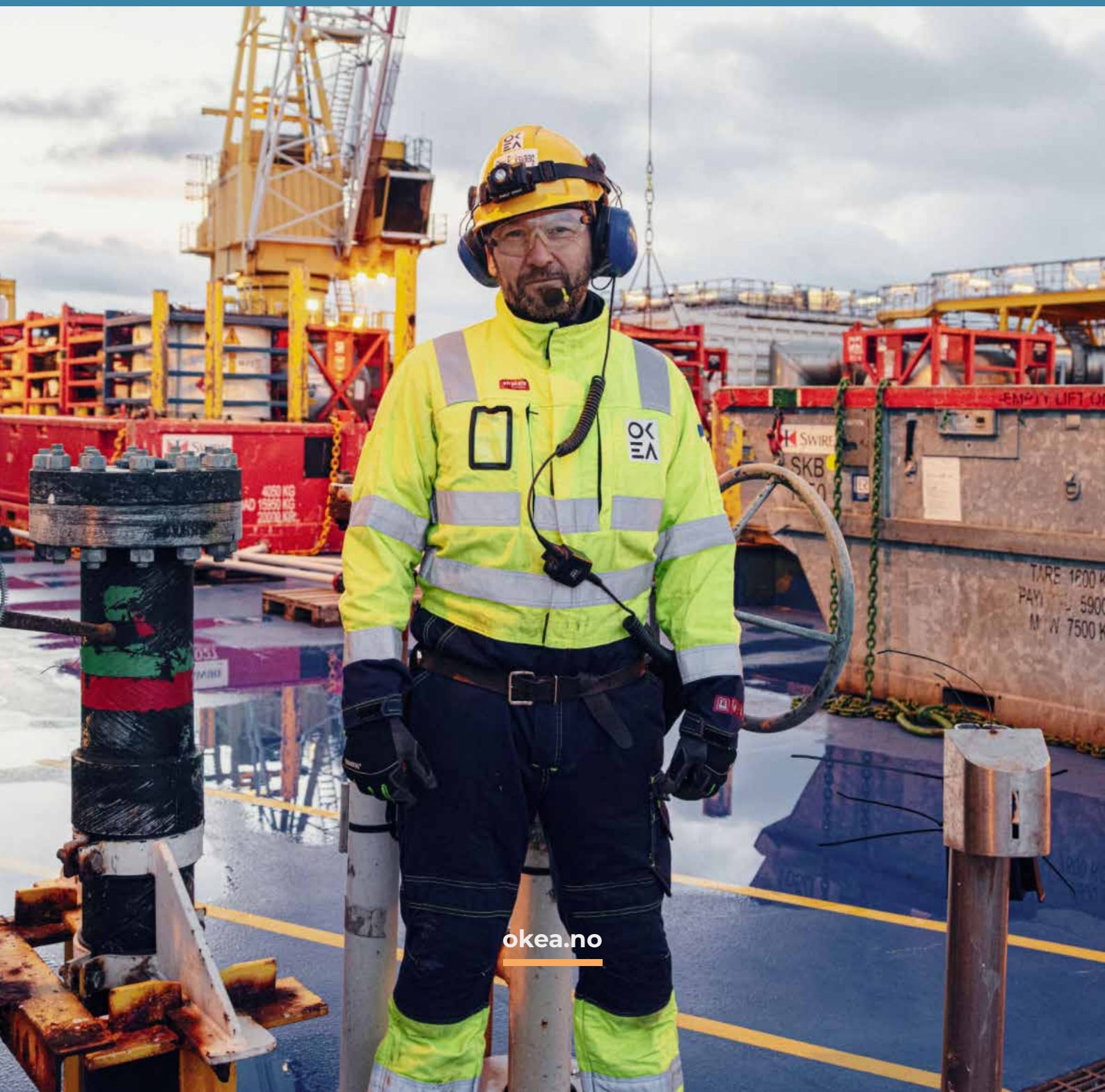




2020

Q1 Quarterly Report



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First quarter 2020 summary

Highlights

- No serious incidents at operated operations
- Production of 19,099 (19,498) boepd
- Operating income of NOK 551 (764) million
- Impairments of NOK 634 (54) million largely related to adverse market developments during the quarter
- Loss from operating activities of NOK 503 (profit of 179) million
- Net loss on financial items of NOK -423 (-37) million mainly due to unrealised FX-loss on bonds
- Net profit / loss (-) before tax was NOK -926 (142) million
- Cash flow from operations of NOK 21 (494) million

(Amounts in parentheses refer to corresponding period previous year)

Financial and operational summary

	Unit	Q1 2020	Q4 2019	Q1 2019*	Full year 2019
Revenue from crude oil and gas sales	NOKm	504	534	748	2 936
EBITDA ¹⁾	NOKm	312	226	413	1 636
EBITDAX ¹⁾	NOKm	340	378	425	1 936
Profit/loss (-) before income tax	NOKm	-926	-35	142	419
Profit/loss (-) before tax per share	NOK/share	-9.07	-0.34	1.73	4.52
Net profit / loss (-)	NOKm	-785	-2	-9	-71
Cash flow from operations	NOKm	21	238	494	2 111
Cash flow from investments	NOKm	-333	-244	-266	-847
Net interest-bearing debt ¹⁾	NOKm	1 752	893	1 920	893
Draugen	Boepd ²⁾	8,922	8,835	8,637	9,092
Gjøa	Boepd ²⁾	9,812	7,842	10,488	9,230
Ivar Aasen	Boepd ²⁾	365	343	373	341
Total net production	Boepd ²⁾	19,099	17,020	19,498	18,663
Over/underlift/inventory adjustments	Boepd ²⁾	-3,289	-3,185	767	818
Net Sold volume	Boepd ²⁾	15,810	13,835	20,265	19,481
Production expense per boe ¹⁾	NOK/boe	87.3	120.7	82.1	95.7
Realised liquids price	USD/boe	48.4	61.2	56.2	56.6
Realised gas price	USD/scm	0.10	0.13	0.29	0.16

¹⁾ Definitions of Alternative Performance Measures refer to the last section of the Quarterly Report

²⁾ Boepd is defined as barrels of oil equivalents per day

* Restated

Financial review

Statement of comprehensive income

Total operating income in the first quarter was NOK 551 (764) million. The decrease from previous year was mainly due to reduced volumes sold from Gjøa and Draugen and lower oil and gas prices.

