



# › Presentation of first quarter 2020

OKEA ASA

28 April 2020

# General and disclaimer

This presentation is prepared solely for information purposes, and does not constitute or form part of, and is not prepared or made in connection with, an offer or invitation to sell, or any solicitation of any offer to subscribe for or purchase any securities. Investors and prospective investors in securities of any issuer mentioned herein are required to make their own independent investigation and appraisal of the business and financial condition of such company and the nature of the securities. The contents of this presentation have not been independently verified, and no reliance should be placed for any purposes on the information contained in this presentation or on its completeness, accuracy or fairness.

The presentation speaks as of the date sets out on its cover, and the information herein remains subject to change.

Certain statements and information included in this presentation constitutes "forward-looking information" and relates to future events, including the Company's future performance, business prospects or opportunities. Forward-looking information is generally identifiable by statements containing words such as "expects", "believes", "estimates" or similar expressions and could include, but is not limited to, statements with respect to estimates of reserves and/or resources, future production levels, future capital expenditures and their allocation to exploration, development and production activities. Forward-looking information involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. Such risks include but are not limited to operational risks (including exploration and development risks), productions costs, availability of equipment, reliance on key personnel, reserve estimates, health, safety and environmental issues, legal risks and regulatory changes, competition, geopolitical risk, and financial risks. Neither the Company or any officers or employees of the Company provides any warranty or other assurance that the assumptions underlying such forward-looking information are free from errors, nor does any of them accept any responsibility for the future accuracy of the opinions expressed in this presentation or the actual occurrence of the forecasted developments and activities. The Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by applicable law.

This presentation contains non-IFRS measures and ratios that are not required by, or presented in accordance with IFRS. These non-IFRS measures and ratios may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results as reported under IFRS. Non-IFRS measures and ratios are not measurements of our performance or liquidity under IFRS and should not be considered as alternatives to operating profit or profit from continuing operations or any other performance measures derived in accordance with IFRS or as alternatives to cash flow from operating, investing or financing activities.

The Company's securities have not been and will not be registered under the US Securities Act of 1933, as amended (the "US Securities Act"), and are offered and sold only outside the United States in accordance with an exemption from registration provided by Regulation S of the US Securities Act.

The presentation is subject to Norwegian law.

# Highlights 1st quarter 2020

## Operations

- No serious incidents at operated operations
- Production 19 099 boepd
- High availability at Draugen and Gjøa

## Financial

- Revenues from oil and gas of NOK 504 million
- EBITDA of NOK 312 million
- Non-cash one off effects
  - NOK 634 million in impairments
  - NOK 518 million unrealised FX-losses on USD bonds

## Impacts from Covid-19

- Measures implemented reducing 2020 spending of NOK 270 million, further NOK 160 million pending
- Reducing operating cost
- Postponement of projects including all exploration wells



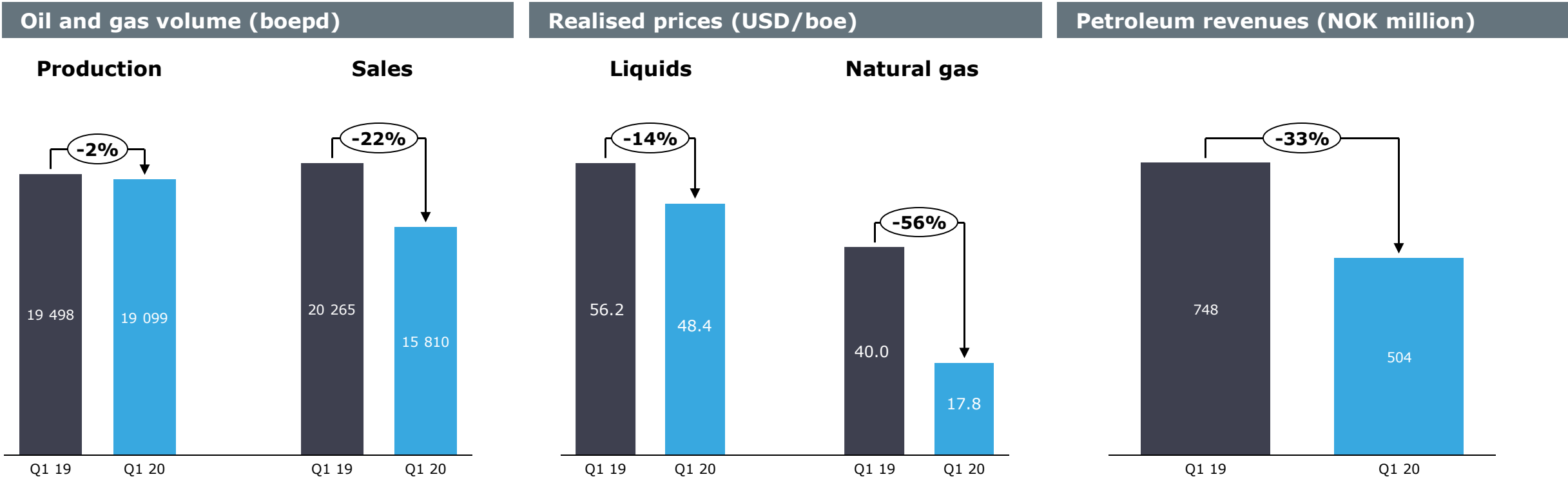


# Financials

Birte Norheim, CFO

# Oil and gas production, sales and revenues

Solid production, but revenue decrease due to lower sold volumes and lower realised prices



