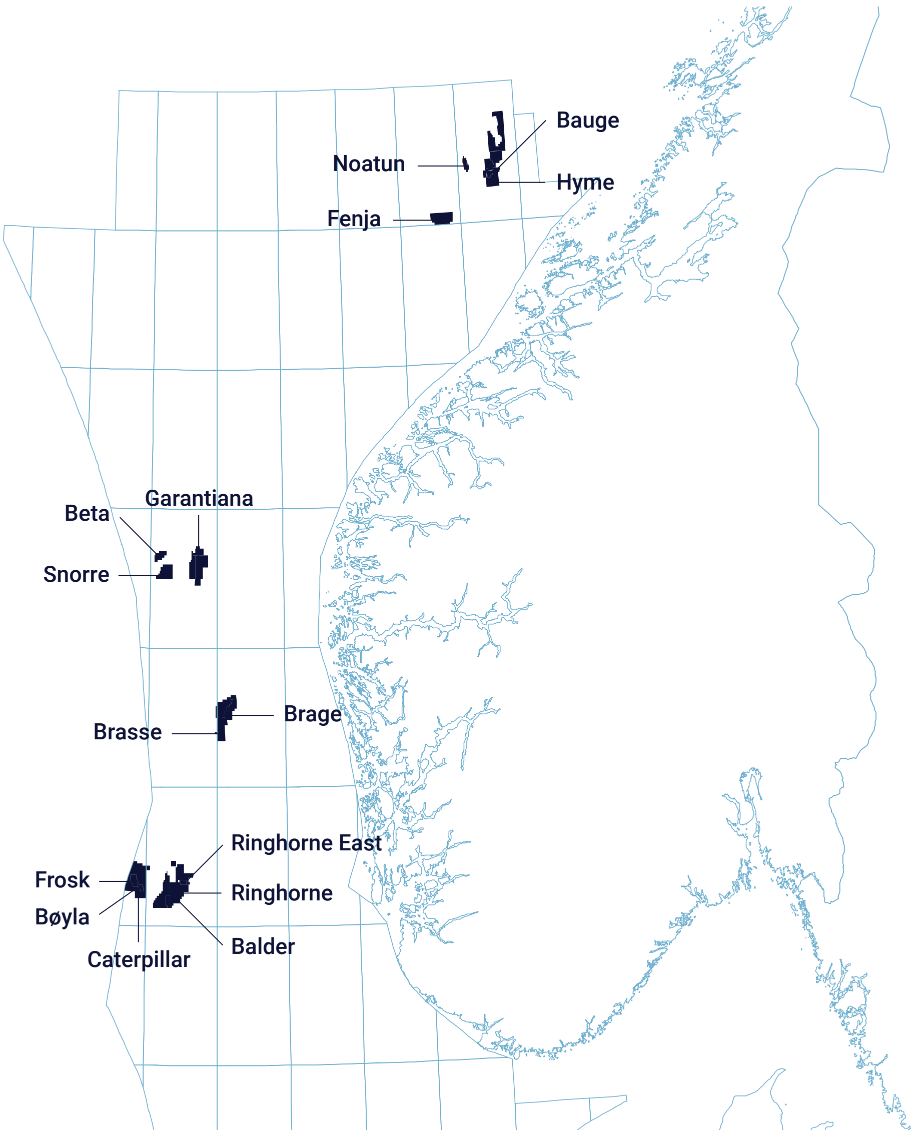
In the financial and operational review section of this report, pro-forma numbers are used to illustrate the financial and operational effect of the acquisition of ExxonMobil's operated NCS portfolio in 2017 by use of the economic date of the transaction, 1 January 2017, rather than the date for closing of the transaction, 1 November 2017. It is in the Board of Director's opinion that use of pro-forma numbers for 2017 is a representative way of showing Point Resources' underlying performance in 2017.

This report contains Alternative Performance Measures (APMs). These measures are explained in the section Accounting Policies and Alternative Performance Measures (APMs).

The section Financial Statements with Notes is prepared according to IFRS.

## About Point Resources

### Point Resources is a full-cycle E&P company with a diversified portfolio of exploration, development and production assets on the Norwegian Continental Shelf. The Company has a material operated position in the producing Balder, Ringhorne and Ringhorne East fields, high-quality development projects, significant discoveries and an attractive exploration portfolio. Point Resources has an ambition to become a leading, independent E&P company on the Norwegian Continental Shelf.




**52** licences

**12** operated

# Operational and financial review

**2018 is about to become another transformational year for Point Resources with the announcement of the merger with Eni Norge AS. In addition, there has been good progress on further developing and maturing the Company's portfolio of discoveries and producing, development and exploration assets in the first half of 2018.**

**Point Resources delivered strong operational and financial performance in the second quarter. The Company reported petroleum revenues of USD 209 million. EBITDAX and EBIT for the period amounted to USD 160 million and USD 79 million respectively. The production was on average 35.391 boe per day during the quarter.**

## Highlights second quarter 2018

### M&A

- On 2 July, HitecVision and Eni signed an agreement to merge Point Resources and Eni Norge to form Vår Energi. The combination is subject to customary closing conditions and regulatory approvals and is expected to be completed by the end of 2018

### Production

- Decision of commerciality (DG1) approved for the Balder Future project and Ringhorne Phase IV
- Average daily production of 35.4 kboe in line with expectations, including planned maintenance on the Balder FPSO which went according to plan

### Development

- PDO for Fenja approved
- PDO for the Snorre Expansion project approved
- Progress on development portfolio according to planned cost and time schedules

### Exploration

- Commitment to drill the Brasse East exploration well scheduled for Q4 2018 together with operator Faroe
- Ongoing planning of three additional exploration wells related to the Frosk discovery, scheduled start-up in fourth quarter 2018.

### Financials

- Revenue of USD 209 million and EBITDAX of USD 160 million
- Cash flow from operations of USD 133 million
- Successful redetermination of the RBL borrowing base, increasing the total availability under the RBL from USD 542 million to USD 695 million as of 1 July
- Total available liquidity and headroom of USD 806 million as of 1 July, including cash in Point Resources Holding and undrawn RBL reserves

| Total production | Petroleum revenues | EBITDAX |
|---|---|---|
| kboepd | USD million | USD million |
| 35.4 | 209 | 160 |