Other operating income / loss (-) amounted to NOK 47 (-6) million. The income in the first quarter mainly relates to gain from value adjustments of put options for oil and tariff income from Gjøa, while the loss last year relates to costs and value adjustments of put options for oil.

Production expenses amounted to NOK 167 (144) million, corresponding to NOK 87.3 (82.1) per boe. Net OKEA produced volumes were 19,099 (19,498) boepd in the quarter. The reduction was due to general field decline and the shut-in of the D-2 well at Draugen, partly offset by very high uptime at Draugen.

Changes in over-/under-lift positions and production inventory amounted to NOK -33 (-165) million. As over-/under-lift and inventory positions are recognised at the lower of production cost and market value at balance sheet date, the low oil price at the end of the quarter adversely impacted the valuation of inventory. Produced volumes exceeded sold volumes by 3,289 boepd in the quarter while sold volumes exceeded produced by 767 boepd last year.

Exploration expenses amounted to NOK 27 (12) million for the quarter which mainly relates to various field evaluation activities on Hasselmus in the Draugen licence, PL974 (Storskrynten) and PL038D (Grevling).

Total impairments amounted to NOK 634 (54) million and relate to technical goodwill on Draugen, Gjøa and Ivar Aasen as well as impairment of ordinary goodwill and asset under development (Yme). Impairments recognised in the quarter were primarily driven by the significant adverse development in oil and gas prices in the quarter. Reference is made to note 10 for further information.

Depreciation in the first quarter of 2020 was NOK 182, compared to NOK 180 million in the first quarter of 2019.

General and administrative expenses amounted to NOK 11 (30) million and represent OKEA's share of costs after allocations to licence activities. The reduction was mainly due to reduced costs on corporate activities.

Net financial items amounted to NOK -423 (-37) million. The financial loss in the quarter was mainly due to a significant increase in the NOK/USD exchange rate which led to unrealised FX losses on bond loans of approximately NOK -518 (gain of 27) million in the quarter, partly offset by exchange rate gains on receivables and bank deposits in foreign currencies of NOK 136 (loss of 3) million. Interest expenses amounted to NOK 45 (59) million following deduction of capitalised borrowing cost of NOK -27 (0) million.

Profit / loss (-) before income tax amounted to NOK -926 (142) million for the quarter.

Tax expenses (-) / tax income (+) for the quarter amounted to NOK 142 (-151) million representing an effective tax income rate of 15% (107%). The deviation from the expected 78% was mainly caused by impairments that are not tax deductible and financial items which are tax deductible by approximately 30%. These effects were partly offset by the effect of uplift.

Net profit / loss (-) for the period was NOK -785 (-9) million and earnings per share were NOK -7.69 (-0.11).

Statement of financial position

Goodwill amounted to NOK 827 (1 473) million. The reduction was caused by impairments as further described in note 10.

Right-of-use assets amounted to NOK 142 (190) million at the end of the quarter.

Cash and cash equivalents were NOK 1 259 (586) million. The increase in cash and cash equivalents was mainly due to positive cash flow from operations and proceeds from share issues executed in 2019, offset by cash spending on investment and financing activities.

Spare parts, equipment and inventory amounted to NOK 121 (228) million.

Equity amounted to NOK 900 (1 447) million at the end of first quarter. The reduction was caused by net losses, largely due to impairments and unrealised losses resulting from the weakened NOK compared to USD, offset by share issues.

Provisions for asset retirement obligations amounted to NOK 4 045 (3 888) million. The increase was caused by accretion effects and regular updates in assumptions in calculation of estimates.

Interest-bearing loans and borrowings were NOK 3 012 (2 506) million. The NOK amount of bond loans has increased due to the significantly weakened NOK compared to USD.

The lease liability relating to IFRS 16 is split into a non-current liability of NOK 113 (144) million and a current liability of NOK 29 (46) million.

Trade and other payables amounted to NOK 1 019 (1 088) million, which mainly consisted of working capital from joint licences, trade creditors and prepayments from customers.

Statement of cash flows

Net cash flows from operating activities in the quarter amounted to NOK 21 (494) million. Revenues for the quarter were NOK 551 (764) million. The reduction compared to last year, was due to lower sold volumes and lower prices. In addition, settlement of the final completion statement to Shell relating to the acquisition of the Draugen and Gjøa assets and other changes in working capital items reduced cash flows from operations.

Net cash flows from investment activities in the quarter amounted to NOK -333 (-266) million, of which investments in Oil & Gas properties amounted to NOK -321 (-165) million, mainly relating to the Yme New Development project and the P1 project at Gjøa.

Net cash flows from financing activities in the quarter amounted to NOK -92 (-36) million, of which interest paid amounted to NOK -40 (-36) million and purchase of own bonds (OKEA02) amounted to NOK -52 million.

Operational review

OKEA produced 19,099 (19,498) boepd in the first quarter. The average realised liquid price was USD 48.4 (56.2) per barrel, while gas revenues were recognised at market value of USD 0.10 (0.29) per standard cubic metre (scm).