# Income statement

Figures in NOK million	1st quarter		Full year
	2020	2019	2019
<b>Total operating income</b>	551	764	3 020
Production expenses	-167	-144	-709
Changes in over/underlift positions and inventory	-33	-165	-272
Depreciation	-182	-180	-704
Impairment	-634	-54	-105
Exploration and operating expenses	-38	-43	-402
<b>Profit / loss (-) from operating activities</b>	<b>-503</b>	<b>179</b>	<b>827</b>
Net financial items	-423	-37	-408
<b>Profit / loss (-) before income tax</b>	<b>-926</b>	<b>142</b>	<b>419</b>
Income taxes	142	-151	-491
<b>Net profit / loss (-)</b>	<b>-785</b>	<b>-9</b>	<b>-71</b>
<b>EBITDA</b>	<b>312</b>	<b>413</b>	<b>1 636</b>

## Q1 Comments

- **Income:**
  - Reduced volumes sold from Gjøa and Draugen
    - Lower oil and gas prices compared to Q1 '19
- **Production expenses:**
  - NOK/boe of 87.3
- **Impairments:**
  - Driven by market conditions
- **Exploration expenses:**
  - Field evaluation activities on Hasselmus, Storskrynten and Grevling
- **Financials:**
  - Weakened NOK during the quarter resulted in significant unrealised FX-losses on USD nominated bond loans; partly offset by USD nominated bank accounts
- **Taxes:**
  - Effective tax rate of 15%
  - Deviation from 78% due to impairment, financial items and uplift