# Key figures

| | Q2 2018 | Q1 2018 | PRO-FORMA Q4 2017 | PRO-FORMA Q3 2017 | PRO-FORMA Q2 2017 | YTD 2018 | YTD 2017 | PRO-FORMA 2017 |
|---|---|---|---|---|---|---|---|---|
| **Operations** | | | | | | | | |
| Operated production (boed) | 32 703 | 37 565 | 38 586 | 41 155 | 44 780 | 35 121 | 46 446 | 43 131 |
| Partner-operated production (boed) | 2 689 | 3 366 | 3 315 | 3 148 | 3 471 | 3 026 | 3 491 | 3 360 |
| Total production (boepd) | 35 391 | 40 932 | 41 901 | 44 303 | 48 251 | 38 146 | 49 937 | 46 492 |
| Oil share of production (%) | 97 % | 98 % | 97 % | 97 % | 98 % | 98 % | 98 % | 97 % |
| Direct production cost (USD/boe) | 17 | 16 | 16 | 12 | 13 | 17 | 12 | 13 |
| **Financials (USD million)** | | | | | | | | |
| Petroleum revenues | 209 | 239 | 205 | 193 | 220 | 447 | 414 | 812 |
| EBITDAX | 160 | 169 | 134 | 114 | 158 | 329 | 304 | 552 |
| EBIT | 79 | 88 | 59 | 37 | 70 | 166 | 126 | 221 |
| Profit/(loss) before net profit interest and income taxes | 55 | 67 | 28 | 25 | 54 | 122 | 93 | 146 |
| **Financial position (USD million)** | | | | | | | | |
| Cash and cash equivalents | 117 | 357 | 123 | 67 | 57 | 117 | 57 | 123 |
| Exploration and evaluation assets | 204 | 204 | 197 | 146 | 133 | 204 | 133 | 197 |
| Oil and gas properties | 1 432 | 1 433 | 1 451 | 368 | 344 | 1 432 | 344 | 1 451 |
| Total assets | 2 757 | 3 020 | 2 841 | 828 | 792 | 2 747 | 792 | 2 841 |
| **Leverage covenant (USD million)** | | | | | | | | |
| Cash Point Resources AS (parent company) | 90 | 337 | 75 | 67 | 57 | 90 | 57 | 75 |
| Cash Point Resources Holding AS | 411 | 223 | 160 | 1 | 0 | 411 | 0 | 160 |
| Total cash available (as per covenant) 1) | 501 | 560 | 235 | 68 | 57 | 501 | 57 | 235 |
| Interest-bearing debt (as per covenant) | 790 | 914 | 670 | 257 | 204 | 790 | 204 | 670 |
| Net interest-bearing debt (as per covenant) | 289 | 355 | 435 | 190 | 147 | 289 | 147 | 435 |
| EBITDAX 4 quarters rolling (as per covenant) | 576 | 574 | 552 | 426 | 330 | 576 | 330 | 552 |
| Net interest-bearing debt / EBITDAX | 0.5 | 0.6 | 0.8 | 0.4 | 0.4 | 0.5 | 0.4 | 0.8 |

1) Excludes USD 27 million in cash in Point Resources' subsidiaries reserved for debt service of loan provided from ExxonMobil in relation to the acquisition of Jotun A FPSO.

**Interest-bearing debt**
USD million
**790**

**Net interest-bearing debt**
USD million
**289**

**NIBD/EBITDAX**
**0.5**

# Financial review (pro-forma 2017)

## Consolidated statements of income

| USD million | Q2 2018 | Q1 2018 | PRO-FORMA Q4 2017 | PRO-FORMA Q3 2017 | PRO-FORMA Q2 2017 | YTD 2018 | PRO-FORMA YTD 2017 | PRO-FORMA 2017 |
|---|---|---|---|---|---|---|---|---|
| **Petroleum revenues** | 209 | 239 | 205 | 193 | 220 | 447 | 414 | 812 |
| Total production cost | -51 | -68 | -53 | -49 | -57 | -119 | -105 | -207 |
| Other income including hedging activities | 1 | 1 | -11 | -27 | -3 | 2 | -1 | -40 |
| General and administrative expenses | 2 | -3 | -7 | -3 | -3 | -1 | -4 | -13 |
| EBITDAX | 160 | 169 | 134 | 114 | 158 | 329 | 304 | 552 |
| Exploration expenses | -9 | -11 | -14 | -10 | -12 | -19 | -33 | -56 |
| Change in fair value of contingent consideration | -19 | -9 | - | - | - | -27 | - | - |
| Depreciation, depletion, amortisation and impairment | -54 | -62 | -62 | -67 | -75 | -116 | -145 | -274 |
| Operating profit/loss (EBIT) | 79 | 88 | 59 | 37 | 70 | 166 | 126 | 221 |
| Finance income | 5 | 6 | 6 | 4 | 4 | 11 | 7 | 16 |
| Finance costs | -29 | -26 | -36 | -15 | -20 | -55 | -40 | -91 |
| Profit/(loss) before net profit interest and income taxes | 55 | 67 | 28 | 25 | 54 | 122 | 93 | 146 |
| Net profit interest | -10 | -12 | -6 | -10 | -11 | -22 | -21 | -37 |
| Profit/(loss) before income taxes | 45 | 56 | 22 | 15 | 42 | 100 | 72 | 109 |
| Income tax expenses | -44 | -41 | -24 | -28 | -37 | -85 | -59 | -111 |
| Profit/(loss) for the period | 1 | 14 | -1 | -13 | 6 | 15 | 13 | -2 |

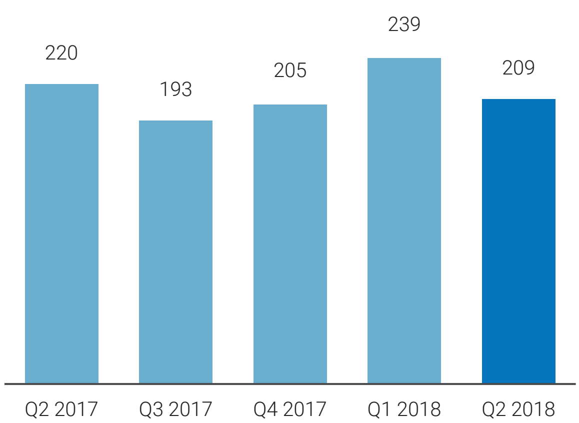
### Second quarter 2018

Petroleum revenues in the second quarter 2018 amounted to USD 209 million, a reduction of USD 30 million compared to the USD 239 million reported in the previous quarter. The reduction in petroleum revenues was a result of lower volumes produced and sold in the second quarter due to planned maintenance on the Balder FPSO. The reduction was partially offset by higher oilprices.

Reported total production cost in the quarter amounted to USD 51 million. The corresponding figure for the previous quarter was USD 68 million. For more details, see the production cost table in the Operational Review section.

EBITDAX in the second quarter amounted to USD 160 million, down from USD 169 million in the first quarter.

**Petroleum revenues** USD million




**EBITDAX** USD million

Exploration expenses in the quarter was USD 9 million, down from USD 11 million reported for the first quarter.

Change of fair value of contingent consideration to ExxonMobil amounted to USD 19 million in the second quarter. The corresponding amount for the first quarter was USD 9 million.

DD&A in the second quarter amounted to USD 54 million, down from USD 62 million in the first quarter due to lower production compared to the first quarter.