Draugen (Operator, 44.56%)

Production from Draugen was 8,922 (8,637) boepd net to OKEA for the quarter, representing an increase of approximately three per cent. Regularity was as high as 97% (78%).

The production increase was due to higher uptime. This effect was partly offset by shut-in of well D-2 due to a failed downhole safety valve and general production decline. OKEA is planning for an efficient and safe well intervention campaign to secure continued production from well D-2.

Production level at Draugen is as normal, despite reduced manning level onboard due to the Covid-19 situation. . There are no project activities ongoing, and the focus is on safe and normal operation as well as ordinary maintenance

Gjøa (Partner, 12.00%)

Net production to OKEA from Gjøa in the quarter was 9,812 (10,488) boepd and production regularity was as high as 97% (90%). Both availability and reliability are above plan, mainly due to good planning and execution of operations and project work and avoidance of disruptions. The SEGAL gas export system was stable during the quarter.

The P1 appraisal well is currently being drilled. The well has taken more time than planned due to weather conditions and an additional sidetrack being required to obtain better reservoir data for placement of the planned producer wells. The P1 project Topside/Subsea is ahead of schedule and first oil from P1 is expected in Q1 2021.

The planned shutdown scope for maintenance in 2020 is being reviewed due to Covid-19 risk, with a target to reduce risk by postponing scope to 2021.

Ivar Aasen (Partner, 0.554%)

Net production to OKEA from Ivar Aasen during the quarter was 365 (373) boepd. Production remains on plateau but is expected to fall off during Q2 2020 until the new Increased Oil Recovery (IOR) wells are drilled and put in production.

Due to the current low oil price and Covid-19 restrictions, a review of activity plans is ongoing and actions are taken to ensure business continuity. The Increased Oil Recovery (IOR) campaign for 2020 has not yet been approved in the licence, but the target is to maintain the two well rig commitments due to low break-even price for the increased production volumes.

Development projects

Grevling / Storskrymten (Operator, 35.00% / 60.00%)

Subsurface work and concept studies for the Grevling and Storskrymten licences has been matured to a concept selection level. Further studies for Carbon Capture and Storage (CCS) optionality for the jack-up Mobile Offshore Production Unit (MOPU) are planned during 2020.

Yme (Partner, 15.00%)

The Yme New Development project is ongoing with the upgrade of the jack-up rig Maersk Inspirer at Aker Solutions Yard in Egersund.

An additional rig campaign has been successfully executed, which completes the majority of the hook-up and carry-over scope for the wellhead module.

Availability of personnel at the yard, due to the Covid-19 restrictions, has adversely impacted the progress of upgrading the rig. The planned production start has therefore been pushed forward to year-end 2020. However, the timeline is uncertain due to the current Covid-19 situation in addition to inherent schedule risk of large modification projects.

Yme is expected to add a production of 7 500 boepd net to OKEA at plateau.

Exploration licences

Planning work for the two exploration wells near Grevling in PL973 (Chrysaor operator, OKEA 30%) has progressed during the quarter. In March, however, the licensees decided to postpone the activity due to the uncertainties caused by the Covid-19 situation. The two wells are now provisionally scheduled to be drilled in early 2021 and detailed well planning will continue throughout 2020.

The five new licences on the Norwegian Continental Shelf awarded by the Ministry of Petroleum and Energy under the Award in Pre-Defined Areas (APA) for 2019 were formally established in February and work programmes will commence in Q2.

Health, safety and the environment (HSE)

There have been no serious incidents in OKEA's operated assets in the first quarter of 2020, nor any recordable injuries. This is in accordance with OKEA's ambitions of a high HSE standard in our activities.

The first quarter of 2020 has been influenced by the world-wide situation related to the outbreak of Covid-19. OKEA has established a Business Continuity Team as a multi-discipline work group with the necessary resources and authority to ensure the right priorities, initiatives and plans to safeguard the health of the personnel as well as securing the business continuity in OKEA's operations and activities. Actions related to infection prevention and control have been implemented to limit the risk of infection, as well as establishing instructions for how to handle the situation if there should be an infection case, including upholding the high

HSE standard and ensuring the business continuity priorities. This also involves implementing actions recommended by the Norwegian health authorities and by the Norwegian Oil and Gas Association. The situation has been handled without significant impact on the Draugen operations.