# Impairment

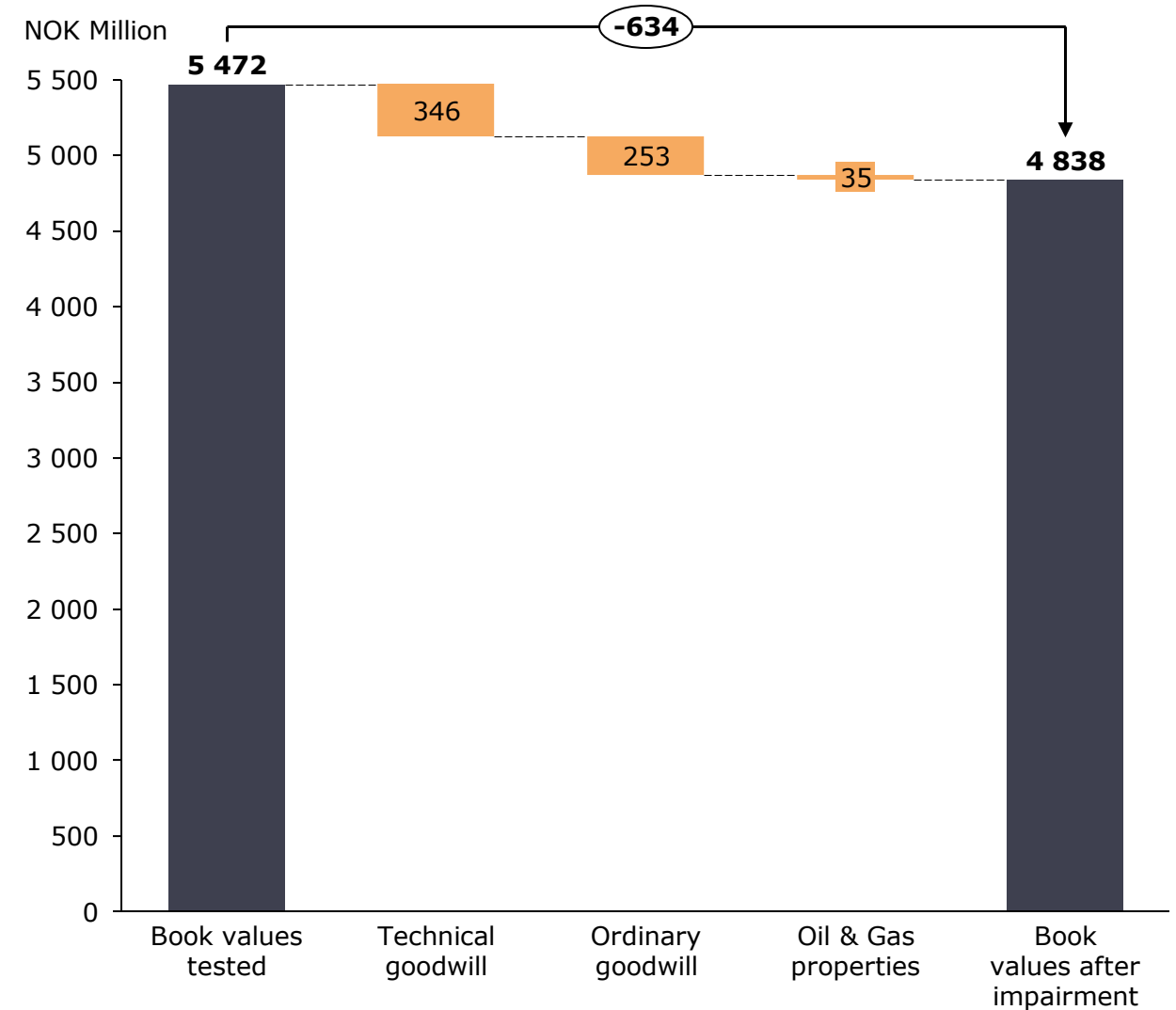
Stressed macro conditions

## Impairment indicators Q1

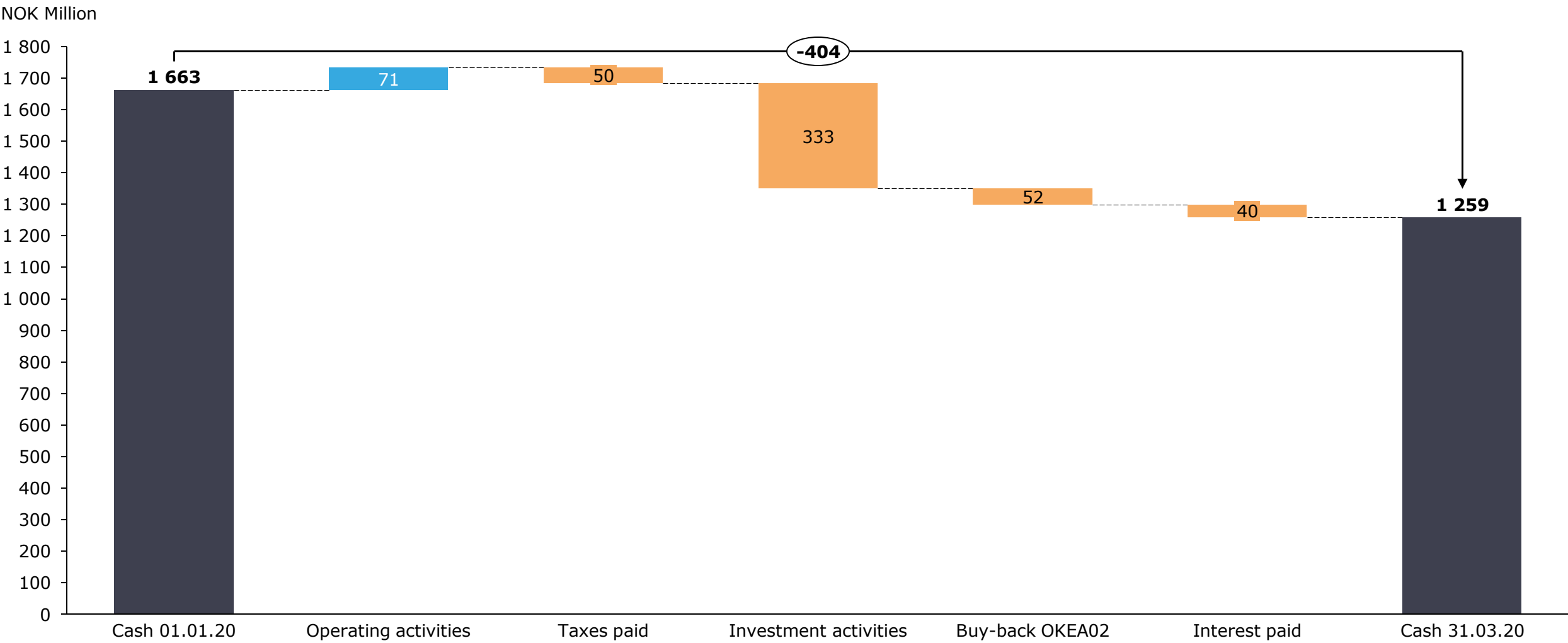
- Significant drop in oil and gas prices

## Methodology applied

- Forward curve per 31 March applied for NPV calculations until 2022
- Bottom-up calculation per asset
- Mainly intangible asset (technical and ordinary goodwill) subject to impairment