EBIT in the second quarter ended at USD 79 million, down from USD 88 million in the first quarter. EBIT for the period adjusted for USD 19 million in change in fair value of contingent consideration was USD 98 million. EBIT reported for the first quarter adjusted for change in fair value of contingent consideration amounted to USD 97 million.

Profit before Net Profit Interest (NPI) and tax expenses ended at USD 55 million and profit for the period ended at USD 1 million. The corresponding numbers for the first quarter were USD 68 million and USD 14 million, respectively.

### First half 2018

Petroleum revenues in the first half 2018 amounted to USD 447 million, an increase of USD 33 million when compared to the USD 414 million reported for the first half of 2017. The increase of USD 33 million was driven by higher oil prices amounting to USD 124 million offset by USD 91 million due to lower volumes.

EBITDAX in the first half of 2018 amounted to USD 329 million, up from USD 304 million reported for the same period last year.

Change in fair value of contingent consideration amounted to USD 27 million for the first half of 2018.

EBIT for the period amounted to USD 166 million, which is an increase of USD 40 million when compared to the first half of 2017. EBIT for the first half of 2018 adjusted for change in fair value of contingent consideration of USD 27 million was USD 193 million.

Profit before Net Profit Interest (NPI) and tax expenses for the first half ended at USD 122 million and profit for the period ended at USD 15 million. The corresponding numbers for the first half of 2017 were USD 93 million and USD 13 million, respectively.

## Consolidated statements of financial position

Total assets at the end of the second quarter 2018 amounted to USD 2 747 million, a reduction of USD 273 million compared to the USD 3 020 million reported for the first quarter 2017. Total cash and cash equivalents at the end of the quarter was USD 117 million, down from USD 357 million at the end of the first quarter. The reduction is mainly due to repayment of intercompany loan to Point Resources Holding AS (USD 182 million) and a down payment on the RBL facility (USD 125 million).

At the end of the second quarter, the Company had USD 411 million in available funding from its parent company Point Resources Holding AS in addition to USD 125 million available under the RBL facility.

During the quarter, a redetermination of the RBL borrowing base was completed. As of 1 July 2018, the total availability under the RBL facility was increased from USD 542 million to USD 695 million, of which USD 278 million is undrawn.

## Consolidated statements of cash flow

### Second quarter 2018:

Net cash flow from operating activities was USD 133 million in the second quarter. The corresponding figure for the first quarter was USD 132 million.

Net cash flow to investing activities was USD 53 million, of which investments in the operated producing fields, Balder and Ringhorne, and the Fenja development project amounted to USD 46 million. Net cash flow to investing activities for the first quarter was USD 46 million.

Net cash flow from financing activities ended at USD 319 million mainly due to repayment of intercompany loans and down payment on the RBL facility.

### First half 2018:

Net cash flow from operating activities in the first half of 2018 was USD 264 million.

Net cash flow to investing activities was USD 99 million in the period.

Net cash flow from financing activities for the period ended at USD 172 million.

## Liquidity

The Group's total cash position at the end of the second quarter was USD 117 million, of which USD 27 million was held in FPSO subsidiaries.

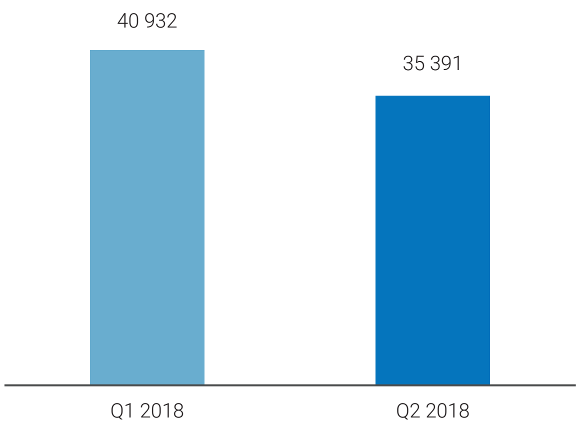
In addition, the Company had USD 411 million in available capital from its ultimate parent company Point Resources Holding AS and USD 125 mill in available drawdowns on the RBL facility (before redetermination effective 1 July 2018, which increased the available undrawn amount from USD 125 million to USD 278 million).

# Operational review (pro-forma)

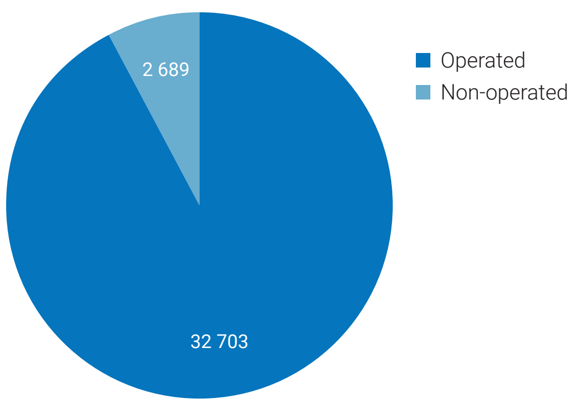
| | Q2 2018 | Q1 2018 | PRO-FORMA Q4 2017 | PRO-FORMA Q3 2017 | PRO-FORMA Q2 2017 | YTD 2018 | PRO-FORMA YTD 2017 | PRO-FORMA 2017 |
|---|---|---|---|---|---|---|---|---|
| **Production overview (boepd)** | | | | | | | | |
| Crude oil | 34 441 | 39 987 | 40 441 | 43 019 | 47 329 | 37 199 | 48 901 | 45 229 |
| Gas | 951 | 944 | 1 456 | 1 282 | 921 | 947 | 1 036 | 1 262 |
| NGL | -1 | 1 | 4 | 1 | 0 | - | 0 | 0 |
| Total production | 35 391 | 40 932 | 41 901 | 44 303 | 48 250 | 38 146 | 49 937 | 46 492 |
| | | | | | | | | |
| Total production (boe) | 3 220 619 | 3 683 855 | 3 854 923 | 4 075 865 | 4 390 774 | 6 904 474 | 9 038 614 | 16 969 401 |
| Toal production sold (boe) | 2 986 921 | 3 844 941 | 3 714 404 | 4 107 114 | 4 637 261 | 6 831 862 | 8 744 683 | 16 566 200 |