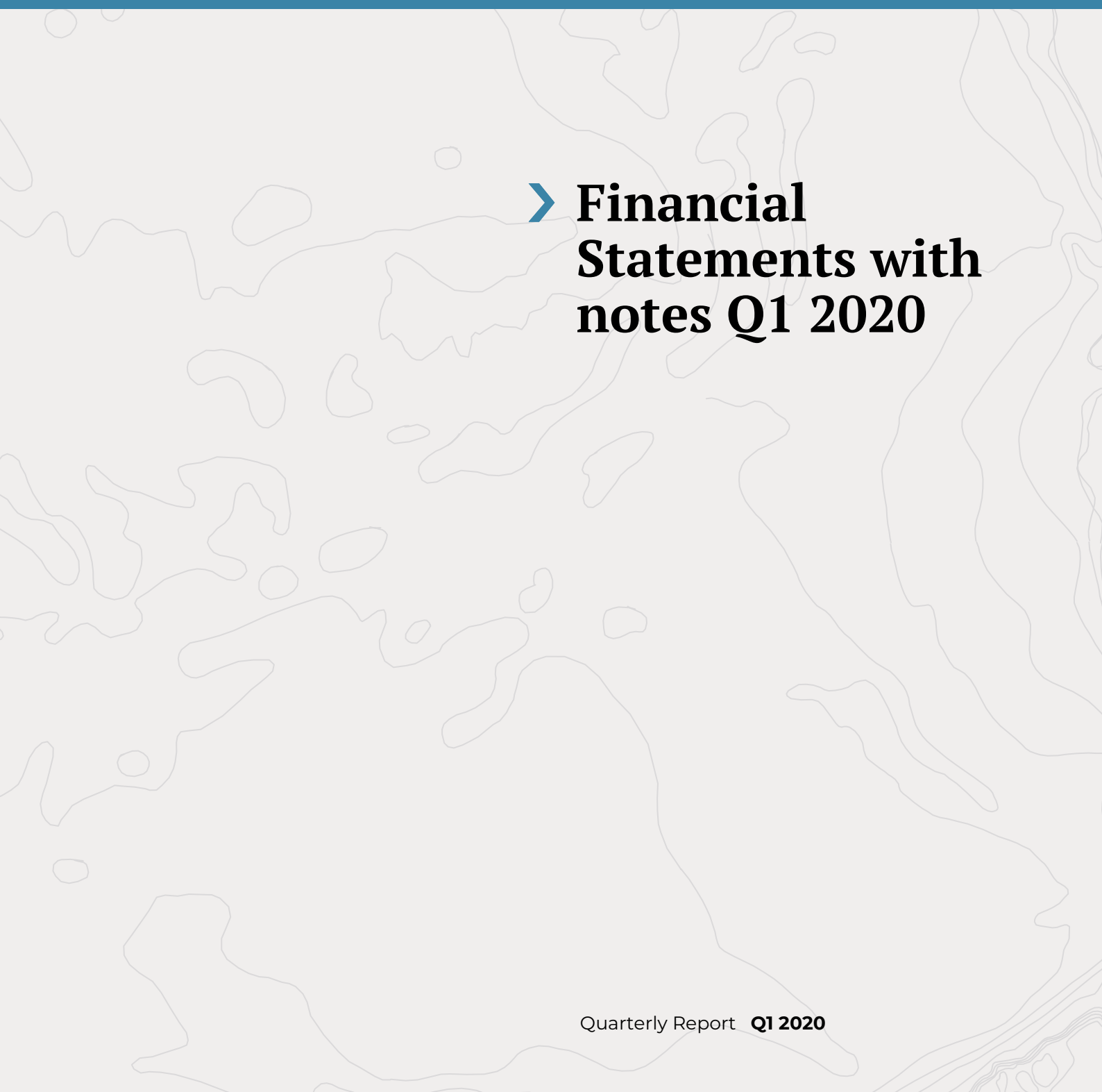
The Draugen licence partners are working to strengthen ambitions and identify opportunities to improve the environmental footprint of the Draugen operations and activities. Environmental management and prioritisation of opportunities to improve energy efficiency and greenhouse gas intensity were key areas emphasised. In addition, initiatives related to produced water and disposal strategies were high on the agenda, emphasising possibilities to further improve the environmental impact factor to reduce the risk of harmful impact to the marine life.

Outlook

The oil industry is currently facing a challenging combination of a global pandemic coupled with a dramatic fall in oil prices. OKEA has put a series of mitigations in place to ensure that the company is able to withstand the current market conditions for an extended time period, including safety measures in offices and operations and cost-cutting initiatives. The company has a solid cash balance and does not face any bond maturities until 2023 or refinancing requirements in the short term.

OKEA's portfolio of producing assets had a production expense of 87.3 NOK/boe in the first quarter of 2020 and will therefore continue to remain a positive contributor to the company's financial position even at low oil prices. In addition, as operator of Draugen, the company has flexibility to reduce expenditure through focused cost reduction measures, together with the deferral of non-essential activities into 2021 or beyond. For the entire portfolio measures already implemented reduces 2020 spending with NOK 270 million. Potential further saving potentials of NOK 160 million is currently evaluated. The measures implemented to preserve capital include reduced overall activity level, postponing exploration wells in PL973 and suspension of the Hasselmus development project for 12 months.

Based on management estimates, and in a continuing low oil price scenario, certain bond covenants may become in temporary breach. The company intends to enter into discussions with bondholders to request a waiver and has engaged DNB Markets to act as financial advisor in this respect. The Board and management will continue to closely monitor the situation.

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Financial Statements with notes Q1 2020

Statement of Comprehensive Income

Amounts in NOK '000	Note	Q1 2020 (unaudited)	Q1 2019 (unaudited)	2019 (audited)
Revenues from crude oil and gas sales	6	503 660	748 115	2 935 635
YME compensation contract breach	6	-	22 098	22 098
Other operating income / loss (-)	6	47 111	-5 985	61 833
Total operating income		550 770	764 228	3 019 566
Production expenses		-166 862	-144 106	-708 649
Changes in over/underlift positions and production inventory		-33 494	-164 585	-272 472
Exploration expenses		-27 440	-12 402	-299 446
Depreciation, depletion and amortization	8	-181 622	-180 210	-703 883
Impairment	8, 9, 10	-633 720	-53 648	-105 394
General and administrative expenses		-10 826	-30 151	-102 562
Total operating expenses		-1 053 964	-585 103	-2 192 406
Profit / loss (-) from operating activities		-503 194	179 125	827 160
Finance income	11	37 098	25 047	103 893
Finance costs	11	-77 807	-89 838	-444 880
Net exchange rate gain/loss (-)	11	-382 364	27 847	-66 777
Net financial items		-423 073	-36 944	-407 764
Profit / loss (-) before income tax		-926 268	142 181	419 396
Taxes (-) / tax income (+)	7	141 537	-151 456	-490 527
Net profit / loss (-)		-784 730	-9 275	-71 131
Other comprehensive income, net of tax:				
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>				
Remeasurements pensions, actuarial gain/loss (-)		-	-	418
Total other comprehensive income, net of tax		-	-	418
Total comprehensive income / loss (-)		-784 730	-9 275	-70 712
Weighted average no. of shares outstanding basic		102 068 870	82 204 500	92 848 011
Weighted average no. of shares outstanding diluted		102 068 870	82 204 500	92 848 011
Earnings per share (NOK per share) - Basic		-7,69	-0,11	-0,77
Earnings per share (NOK per share) - Diluted		-7,69	-0,11	-0,77