# Cash development Q1 2020





# Managing the business during the market turmoil

## OKEA in a good position to handle the downturn

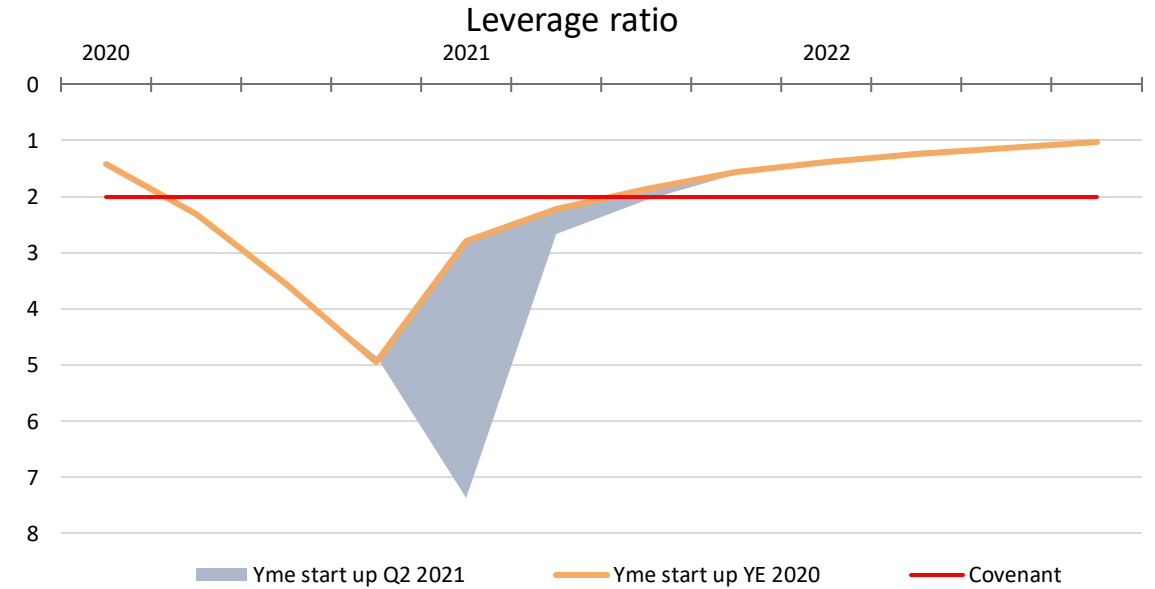
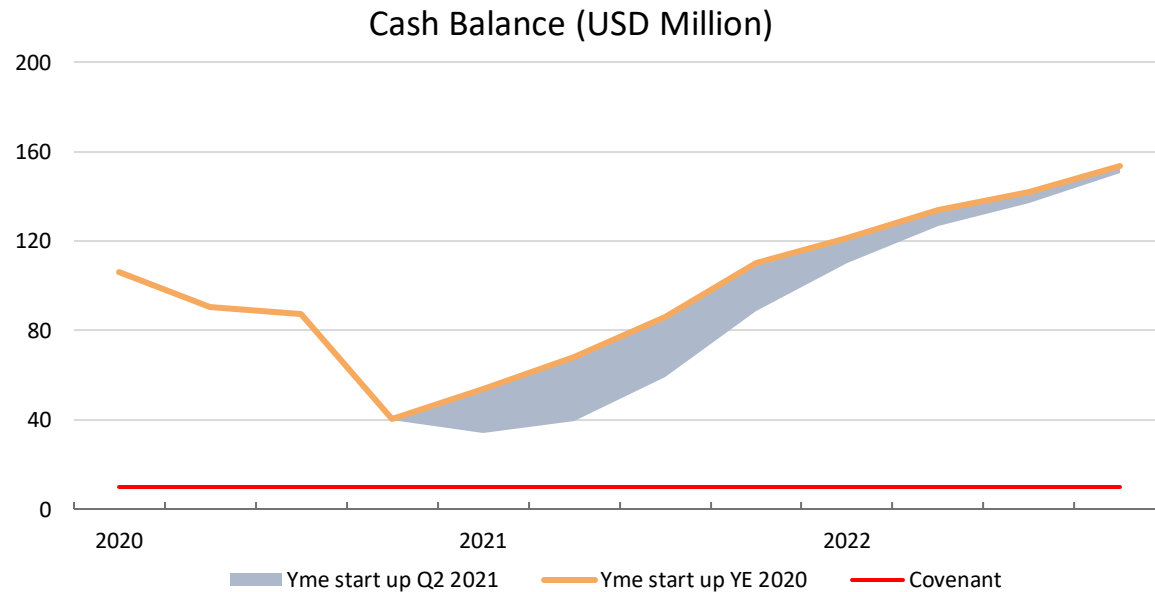
- Solid cash balance; no maturities until 2023
- Production expense 87.3 NOK/boe (~8.3 USD/boe<sup>1</sup>)
- 100 000 bbl<sup>2</sup> of May lifting from Draugen hedged at 57 USD/bbl
- Preserve cash and cut cost

## Risk of temporary breach of bond covenants

- Financial forecasts impacted by market turmoil
- Risk of breach of bond covenants during 2020; intention to approach bondholders to seek a waiver
- Engaged DNB Markets as financial advisor in the waiver process



# Cash and covenants forecast



- Solid cash position and long-term cash generation
- Risk of temporary breach of leverage ratio covenant during 2020
- Yme start-up impacting low-point of cash and leverage ratio