| | WI. | Q2 2018 | Q1 2018 | PRO-FORMA Q4 2017 | PRO-FORMA Q3 2017 | PRO-FORMA Q2 2017 | YTD 2018 | PRO-FORMA YTD 2017 | PRO-FORMA 2017 |
|---|---|---|---|---|---|---|---|---|---|
| **Production per field (boepd)** | | | | | | | | | |
| Balder | 100.0 % | 23 567 | 24 827 | 25 190 | 27 135 | 29 461 | 24 194 | 30 456 | 28 292 |
| Ringhone | 100.0 % | 5 732 | 7 994 | 8 369 | 8 463 | 9 447 | 6 857 | 10 050 | 9 227 |
| Ringhorne East | 77.4 % | 3 403 | 4 744 | 5 027 | 5 557 | 5 871 | 4 070 | 5 940 | 5 613 |
| Total operated | | 32 703 | 37 565 | 38 586 | 41 155 | 44 780 | 35 121 | 46 446 | 43 131 |
| Bøyla | 20.0 % | 795 | 1 275 | 1 086 | 1 429 | 1 465 | 1 034 | 1 432 | 1 344 |
| Brage | 12.3 % | 851 | 1 127 | 1 154 | 997 | 1 052 | 988 | 1 092 | 1 084 |
| Snorre | 1.1 % | 1 043 | 965 | 1 075 | 722 | 954 | 1 004 | 967 | 933 |
| Hyme | 17.5 % | - | - | - | - | - | - | - | - |
| Total non-operated | | 2 689 | 3 366 | 3 315 | 3 148 | 3 471 | 3 026 | 3 491 | 3 360 |
| Total production | | 35 391 | 40 932 | 41 901 | 44 303 | 48 250 | 38 146 | 49 937 | 46 492 |

**Total production** boepd




**Second quarter 2018 production** boepd



## Production second quarter and first half 2018

Second quarter 2018 production was 35 391 boepd, comprising 32 703 boepd from operated assets and 2 689 from partner operated assets. Oil share of production in the quarter was 97 per cent. The production in the first quarter was 40 932 boepd. The lower production in second quarter 2018 was mainly due to a shutdown in relation to a planned compressor maintenance in June on the Balder FPSO. The maintenance went according to plan. Sold volumes in the quarter was 2 986 921 boe, down from 3 884 941 boe sold during the first quarter of 2018.

Production in first half 2018 was 38 146 boepd. The corresponding number for the first half of 2017 was 49 937 boepd.

A number of projects are being progressed to increase the production and enhance the value of the Company's operated licences. Sanctioned activities include an infill drilling programme on Ringhorne and Ringhorne East and two new exploration wells.

In June, the Board approved the Decision of Commerciality (DG1) on the Balder Future project and Ringhorne Phase IV. The Balder Future project will extend the lifetime of the Balder and Ringhorne fields to 2045 and includes redeployment of the Jotun FPSO to the Balder area, followed by new infill drilling programmes on the Balder and Ringhorne fields producing to the relocated Jotun FPSO. The Ringhorne Phase IV drilling program includes infill wells through the Ringhorne drilling rig.

The sanctioned and planned activities to increase production on the Balder and Ringhorne licences, in combination with the production growth that will follow from the Company's development projects and discoveries, are all key building blocks in achieving the Company's ambition to become a leading E&P company on the NCS.

| | | | PRO-FORMA | | | | PRO-FORMA | |
|---|---|---|---|---|---|---|---|---|
| | **Q2 2018** | **Q1 2018** | **Q4 2017** | **Q3 2017** | **Q2 2017** | **YTD 2018** | **YTD 2017** | **2017** |
| **Revenue variance analysis** | | | | | | | | |
| Petroleum revenues | **209** | 239 | 205 | 193 | **220** | **447** | 414 | 812 |
| Average price realised USD/boe | **70** | 62 | 55 | 47 | **47** | **65** | 47 | 49 |

| | **VARIATION Q1 2018 - Q2 2018** | **VARIATION Q2 2017 - Q2 2018** | **VARIATION YTD 2017 - YTD 2018** |
|---|---|---|---|
| Petroleum revenues | 239 | 220 | 414 |
| Change in sold volume | -53 | -78 | -91 |
| Change in crude oil price | 23 | 67 | 124 |
| Petroleum revenues | 209 | 209 | 447 |

Average oil price realised in the quarter was USD 70 per boe, up from USD 62 per boe in the first quarter 2018. The increase in oil price contributed with USD 23 million in additional petroleum revenues and the lower sold volumes in the quarter contributed with USD -53 million compared to the previous quarter.

| | | | PRO-FORMA | | | | PRO-FORMA | |
|---|---|---|---|---|---|---|---|---|
| | **Q2 2018** | **Q1 2018** | **Q4 2017** | **Q3 2017** | **Q2 2017** | **YTD 2018** | **YTD 2017** | **2017** |
| **Production cost (USD million)** | | | | | | | | |
| Direct production cost | **56** | 59 | 60 | 48 | **56** | 115 | 106 | 214 |
| Tariffs and transportation cost | **1** | 1 | 0 | 0 | **0** | 2 | 0 | 1 |
| Over- / underlift- adjustments | **-9** | 6 | -9 | -0 | **-1** | -3 | -4 | -13 |
| Other production cost incl allocated G&A | **3** | 2 | 1 | 1 | **1** | 6 | 2 | 4 |
| Total production cost | **51** | 68 | 53 | 49 | **57** | 119 | 105 | 207 |
| Direct production cost (USD/boe) | **17** | 16 | 16 | 12 | **13** | 17 | 12 | 13 |

Direct production cost in second quarter was USD 56 million, USD 3 million lower than the USD 59 million reported for the first quarter.

Total production cost in second quarter 2018 was USD 51 million, down from USD 68 million in the first quarter. At the end of the second quarter, an underlift position was recognised according to the sales method for revenue recognition. At the end of the first quarter, an overlift position was reflected.

# Condensed consolidated statements of income, financial position and cash flow (IFRS)

## Consolidated income statements

| USD million | Q2 2018 | Q1 2018 | Q4 2017 | Q3 2017 | Q2 2017 | YTD 2018 | YTD 2017 | 2017 |
|---|---|---|---|---|---|---|---|---|
| Petroleum revenues | 209 | 239 | 148 | 15 | 15 | 447 | 29 | 192 |
| Total production cost | -51 | -68 | -31 | -5 | -6 | -119 | -9 | -45 |
| Other operating expenses | 3 | -2 | -18 | -31 | -5 | 1 | -5 | -54 |
| EBITDAX | 160 | 169 | 100 | -21 | 3 | 329 | 15 | 94 |
| EBITDA | 133 | 149 | 86 | -30 | -9 | 282 | -18 | 37 |
| Operating profit/(loss) (EBIT) | 79 | 88 | 41 | -38 | -16 | 166 | -34 | -31 |
| Net finance | -24 | -20 | -26 | 3 | 0 | -44 | -2 | -25 |
| Profit/(loss) before net profit interest and income taxes | 55 | 67 | 15 | -35 | -16 | 122 | -36 | -57 |
| Profit/(loss) before income taxes | 45 | 56 | 12 | -35 | -16 | 100 | -36 | -59 |