Statement of Financial Position

Amounts in NOK '000	Note	31.03.2020 (unaudited)	31.03.2019 (unaudited)	31.12.2019 (audited)
ASSETS				
Non-current assets				
Goodwill	9, 10	826 908	1 472 721	1 425 568
Exploration and evaluation assets		17 653	9 320	15 927
Oil and gas properties	8	4 038 361	3 767 080	3 885 889
Buildings	8	86 719	91 344	87 875
Furniture, fixtures and office equipment	8	10 267	7 511	11 250
Right-of-use assets	3, 8	142 435	189 541	163 398
Other non-current assets	12	2 987 851	2 778 951	2 968 502
Total non-current assets		8 110 194	8 316 469	8 558 409
Current assets				
Trade and other receivables	14	607 734	840 921	621 913
Spareparts, equipment and inventory	17	121 056	228 154	142 291
Restricted cash		-	142 123	-
Cash and cash equivalents	15	1 259 339	585 949	1 663 478
Total current assets		1 988 129	1 797 146	2 427 682
TOTAL ASSETS		10 098 323	10 113 615	10 986 091
EQUITY AND LIABILITIES				
Equity				
Share capital	13	10 250	8 220	10 206
Share premium		1 912 462	1 624 104	1 912 462
Other paid in capital		10 139	1 754	6 855
Accumulated loss		-1 032 824	-186 656	-248 094
Total equity		900 027	1 447 423	1 681 430
Non-current liabilities				
Asset retirement obligations	16	4 044 547	3 888 000	4 024 420
Pension liabilities	3	27 591	-	26 857
Lease liability	3, 20	113 514	144 034	117 996
Deferred tax liabilities	7	688 879	711 252	830 417
Interest-bearing loans and borrowings	19	3 011 608	2 505 875	2 556 570
Total non-current liabilities		7 886 140	7 249 161	7 556 259
Current liabilities				
Trade and other payables	18	1 019 295	1 087 578	1 371 587
Income tax payable	7	245 037	265 720	294 704
Lease liability - current	3, 20	28 632	45 544	45 544
Public dues payable		19 191	15 311	32 798
Provisions, current		-	2 878	3 769
Total current liabilities		1 312 155	1 417 031	1 748 402
Total liabilities		9 198 295	8 666 193	9 304 661
TOTAL EQUITY AND LIABILITIES		10 098 323	10 113 615	10 986 091

Statement of Changes in Equity

Amounts in NOK `000	Share capital	Share premium	Other paid in capital	Accumulated loss	Total equity
Equity at 1 January 2019	8 220	1 624 104	1 361	-177 381	1 456 304
Total comprehensive income/loss (-) for the period				-9 275	-9 275
Share based payment			394		394
Equity at 31 March 2019	8 220	1 624 104	1 754	-186 656	1 447 423
Equity at 1 April 2019	8 220	1 624 104	1 754	-186 656	1 447 423
Total comprehensive income/loss (-) for the period				-61 438	-61 438
Share issues, cash	1 986	288 358			290 344
Share based payment			5 101		5 101
Equity at 31 December 2019	10 206	1 912 462	6 855	-248 094	1 681 430
Equity at 1 January 2020	10 206	1 912 462	6 855	-248 094	1 681 430
Total comprehensive income/loss (-) for the period				-784 730	-784 730
Share issues, cash	44				44
Share based payment			3 284		3 284
Equity at 31 March 2020	10 250	1 912 462	10 139	-1 032 824	900 027

Statement of Cash Flows

Amounts in NOK `000	Note	Q1 2020 (unaudited)	Q1 2019 (unaudited)	2019 (audited)
Cash flow from operating activities				
Profit / loss (-) before income tax		-926 268	142 181	419 396
Income tax paid/received	7	-49 667	-	-171 671
Depreciation, depletion and amortization	8	181 622	180 210	703 883
Impairment	9, 10	633 720	53 648	105 394
Accretion asset retirement obligations	11	779	3 977	16 088
Gain from sales of licenses	6	-	-	-19 063
Interest expense	11	72 261	54 417	297 998
Loss on financial assets		10 615	-	-
Change in trade and other receivables, and inventory		-1 098	158 584	434 004
Change in trade and other payables		-394 583	-72 157	335 354
Change in foreign exchange bond loans and other non-current items		493 754	-26 838	-10 267
Net cash flow from / used in (-) operating activities		21 135	494 024	2 111 116
Cash flow from investment activities				
Investment in exploration and evaluation assets		-1 726	-3 588	-10 195
Business combination, cash paid		-	-	-40 000
Investment in oil and gas properties		-320 577	-164 843	-852 611
Investment in buildings		-	-	-
Investment in furniture, fixtures and office machines		-251	-4 105	-11 628
Net investment in (-)/release of restricted cash		-	-93 796	48 327
Investment in financial assets		-10 615	-	-
Proceeds from sales of licenses		-	-	18 716
Net cash flow from / used in (-) investment activities		-333 170	-266 332	-847 391
Cash flow from financing activities				
Net proceeds from borrowings, bond loan		-	-	1 062 157
Repayment/buy-back of borrowings, bond loan		-51 690	-	-1 107 839
Interest paid		-40 458	-36 413	-232 412
Net proceeds from share issues		44	-	283 177
Net cash flow from / used in (-) financing activities		-92 104	-36 413	5 083
Net increase/ decrease (-) in cash and cash equivalents		-404 139	191 278	1 268 807
Cash and cash equivalents at the beginning of the period		1 663 478	394 670	394 670
Cash and cash equivalents at the end of the period		1 259 339	585 949	1 663 478
Restricted cash at the end of the period		0	142 123	0
Restricted and unrestricted cash at the end of the period		1 259 339	728 071	1 663 478