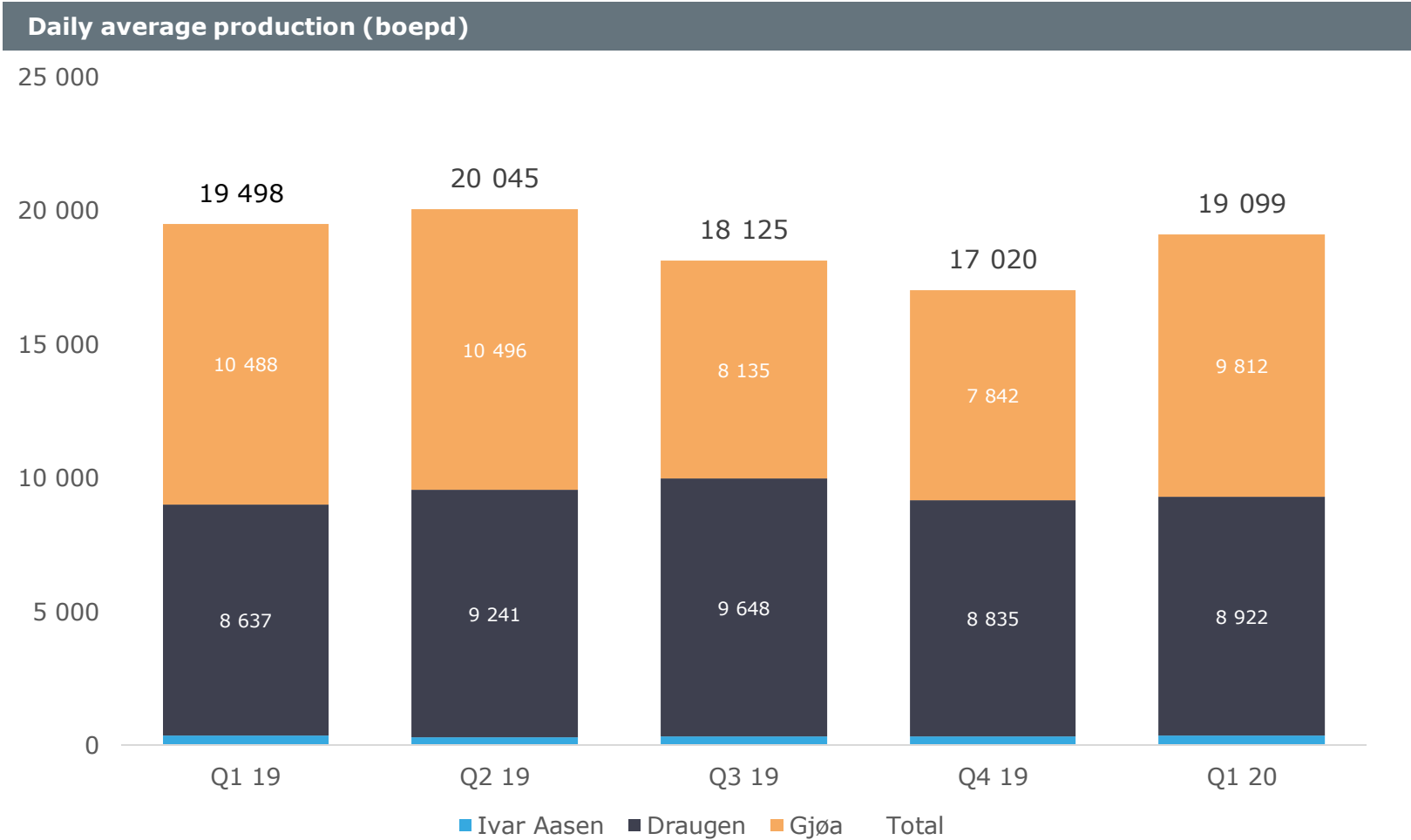


# Operations

Tor Bjerkestrand, SVP Operations

# Production volumes Q1

High production from both Draugen and Gjøa

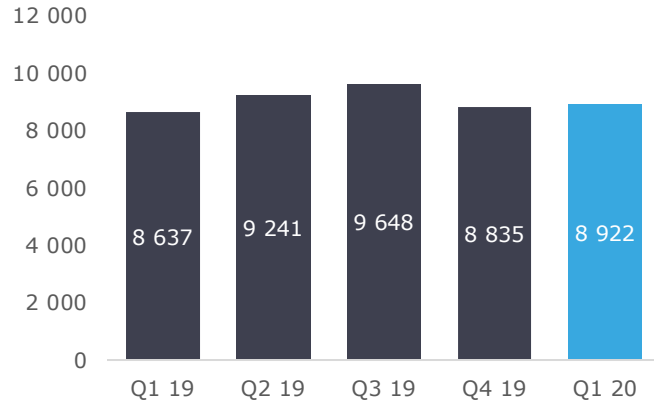


- High availability
- Production optimisation

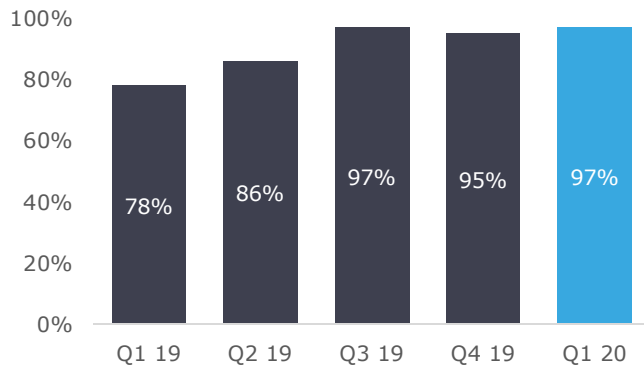
# Draugen operations – OKEA operated

Safe operations and stable production despite Covid-19

## Net production (boepd)



## Production availability

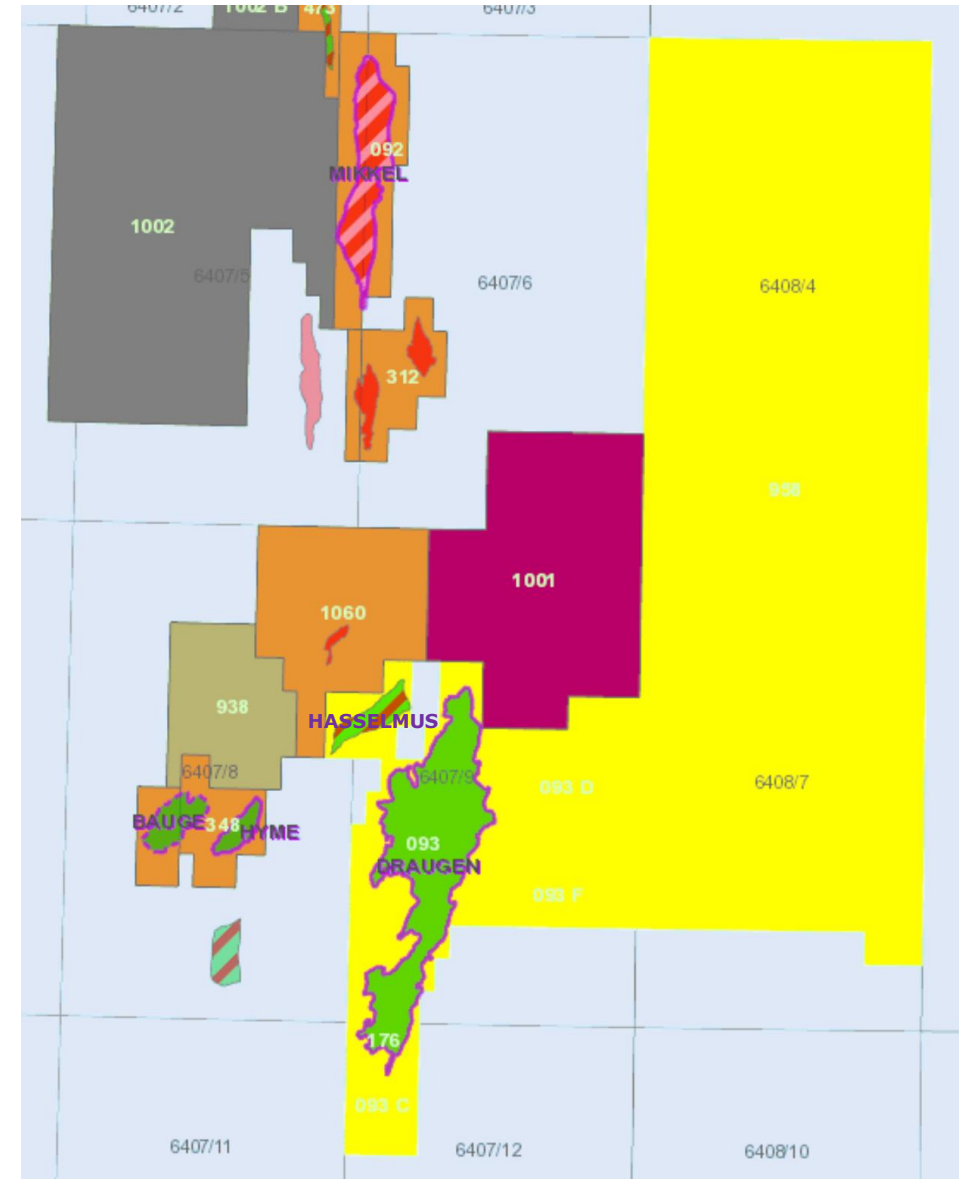