## Consolidated statements of financial position

| USD million | Q2 2018 | Q1 2018 | Q4 2017 | Q3 2017 | Q2 2017 | YTD 2018 | YTD 2017 | 2017 |
|---|---|---|---|---|---|---|---|---|
| Intangible assets | 802 | 802 | 798 | 162 | 149 | 802 | 149 | 798 |
| Tangible fixed assets | 1 458 | 1 458 | 1 476 | 369 | 344 | 1 458 | 344 | 1 476 |
| Financial assets | 134 | 151 | 146 | 2 | 0 | 134 | 0 | 146 |
| Other current assets | 246 | 253 | 298 | 227 | 242 | 236 | 242 | 298 |
| Cash and cash equivalents | 117 | 357 | 123 | 67 | 57 | 117 | 57 | 123 |
| Total assets | 2 757 | 3 020 | 2 841 | 828 | 792 | 2 747 | 792 | 2 841 |
| Total equity | 274 | 267 | 254 | 263 | 270 | 264 | 270 | 254 |
| Non-current liabilities | 2 219 | 2 515 | 2 338 | 394 | 337 | 2 219 | 337 | 2 338 |
| Current liabilities | 263 | 239 | 249 | 170 | 185 | 263 | 185 | 249 |
| Total equity and liabilities | 2 757 | 3 020 | 2 841 | 828 | 792 | 2 747 | 792 | 2 841 |

## Consolidated statements of cash flow

| USD MILLION | Q2 2018 | Q1 2018 | Q4 2017 | Q3 2017 | Q2 2017 | YTD 2018 | YTD 2017 | 2017 |
|---|---|---|---|---|---|---|---|---|
| Cash flow from operating activities | 133 | 132 | 212 | -19 | -4 | 264 | -62 | 130 |
| Cash flow from investing activities | -53 | -46 | -698 | -21 | -19 | -99 | -31 | -749 |
| Cash flow from financing activities | -319 | 147 | 542 | 50 | 25 | -171 | 73 | 665 |
| Increase / decrease in cash | -240 | 234 | 56 | 10 | 1 | -6 | -20 | 46 |
| Cash - beginning of period | 357 | 123 | 67 | 57 | 56 | 123 | 77 | 77 |
| Cash - end of period | 117 | 357 | 123 | 67 | 57 | 117 | 57 | 123 |

# Accounting policies, pro-forma statements and alternative performance measures (APMs)

## Accounting policies

These financial statements are the unaudited Interim Consolidated Financial Statements of Point Resources for the second quarter 2018. The Interim Financial Statements are prepared in accordance with the International Accounting Standard 34 (IAS 34). These Interim Financial Statements should be read in conjunction with the Consolidated Financial Statements for 2017 as they provide an update of previously reported information. The accounting policies used in the Interim Financial Statements are consistent with those used in the Annual Financial Statements except for change in functional currency and implementation of hedge accounting with effect from 1 January 2018. For more information, see note 1.1 to the Interim Financial Statements.

## Pro-forma statements

Pro-forma numbers and statements are used in this report to illustrate the operational and financial effect of the acquisition of ExxonMobil's operated NCS portfolio in 2017 by use of the economic date of the transaction, 1 January 2017, rather than the date for closing of the transaction, 1 November 2017. It is in the Board of Director's opinion that use of pro-forma numbers for 2017 is a representative way of showing Point Resources' underlying performance for 2017.

## Alternative performance measures

Point Resources discloses Alternative Performance Measures (APMs) as part of its financial statements prepared in accordance with IFRS. These performance measures are used in the Company's internal reporting as well as by analysts, investors and other interested parties. The disclosures of these APM's are meant to provide insight into the operation and future prospect of the Company.

Earnings per share: Net result attributable to shareholders of the Parent Company divided by the weighted average number of shares for the year

Earnings per share fully diluted: Net result attributable to shareholders of the Parent Company divided by the weighted average number of shares for the year considering any dilution effect

EBITDAX: Operating profit before interest, other financial items, taxes, impairment costs, depreciation and exploration costs

EBIT: Operating profit before interest, other financial items and taxes

Equity ratio: Total equity divided by total assets

Net interest-bearing debt: Cash and cash equivalents (Point Resources Holding AS and Point Resources AS parent company) subtracting short- and long-term interest-bearing debt (RBL, Bond and seller credits provided as part of business combinations)

Direct production cost (USD/boe): Direct production costs divided by the number of produced barrels of oil equivalents

Transportation cost (USD/boe): The expense of moving oil and gas products divided by the number of lifted barrels of oil equivalents

Amortisation and depreciation (USD/boe): Total amortisation and depreciation divided by the number of lifted barrels of oil equivalents

General and administration cost (USD/boe): Total general and administrative expenses divided by the number of lifted barrels of oil equivalents

Net cash flow on acquisition: The net result between cash paid for the acquisition and cash acquired in the transaction

# 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 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 AS

| | | | |
|---|---|---|---|
| Inge Ketil Hansen<br>Chairman | Ole Ertvaag<br>Board member | Pål Magnus Reed<br>Board member | Jan Harald Solstad<br>Board member |
| Øivind Reinertsen<br>Board member | Timothy Paul Bushell<br>Board member | Stig-Roar Olsen<br>Board member | Øyvind Evensen<br>Board member |
| Bjørn Magne Sætervik<br>Board member | | | Morten Mauritzen<br>Chief Executive Officer |

# Financial statements with notes

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# 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 | FYLL 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 income 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 | -13.4 |
| EBITDAX | | 160.0 | 168.6 | 99.5 | -20.8 | 3.3 | 328.5 | 15.3 | 94.0 |
| Exploration expenses | 2.6 | -8.7 | -10.6 | -14.0 | -9.7 | -12.1 | -19.3 | -32.8 | -56.5 |
| Change 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 | -38.3 | -15.8 | 166.4 | -34.1 | -31.4 |
| Finance income | 5.4 | 4.8 | 6.0 | 4.7 | 1.3 | 0.3 | 10.8 | 0.3 | 6.3 |
| Finance costs | 5.4 | -28.8 | -26.2 | -30.9 | 1.8 | -0.2 | -55.0 | -2.5 | -31.7 |
| Profit/(loss) before net profit interest and income taxes | | 54.7 | 67.5 | 14.8 | -35.3 | -15.7 | 122.1 | -36.3 | -56.8 |
| Net profit interest | 2.7 | -10.1 | -11.9 | -2.5 | - | - | -21.9 | - | -2.5 |
| Profit/(loss) before income taxes | | 44.6 | 55.6 | 12.3 | -35.3 | -15.7 | 100.2 | -36.3 | -59.3 |
| Income tax expenses | 6.1 | -43.7 | -41.1 | -14.1 | 12.5 | 10.2 | -84.9 | 29.1 | 27.5 |
| Profit/(loss) for the period | | 0.9 | 14.5 | -1.8 | -22.8 | -5.5 | 15.4 | -7.2 | -31.8 |
| | | | | | | | | | |
| *Items that may be reclassified subsequently to income statement:* | | | | | | | | | |
| Currency translation differences | | - | - | -7.0 | 14.0 | 6.0 | - | 6.7 | 13.6 |
| Net gain/(loss) on put options used for hedging | 5.5 | -3.2 | -2.3 | - | - | - | -5.5 | - | - |
| Total comprehensive income/(loss) | | -2.3 | 12.2 | -8.8 | -8.8 | 0.5 | 9.9 | -0.5 | -18.2 |
| | | | | | | | | | |
| **Earnings per share** | | | | | | | | | |
| Basic, profit for the period attributable to ordinary equity holders of the parent | | 0.09 | 1.44 | -0.17 | -2.27 | -0.55 | 1.53 | -0.72 | -3.17 |
| Diluted, profit for the period attributable to ordinary equity holders of the parent | | 0.09 | 1.44 | -0.17 | -2.27 | -0.55 | 1.53 | -0.72 | -3.17 |