Notes to the interim financial statements

Note 1 General and corporate information

These financial statements are the unaudited interim condensed financial statements of OKEA ASA for the first quarter of 2020. OKEA ASA ("OKEA" or the "company") is a public limited liability company incorporated and domiciled in Norway, with its main office located in Trondheim. OKEA ASA's shares were listed on the Oslo Stock Exchange on 18 June 2019. The Company's ticker is OKEA.

The Company's overall vision is to be the leading company on the Norwegian Continental Shelf in terms of delivering safe and cost-effective field developments and operational excellence, while maintaining a competent organisation with direct management engagement in all projects and activities.

Note 2 Basis of preparation

The interim accounts have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim accounts do not include all the information required in the annual accounts and should therefore be read in conjunction with the annual accounts for 2019. The annual accounts for 2019 were prepared in accordance with EU's approved International Financial Reporting Standards (IFRS).

The interim financial statements were approved for issue by the company's Board of Directors on 27 April 2020.

Note 3 Accounting policies

The accounting policies adopted in the preparation of the interim accounts are consistent with those followed in the preparation of the annual accounts for 2019. New standards, amendments and interpretations to existing standards effective from 1 January 2020 did not have any significant impact on the financial statements.

Note 4 Critical accounting estimates and judgements

The preparation of the interim accounts entails the use of judgements, estimates and assumptions that affect the application of accounting policies and the amounts recognised as assets and liabilities, income and expenses. The estimates, and associated assumptions, are based on historical experience and other factors that are considered as reasonable under the circumstances. The actual results may deviate from these estimates. The material assessments underlying the application of the company's accounting policies, and the main sources of uncertainty, are the same for the interim accounts as for the annual accounts for 2019.

Note 5 Business segments

The Company's only business segment is development and production of oil and gas on the Norwegian Continental Shelf.

Note 6 Income

Breakdown of petroleum revenues

Amounts in NOK `000	Q1 2020	Q1 2019	2019
Sale of liquids	418 517	570 161	2 486 165
Sale of gas	85 143	177 954	449 470
Total petroleum revenues	503 660	748 115	2 935 635
Sale of liquids (boe*)	907 496	1 259 259	5 024 339
Sale of gas (boe)	531 196	584 954	2 086 178
Total Sale of petroleum in boe	1 438 692	1 844 213	7 110 517

*Barrels of oil equivalents

Other operating income

Yme compensation contract breach	-	22 098	22 098
Gain / loss (-) from put options, oil	30 886	-5 985	-14 819
Tariff income GjØa	15 182	-	56 681
Sale of licenses	-	-	19 971
Joint utilisation of logistics resources	1 043	-	-
Total other operating income/loss (-)	47 111	16 113	83 931

Note 7 Taxes

Income taxes recognised in the income statement

Amounts in NOK '000	Q1 2020	Q1 2019	2019
Change in deferred taxes current year	141 537	-40 865	-72 117
Taxes payable current year	-	-110 591	-430 778
Tax payable adjustment previous year	-	-	117 251
Change in deferred taxes previous year	-	-	-106 476
Tax refund adjustment previous year	-	-	1 592
Total taxes (-) / tax income (+) recognised in the income statement	141 537	-151 456	-490 527

Reconciliation of income taxes

Amounts in NOK '000	Q1 2020	Q1 2019	2019
Profit / loss (-) before income taxes	-926 268	142 181	419 396
Expected income tax at nominal tax rate, 22%	203 779	-31 280	-92 267
Expected petroleum tax, 56%	518 710	-79 622	-234 862
Permanent differences, including impairment of goodwill	-469 059	-40 140	-61 583
Effect of uplift	15 068	6 314	47 993
Financial and onshore items	-126 961	-6 729	-162 177
Effect of new tax rates	-	-	-
Change valuation allowance	-	-	-
Adjustments previous year and other	-	-	12 368
Total income taxes recognised in the income statement	141 537	-151 456	-490 527
Effective income tax rate	15 %	107 %	117 %

Specification of tax effects on temporary differences, tax losses and uplift carried forward

Amounts in NOK '000	31.03.2020	31.03.2019	31.12.2019
Tangible and intangible non-current assets	-1 916 953	-1 779 762	-1 945 367
Provisions (net ARO), lease liability, pensions and gain/loss account	1 150 727	1 160 580	1 163 869
Interest-bearing loans and borrowings	-13 989	-30 197	-14 661
Current items	-9 128	-99 328	-47 346
Tax losses carried forward, onshore 22%	1 198	449	1 190
Tax losses carried forward, offshore 22%	64 884	-	-
Tax losses carried forward, offshore 56%	25 070	-	-
Uplift, offshore 56%	9 311	37 006	11 898
Valuation allowance (uncapitalised deferred tax asset)	-	-	-
Total deferred tax assets / liabilities (-) recognised	-688 879	-711 252	-830 417

Deferred tax is calculated based on tax rates applicable on the balance sheet date. Ordinary income tax is 22%, to which is added a special tax for oil and gas companies at the rate of 56%, giving a total tax rate of 78%.