## Q1 operations

- No serious incidents or leaks
- 97% availability and production optimisation
- Covid-19 situation managed
- Reduced activity level and low manning offshore
- Q1 actions to reduce OPEX/CAPEX

## Next steps

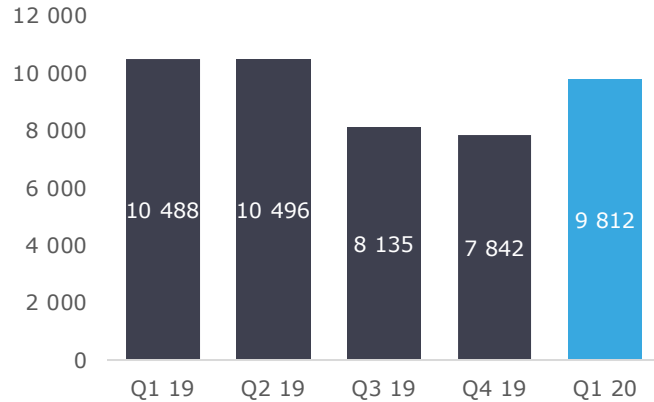
- Keep safety performance
- Keep high availability
- D2 well intervention
- OKEA lifting in May
- Manage Covid-19 situation
- Maintenance turnaround



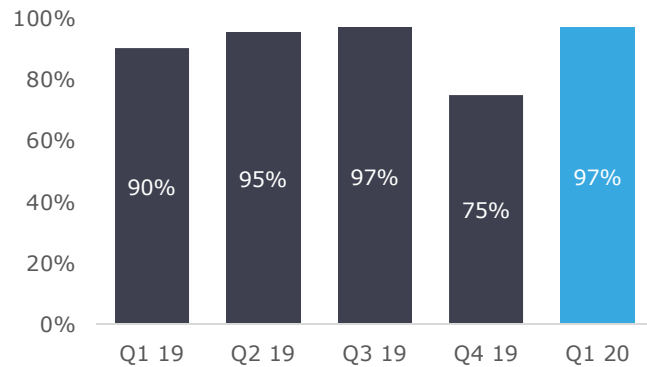
# Gjøa operations – OKEA non-operated asset