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 | **1.1** | - | 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 | **134.5** | 151.2 | 145.9 | 2.1 | 0.4 | 145.9 |
| Total non-current assets | | 2 393.9 | 2 411.1 | 2 419.6 | 533.0 | 493.4 | 2 419.6 |
| | | | | | | | |
| **Current assets** | | | | | | | |
| Inventories | | **64.1** | 65.7 | 63.8 | 8.6 | 8.8 | 63.8 |
| Trade and other receivables | 5.3 | **178.2** | 178.3 | 224.9 | 206.3 | 191.5 | 224.9 |
| Other current financial assets | 5.5 | **4.0** | 8.7 | 9.3 | 12.5 | 41.1 | 9.3 |
| Cash and cash equivalents | | **116.8** | 356.6 | 123.1 | 67.1 | 57.1 | 123.1 |
| Total current assets | | 363.1 | 609.3 | 421.1 | 294.5 | 298.6 | 421.1 |
| | | | | | | | |
| TOTAL ASSETS | | 2 757.0 | 3 020.4 | 2 840.7 | 827.6 | 792.0 | 2 840.7 |

# 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 | | **1.4** | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 |
| Share premium | | **582.7** | 582.7 | 582.7 | 582.7 | 582.7 | 582.7 |
| Other equity | | **-310.5** | -317.4 | -329.5 | -320.8 | -313.5 | -329.5 |
| Total equity | | **273.5** | 266.7 | 254.5 | 263.3 | 270.5 | 254.5 |
| | | | | | | | |
| **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 | **272.9** | 253.8 | 237.3 | 137.3 | 133.3 | 237.3 |
| Non-current abandonment provision | 4.2 | **974.6** | 977.1 | 965.2 | 99.0 | 93.1 | 965.2 |
| Loans from related companies | 5.1 | **-** | 186.3 | 248.0 | - | - | 248.0 |
| Other non-current liabilities | 4.1 | **101.2** | 103.9 | 103.6 | 12.0 | 12.0 | 103.6 |
| Total non-current liabilities | | **2 219.4** | 2 515.1 | 2 337.5 | 394.1 | 336.6 | 2 337.5 |
| | | | | | | | |
| **Current liabilities** | | | | | | | |
| Current abandonment provision | 4.2 | **61.1** | 75.9 | 97.7 | - | - | 97.7 |
| Accounts payable and accrued liabilities | 5.2 | **81.6** | 69.0 | 75.7 | 14.6 | 17.5 | 75.7 |
| Taxes payable | 6.1 | **65.9** | 45.2 | 21.6 | - | - | 21.6 |
| 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 | | **264.1** | 238.7 | 248.7 | 170.2 | 184.9 | 248.7 |
| | | | | | | | |
| Total liabilities | | **2 483.5** | 2 753.7 | 2 586.2 | 564.3 | 521.5 | 2 586.2 |
| | | | | | | | |
| TOTAL EQUITY AND LIABILITIES | | **2 757.0** | 3 020.4 | 2 840.7 | 827.6 | 792.0 | 2 840.7 |

The ExxonMobil transaction is reflected from 1 November 2017.

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

Inge Ketil Hansen
Chairman

Ole Ertvaag
Board member

Pål Magnus Reed
Board member

Jan Harald Solstad
Board member

Øivind Reinertsen
Board member

Timothy Paul Bushell
Board member

Stig-Roar Olsen
Board member

Øyvind Evensen
Board member

Bjørn Magne Sætervik
Board member

Morten Mauritzen
Chief Executive Officer

# Consolidated statements of equity

| | | | OTHER EQUITY | | | | |
|---|---|---|---|---|---|---|---|
| **USD million** | **SHARE CAPITAL** | **SHARE PREMIUM** | **OTHER EQUITY** | **TRANSLATION DIFFERENCES** | **HEDGE RESERVE** | **RETAINED EARNINGS (LOSS)** | **TOTAL EQUITY** |
| Balance at 1 January 2017 | 1.2 | 533.4 | - | 2.1 | - | -315.1 | **221.6** |
| Profit/(loss) for the period | - | - | - | - | - | -31.8 | **-31.8** |
| Other comprehensive income/(loss) | - | - | - | 13.6 | - | - | **13.6** |
| Total comprehensive income/(loss) | - | - | - | 13.6 | - | -31.8 | **-18.2** |
| Issue of share capital | 0.1 | 49.3 | - | - | - | - | **49.4** |
| Group contribution received | - | - | 1.6 | - | - | - | **1.6** |
| Other | - | - | - | - | - | - | **-** |
| Balance at 31 December 2017 | 1.4 | 582.7 | 1.6 | 15.7 | - | -346.9 | **254.5** |
| | | | | | | | |
| Balance at 1 January 2018 | 1.4 | 582.7 | 1.6 | 15.7 | - | -346.9 | **254.5** |
| Profit/(loss) for the period | - | - | - | - | - | 15.4 | **15.4** |
| Other comprehensive income/(loss) | - | - | - | - | -5.5 | - | **-5.5** |
| Total comprehensive income/(loss) | - | - | - | - | -5.5 | 15.4 | **9.9** |
| Group contribution | - | - | 9.2 | - | - | - | **9.2** |
| Other | - | - | - | - | - | - | **-** |
| Balance at 30 June 2018 | 1.4 | 582.7 | 10.8 | 15.7 | -5.5 | -331.6 | **273.6** |
| | | | | | | | |
| Balance at 1 January 2017 | 1.2 | 533.4 | - | 2.1 | - | -315.1 | **221.6** |
| Profit/(loss) for the period | - | - | - | - | - | -7.2 | **-7.2** |
| Other comprehensive income/(loss) | - | - | - | 6.7 | - | - | **6.7** |
| Total comprehensive income/(loss) | - | - | - | 6.7 | - | -7.2 | **-0.6** |
| Issue of share capital | 0.1 | 49.3 | - | - | - | - | **49.4** |
| Balance at 30 June 2017 | 1.4 | 582.7 | - | 8.8 | - | -322.3 | **270.5** |