Companies operating on the Norwegian Continental Shelf under the offshore tax regime can claim the tax value of any unused tax losses or other tax credits related to its offshore activities to be paid in cash (including interest) from the tax authorities when operations cease. Deferred tax assets that are based on offshore tax losses carried forward are therefore normally recognised in full.

There is no time limit on the right to carry tax losses forward in Norway.

Note 8 Tangible assets and right-of-use assets

Amounts in NOK '000	Oil and gas properties in production	Oil and gas properties under development	Buildings	Furniture, fixtures and office machines	Right-of-use assets	Total
Cost at 1 January 2020	3 176 835	1 505 913	92 501	15 056	199 051	4 989 357
Additions	144 067	176 511	-	251	-	320 829
Reclassification from inventory	36 511					36 511
Removal and decommissioning asset	-	-	-	-	-	-
Cost at 31 March 2020	3 357 414	1 682 424	92 501	15 308	199 051	5 346 697
Accumulated depreciation and impairment at 1 January 2020	-796 860	-	-4 625	-3 806	-35 653	-840 944
Depreciation	-169 557	-	-1 156	-1 235	-9 674	-181 622
Impairment	-	-35 060				-35 060
IFRS 16 Right-of-use assets presented gross related to leasing contracts entered into as licence operator	-	-	-	-	-11 289	-11 289
Accumulated depreciation and impairment at 31 March 2020	-966 416	-35 060	-5 781	-5 041	-56 617	-1 068 915
Carrying amount at 31 March 2020	2 390 997	1 647 364	86 719	10 267	142 435	4 277 782

Note 9 Goodwill

Amounts in NOK '000	Technical goodwill	Ordinary goodwill	Total goodwill
Cost at 1 January 2020	1 114 547	416 415	1 530 962
Additions through business combination	-	-	-
Cost at 31 March 2020	1 114 547	416 415	1 530 962
Accumulated impairment at 1 January 2020	-105 394	-	-105 394
Impairment	-345 462	-253 198	-598 660
Accumulated impairment at 31 March 2020	-450 856	-253 198	-704 054
Carrying amount at 31 March 2020	663 690	163 217	826 908

Note 10 Impairment

Tangible and intangible assets are tested for impairment whenever impairment indicators are identified and at least on an annual basis. Impairment is recognised when the book value of an asset or cash generating unit exceeds the recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. The recoverable amount is estimated based on discounted future after tax cash flows. The expected future cash flows are discounted to net present value by applying a discount rate after tax that reflects the weighted average cost of capital (WACC).

Technical goodwill arises as an offsetting account to the deferred tax recognised in business combinations and is allocated to each Cash Generating Unit (CGU). When deferred tax from the initial recognition decreases, more goodwill is as such exposed for impairments.

Below is an overview of the key assumptions applied in the impairment test as of 31 March 2020:

Year	Oil USD/BOE*	Gas GBP/therm*	Currency rates USD/NOK
2020 Q2-Q4	36,1	0,3	10,5
2021	39,9	0,3	10,5
2022	42,0	0,4	10,5
2023	48,8	0,4	10,5
2024	58,8	0,4	10,6
From 2025	65,0	0,4	8,0

* Prices in real terms

Other assumptions

For oil and gas reserves future cash flows are calculated on the basis of expected production profiles and estimated proven and probable remaining reserves.

Future capex, opex and abandonment cost are calculated based on the expected production profiles and the best estimate of the related cost. For fair value testing the discount rate applied is 10.0% post tax.

The long-term inflation rate is assumed to be 2.0%.

Impairment testing of technical goodwill, ordinary goodwill and fixed assets

In the testing of impairment, fair value of the company is based on its market capitalisation around the balance sheet date. The fair value of the company is compared to the carrying value of the company's net assets.

Based on the impairment test, NOK 634 million in impairment charge has been recognised during the first quarter of 2020 and relates to technical goodwill on Draugen, Gjøa and Ivar Aasen in addition to impairment of asset under development at Yme and ordinary goodwill.

Sensitivity analysis

The principles applied for impairment testing of ordinary goodwill, as described above, ultimately sets a floor to the book value of the equity. Consequently, any worsened assumptions for market conditions, WACC or inflation rate will as such not lead to higher total company impairment values for Q1 2020 as changes in assumptions would initially impact the carrying value of Oil and Gas properties.

Note 11 Financial items

Amounts in NOK '000	Q1 2020	Q1 2019	2019
Interest income	2 431	333	5 037
Unwinding of discount asset retirement receivable (indemnification asset)	19 349	24 714	98 856
Gain on buy-back bond loan	15 318	-	-
Finance income	37 098	25 047	103 893
Interest expense bond loans	-72 261	-59 093	-297 882
Capitalised borrowing cost, development projects	27 107	-	-
Interest expense shareholder loan	-	-	-116
Other interest expense	-549	-89	-12 300
Unwinding of discount asset retirement obligations	-20 127	-28 691	-114 944
Other financial expense	-11 976	-1 964	-19 639
Finance costs	-77 807	-89 838	-444 880
Put/call options, foreign exchange*	-	3 514	-42 171
Exchange rate gain/loss (-), bond loans	-518 442	27 390	-3 396
Net exchange rate gain/loss (-), other	136 078	-3 057	-21 210
Net exchange rate gain/loss (-)	-382 364	27 847	-66 777
Net financial items	-423 073	-36 944	-407 764

*Refer to note 21 for more information about derivatives.