High availability and production ahead of plan

## Net production (boepd)



## Production availability

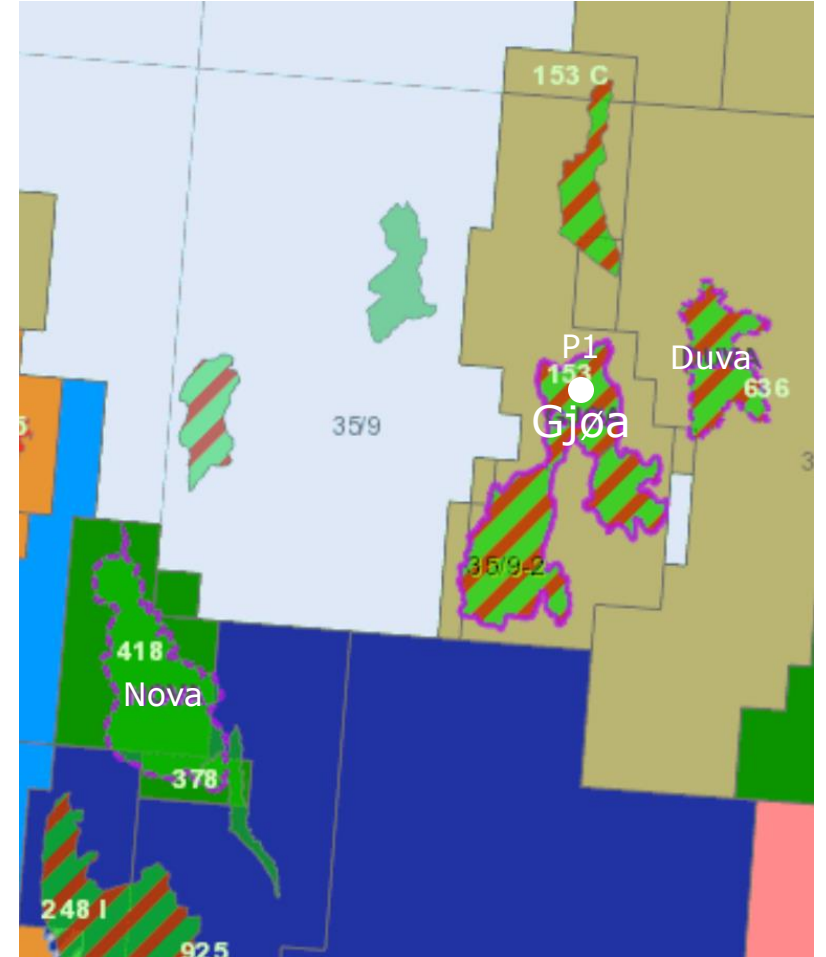


## Q1 operations

- One incident – dropped object on drilling rig
- No leaks
- 97% availability and production ahead of target
- Covid-19 situation managed
- Cost actions OPEX/CAPEX

## Next steps

- Ensure safety performance
- Keep high availability
- Manage Covid-19 situation







# Development Projects

Knut Gjertsen, SVP Projects and Technology

# Yme

Planned production start is year-end 2020, effects of Covid-19 still uncertain

## Status

- Offshore campaign for wellhead module is successfully completed, and Rowan Viking is demobilised. Well head scope reduced to 5 000 hours.
- Offshore campaign for replacement of well plugs for two gas injector wells completed.
- Progress on modification of Maersk Inspirer has been lower than planned. Restrictions due to Corona situation has further reduced yard progress.

## Mitigation measures implemented

- Yard manning up with Norwegian workers demobilised from other operations
- Yard actively sourcing foreign workers within the Covid-19 regulations

## Outlook

- Planned production start is year-end 2020, effects of Covid-19 on timeline still uncertain
- At plateau approx. 7 500 boepd net to OKEA, reserves unchanged





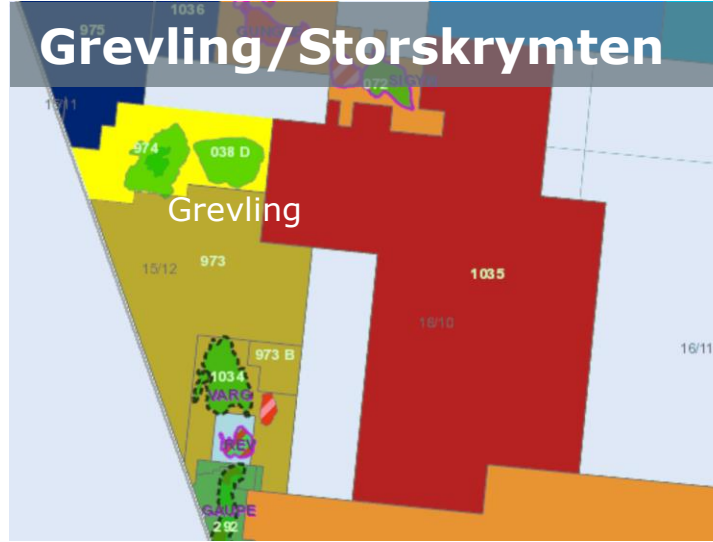
# Development Projects

## P1/Gjøa (Neptune op.)



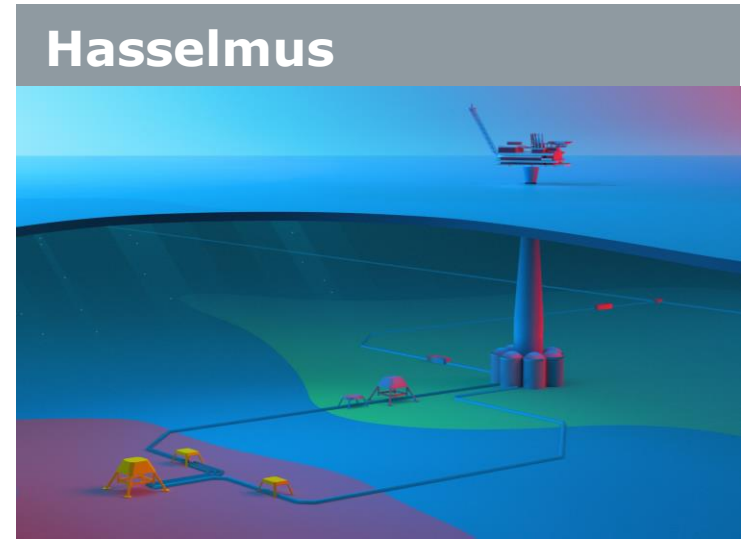
- Geopilot well drilling completed
- Two additional sidetracks increases CAPEX
- Production start Q1 2021