# Consolidated statements of cash flow

| 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 |
|---|---|---|---|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | | | | | |
| Profit/(Loss) before income taxes | | 44.6 | 55.6 | 12.3 | -35.3 | -15.7 | 100.2 | -36.3 | -59.3 |
| 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 | | 29.6 | 1.8 | -81.3 | -22.2 | 42.7 | 31.4 | 41.0 | -62.5 |
| 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) | | 10.4 | 8.6 | 23.2 | -2.9 | -0.8 | 18.9 | 0.5 | 20.9 |
| Deduct: Finance income (disclosed in investing activities) | | 1.2 | -2.4 | -4.7 | -1.3 | -0.3 | -1.1 | -0.3 | -6.3 |
| Changes in inventories, accounts and other payables, trade and other receivables, and provisions | 5.2, 5.3 | 8.6 | 22.0 | 137.4 | 32.4 | -38.0 | 30.6 | -92.1 | 77.7 |
| Income tax received/(paid) | | -4.1 | -0.0 | 88.5 | - | - | -4.1 | - | 88.5 |
| Net cash flows from/-used in operating activities | | 131.9 | 132.4 | 211.6 | -19.4 | -3.9 | 264.3 | -61.6 | 130.5 |
| | | | | | | | | | |
| **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 | -0.0 | -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 | 4.7 | 1.3 | 0.3 | 1.1 | 0.3 | 6.3 |
| Net cash flows from/-used in investing activities | | -53.2 | -45.9 | -697.6 | -20.9 | -19.3 | -99.1 | -30.7 | -749.2 |
| | | | | | | | | | |
| **Cash flow from financing activities** | | | | | | | | | |
| Proceeds from issuance of shares | | - | - | - | - | - | - | 49.4 | 49.4 |
| Proceeds from loans and borrowings | 5.1 | - | 250.0 | 607.7 | 47.5 | 23.8 | 250.0 | 23.8 | 679.0 |
| Payments of loan and borrowings | 5.1 | -306.2 | -94.4 | -79.1 | - | - | -400.5 | - | -79.1 |
| Cash acquired in business acquisitions | 2.1 | | - | 36.6 | - | - | - | - | 36.6 |
| Interest paid | | -12.3 | -8.6 | -23.2 | 2.9 | 0.8 | -20.9 | -0.5 | -20.9 |
| Net cash from/-used in financing activities | | -318.5 | 147.1 | 542.0 | 50.4 | 24.6 | -171.5 | 72.8 | 665.1 |
| | | | | | | | | | |
| Increase/(decrease) in cash | | -239.9 | 233.6 | 55.9 | 10.0 | 1.4 | -6.3 | -19.6 | 46.4 |
| Cash and cash equivalents, beginning of period | | 356.6 | 123.1 | 67.1 | 57.1 | 55.7 | 123.1 | 76.7 | 76.7 |
| | | | | | | | | | |
| Cash and cash equivalents, end of period | | 116.8 | 356.6 | 123.1 | 67.1 | 57.1 | 116.8 | 57.1 | 123.1 |

# Notes

## 1.1 Corporate information / Basis of preparation

### Corporate information

The consolidated interim financial statements of Point Resources AS and its subsidiaries (collectively, "the Group", "the Company" or "Point Resources") for the period ended 30 June 2018 were approved by Board of directors on 28 August 2018. Point Resources 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 Grenseveien 6, 4313 Sandnes, 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 where 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.

## Pro-forma figures

The Board of Directors consider the pro-forma numbers presented in the table below to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in the future periods.

In determining the pro-forma revenue and profit for the group if the business combination had taken place at 1 January 2017, the Group has:

- Calculated depreciation of plant and equipment acquired (including excess values on the basis of the fair values arising in the business combination completed on 1 November 2017).
- Calculated borrowing costs on the funding levels and unwinding of interest on abandonment provisions for the Group after the business combination for the whole year.
- Calculated interest income from the mandatory deposit as per the share purchase agreement.
- Calculated expected reduction in general and administration expenses (G&A) related to expected synergies after the business combination.

**USD million**

| 1 JANUARY - 31 DECEMBER | PRO-FORMA 2017 |
|---|---|
| Petroleum revenues | 812.3 |
| Production cost | -206.6 |
| Other income and expenses including results from hedging activities | -40.1 |
| General and administrative expenses | -13.4 |
| EBITDAX | 552.1 |
| Exploration expenses | -56.5 |
| Depreciation, depletion, amortisation and impairment | -274.3 |
| Operating profit (EBIT) | 221.3 |
| Finance income | 16.3 |
| Finance costs | -91.5 |
| Profit before net profit interest and income taxes | 146.1 |
| Net profit interest | -36.9 |
| Profit before income taxes | 109.2 |
| Income tax expenses | -111.0 |
| Loss for the year | -1.8 |

## 2.2 Segment information

### Accounting policy - Segment information

Since the establishment of Point Resources AS 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 AS' 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 |

| | | | | | | YEAR-TO-DATE | | FULL YEAR |
|---|---|---|---|---|---|---|---|---|
| **USD million** | **Q2 2018** | **Q1 2018** | **Q4 2017** | **Q3 2017** | **Q2 2017** | **Q2 2018** | **Q2 2017** | **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

| | | | | | | | YEAR-TO-DATE | | FULL YEAR |
|---|---|---|---|---|---|---|---|---|---|
| | | **Q2 2018** | **Q1 2018** | **Q4 2017** | **Q3 2017** | **Q2 2017** | **Q2 2018** | **Q2 2017** | **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 2018 | YEAR-TO-DATE Q1 2017 | FULL YEAR 2017 |
|---|---|---|---|---|---|---|---|---|
| Direct production cost | 56.3 | 58.5 | 38.0 | 4.4 | 5.9 | 114.8 | 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 | 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 cost of net profit licences costs.

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

| | | | | | | YEAR-TO-DATE | | FULL YEAR |
|---|---|---|---|---|---|---|---|---|
| USD million | Q2 2018 | Q1 2018 | Q4 2017 | Q3 2017 | Q2 2017 | Q2 2018 | Q2 2017 | 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 | 196.9 | 146.2 | 133.4 | 118.9 | 234.2 |
| Additions | 204.0 | 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 | -0.0 | -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

| 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 | 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 | 2.5 | 0.2 | 2.0 | 2.1 | 0.4 | 2.5 | 0.4 | 2.0 |
| Total other non-current assets | 134.5 | 151.2 | 145.9 | 2.1 | 0.4 | 134.5 | 0.4 | 145.9 |

## 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 |
| | | | | | | | | |
| **Loans from related companies** | | | | | | | | |
| Loans from related companies [4] | 3M LIBOR + 3 % | 2024 | - | 186.3 | 248.0 | - | - | 248.0 |
| Total loans from related companies | | | - | 186.3 | 248.0 | - | - | 248.0 |
| | | | | | | | | |
| **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 AS 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.
4) The loan from Point Resources Holding AS was fully repaid during second quarter. The loan facility remains in place providing the Company with financing of up to USD 412 million subject to meeting certain conditions.