## Grevling/Storskrymten



- Matured Grevling/Storskrymten towards concept selection
- PL973 exploration wells postponed to 2021
- Substantial reduction in 2020 spendings

## Hasselmus



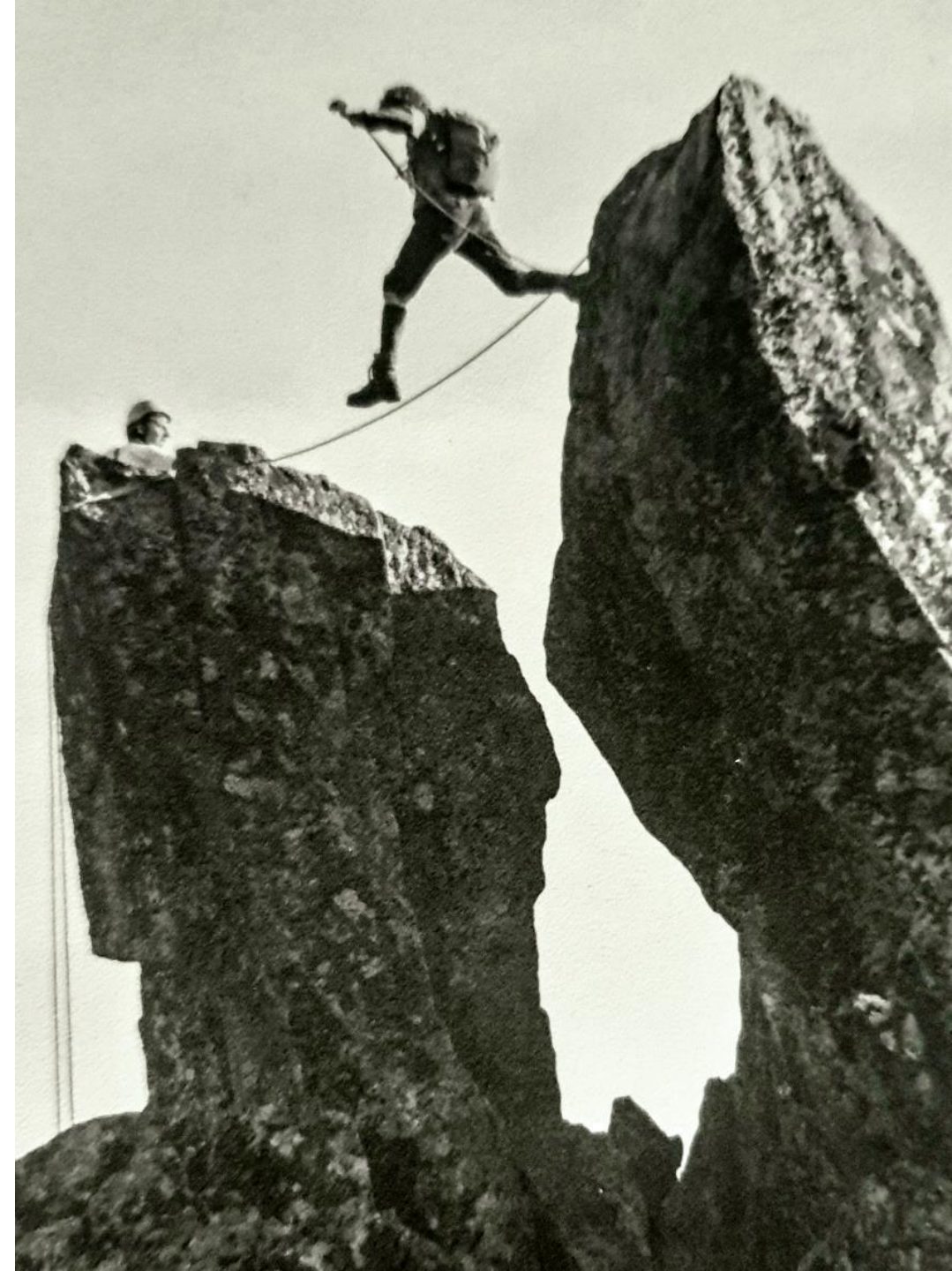
- Suspended for 12 months
- Substantial reduced CAPEX exposure



# Outlook & concluding remarks

# Outlook

- Manage operations through the downturn
  - Postpone all investments that do not support short term cashflow
  - Push forward maintenance turnaround on Draugen
- Protecting financial position
  - Control spend in own operated assets
  - Waiver process towards bond holders
- Guiding 2020
  - Production: 14 000 –15 000 boepd<sup>1</sup>
  - Capex: NOK 900 – 1 000 million<sup>2</sup>
- M&A opportunities
  - OKEA, one of few NCS oil companies with production operating capabilities





OK  
EVA