### 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 | 12.5 | 21.0 |
| Accrued public charges and indirect taxes | 6.7 | 3.8 | 7.7 | 0.9 | 0.9 | 7.7 |
| Accruals joint operations | 2.6 | 5.4 | 0.8 | 4.7 | 3.7 | 0.8 |
| Other payables [1] | 47.5 | 41.0 | 46.1 | 0.8 | 0.5 | 46.1 |
| Total accounts and other payables | 81.6 | 69.0 | 75.7 | 14.6 | 17.5 | 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 |
| Group contribution | 9.2 | | | | | |
| Other receivables [1] | 58.3 | 76.6 | 115.3 | 56.2 | 57.9 | 115.3 |
| Total trade and other receivables | 178.2 | 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

| 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 |
|---|---|---|---|---|---|---|---|---|
| Interest income on bank accounts and receivables | 4.4 | 2.4 | 2.5 | 0.2 | 0.1 | 6.7 | 0.2 | 2.8 |
| Net exchange rate gain | 0.4 | 3.7 | 2.2 | 1.1 | 0.2 | 4.1 | 0.2 | 3.5 |
| Financial income | 4.8 | 6.0 | 4.7 | 1.3 | 0.3 | 10.8 | 0.3 | 6.3 |
| | | | | | | | | |
| Interest expense on financial liabilities measured at amortised cost | -17.0 | -13.9 | -9.4 | -1.4 | -1.0 | -30.8 | -1.9 | -12.7 |
| 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 | - | - | -12.2 | 5.3 | 2.9 | - | 3.6 | -3.4 |
| Other financial expenses | - | - | -1.6 | -1.0 | -1.1 | - | -2.1 | -4.8 |
| Financial expenses | -28.8 | -26.2 | -30.9 | 1.8 | -0.2 | -55.0 | -2.5 | -31.7 |
| Net financial items | -24.0 | -20.2 | -26.2 | 3.0 | 0.1 | -44.2 | -2.2 | -25.4 |

# 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.

| USD million | Q2 2018 | Q1 2018 | Q4 2017 | Q3 2017 | Q2 2017 | FULL YEAR 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 | -24.8 | -23.8 | -55.8 | 9.5 | 17.1 | -48.6 | 31.1 | -15.2 |
| Prior period adjustment | - | - | -0.3 | - | - | - | - | -0.3 |
| Current income tax expense | -24.8 | -23.8 | -56.1 | 9.5 | 17.1 | -48.6 | 31.1 | -15.5 |
| | | | | | | | | |
| Origination and reversal of temporary differences | -19.0 | -17.3 | 42.1 | 3.0 | -6.9 | -36.3 | -2.0 | 43.1 |
| Change in tax regulations | - | - | - | - | - | - | - | - |
| Prior period adjustments | - | - | -0.1 | - | - | - | - | -0.1 |
| Deferred tax expense | -19.0 | -17.3 | 42.0 | 3.0 | -6.9 | -36.3 | -2.0 | 43.0 |
| Income tax expense | -43.7 | -41.1 | -14.1 | 12.5 | 10.2 | -84.9 | 29.1 | 27.5 |

### 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 | 44.6 | 55.6 | 12.3 | -35.3 | -15.7 | 100.2 | -36.3 | -59.3 |
| | | | | | | | | |
| Calculated income tax at statutory rate | -10.9 | -12.8 | -3.0 | 8.5 | 3.8 | -23.7 | 8.7 | 14.2 |
| Calculated Norwegian Petroleum tax | -21.9 | -29.1 | -5.2 | 19.1 | 8.5 | -50.9 | 19.6 | 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 | - | - | 0.2 | - | - | - | - | 0.2 |
| Prior period adjustments | 3.6 | - | -0.4 | - | - | 3.6 | - | -0.4 |
| Other items including currency effects | -0.9 | 0.9 | - | - | - | -0.0 | - | - |
| Income tax expense | -43.7 | -41.2 | -14.1 | 12.5 | 10.2 | -84.9 | 29.1 | 27.5 |
| Effective tax rate 1) | 98 % | 74 % | 114 % | 35 % | 65 % | 85 % | 80 % | 46 % |

1) Increase in effective tax rate in the second quarter is mainly due to 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 | -45.2 | -21.6 | 133.9 | 118.1 | 98.6 | -21.6 | 84.4 | 84.4 |
| Current income tax expense (-) /receivable (+) | -24.8 | -23.8 | -55.8 | 9.5 | 17.1 | -48.6 | 31.1 | -15.2 |
| Net tax payment (+)/tax refund (-) | 4.2 | - | -88.5 | - | - | 4.2 | - | -88.5 |
| Currency effects | - | 0.1 | -4.3 | 6.3 | 2.5 | 0.1 | 2.7 | 4.6 |
| Tax payable (Point Resources FPSO AS) before 1 November 2017 [1)] | - | - | -6.8 | - | - | - | - | -6.8 |
| Total taxes payable (-) / Refund payable tax (+) at the end of the period | -65.9 | -45.2 | -21.6 | 133.9 | 118.1 | -65.8 | 118.1 | -21.6 |

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 | 253.7 | 236.5 | 137.3 | 133.3 | 123.7 | 236.5 | 127.8 | 127.8 |
| Charged (credited) to the statement of income | 19.0 | 17.3 | -42.0 | -3.0 | 6.9 | 36.3 | 2.0 | -43.0 |
| 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 | 253.7 | 236.5 | 137.3 | 133.3 | 271.8 | 133.3 | 236.5 |
| | | | | | | | | |
| Deferred tax assets | 1.1 | - | 0.8 | - | - | 1.1 | - | 0.8 |
| Deferred tax liabilities | 272.9 | 253.8 | 237.3 | 137.3 | 133.3 | 272.9 | 133.3 | 237.3 |
| Net deferred tax liability at end of period | 271.8 | 253.7 | 236.5 | 137.3 | 133.3 | 271.8 | 133.3 | 236.5 |

## 7.1 Related parties

The Group has a credit facility with Point Resources Holding AS, for more information see note 5.1.

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.

# Financial calendar 2018

| | |
|---|---|
| **Annual general meeting** | 30 Apr 2018<br>Stavanger, Norway |
| **First quarter results** | 30 May 2018<br>Oslo, Norway |
| **Second quarter results** | 29 August 2018<br>Oslo, Norway |
| **Third quarter results** | 14 November 2018<br>Oslo, Norway |
| **Fourth quarter results** | 27 February 2019<br>Oslo, Norway |

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