Note 12 Other non-current assets

Amounts in NOK '000	
Other non-current assets at 1 January 2019 (Indemnification asset)	2 754 237
Changes in estimates	-327 243
Effect of change in the discount rate	442 651
Unwinding of discount	98 856
Total other non-current assets at 31 December 2019	2 968 502
Other non-current assets at 1 January 2020 (Indemnification asset)	2 968 502
Changes in estimates	-
Effect of change in the discount rate	-
Unwinding of discount	19 349
Total other non-current assets at 31 March 2020	2 987 851

The amount consists of a receivable from seller Shell from the acquisition of Draugen and Gjøa assets in 2018. The parties have agreed that the seller Shell will cover 80% of the actual abandonment expenses for the Draugen and Gjøa fields up to a predefined after-tax cap amount of NOK 638 million (2018 value) subject to Consumer Price Index adjustment. The present value of the expected payments is recognised as a pre-tax receivable on seller.

In addition, the seller has agreed to pay OKEA an amount of NOK 375 million (2018 value) subject to CPI adjustment according to a schedule based on the percentage of completion of the decommissioning of the Draugen and Gjøa fields.

The net present value of the receivable is calculated using a discount rate of 2.6% and recognised in the financial statements.

Note 13 Share capital

Number of shares	Ordinary shares
Outstanding shares at 1.1.2020	102 064 050
New shares issued during 2020	438 600
Number of outstanding shares at 31 March 2020	102 502 650
Nominal value NOK per share at 31 March 2020	0,1
Share capital NOK at 31 March 2020	10 250 265

As per 31 March 2020 1,235,000 equity-settled warrants are still outstanding. See note 10 to the 2019 Annual Statements for further description.

Note 14 Trade and other receivables

Amounts in NOK `000	31.03.2020	31.03.2019	31.12.2019
Accounts receivable and receivables from operated licences	70 777	108 544	254 626
Accrued revenue	43 191	178 024	73 211
Prepayments	37 579	53 304	9 883
Working capital and overcall, joint operations/licences	202 178	138 802	17 249
Escrow receivable, Yme removal	-	-1 316	-
Underlift of petroleum products	216 401	323 140	262 095
VAT receivable	3 930	6 797	4 063
Other short term receivables	-	30 035	-
Fair value put options, oil	33 679	3 590	786
Total trade and other receivables	607 734	840 921	621 913

Note 15 Cash and cash equivalents

Cash and cash equivalents:

Amounts in NOK `000	31.03.2020	31.03.2019	31.12.2019
Bank deposits, unrestricted	1 250 164	577 511	1 647 436
Bank deposit, employee taxes	9 175	8 437	16 041
Total cash and cash equivalents	1 259 339	585 949	1 663 478

Note 16 Asset retirement obligations

Amounts in NOK `000	Total non-current
Provision at 1 January 2019	3 859 308
Additions and adjustments	-
Changes in estimates	-536 803
Effects of change in the discount rate	586 971
Unwinding of discount	114 944
Total provisions at 31 December 2019	4 024 420
Provision at 1 January 2020	4 024 420
Additions and adjustments	-
Changes in estimates	-
Effects of change in the discount rate	-
Unwinding of discount	20 127
Total provisions at 31 March 2020	4 044 547

Asset retirement obligations

Provisions for asset retirement obligations represent the future expected costs for close-down and removal of oil equipment and production facilities. The provision is based on the company's best estimate. The net present value of the estimated obligation is calculated using a discount rate of 2%. The assumptions are based on the economic environment around the balance sheet date. Actual asset retirement costs will ultimately depend upon future market prices for the necessary works which will reflect market conditions at the relevant time. Furthermore, the timing of the close-down is likely to depend on when the field ceases to produce at economically viable rates. This in turn will depend upon future oil and gas prices, which are inherently uncertain.

For recovery of costs of decommissioning related to assets acquired from Shell, see note 12.

Note 17 Spareparts, equipment and inventory

Amounts in NOK `000	31.03.2020	31.03.2019	31.12.2019
Inventory of petroleum products	35 110	99 549	22 909
Spare parts and equipment	85 946	128 605	119 381
Total spareparts, equipment and inventory	121 056	228 154	142 291

Note 18 Trade and other payables

Amounts in NOK `000	31.03.2020	31.03.2019	31.12.2019
Trade creditors	8 651	34 721	339 909
Accrued holiday pay and other employee benefits	49 166	32 012	69 294
Working capital, joint operations/licences	516 441	471 100	613 329
Accrued interest bond loans	34 319	28 921	6 120
Accrued consideration from acquisitions of interests in licenses	-	164 782	-0
Prepayments from customers	284 427	183 769	174 324
Fair value put options, foreign exchange	-	12 050	-
Loan from shareholder OKEA Holdings Ltd	1 257	1 141	1 257
Other accrued expenses	125 034	159 083	167 354
Total trade and other payables	1 019 295	1 087 578	1 371 587

Note 19 Interest-bearing loans and borrowings

Amounts in NOK `000	OKEA02	OKEA03	Total
Bond loans at 1 January 2020	1 540 153	1 016 417	2 556 570
Amortisation of transaction costs	2 439	1 166	3 605
Buy-back OKEA02	-67 008	-	-67 008
Foreign exchange movement	311 394	207 048	518 442
Bond loans at 31 March 2020	1 786 977	1 224 631	3 011 608

During 2019 and Q1 2020 the company was in compliance with the covenants under the bond agreements.

The oil industry is currently facing a challenging combination of a global pandemic coupled with a dramatic fall in oil prices. OKEA has put a series of mitigations in place to ensure that the company is able to withstand the current market conditions for an extended time period, including safety measures in offices and operations and cost-cutting initiatives. The company has a solid cash balance and does not face any bond maturities until 2023 or refinancing requirements in the short term.

OKEA's portfolio of producing assets had a production expense of 87.3 NOK/boe in the first quarter of 2020 and will therefore continue to remain a positive contributor to the company's financial position even at low oil prices. In addition, as operator of Draugen, the company has flexibility to reduce expenditure through focused cost reduction measures, together with the deferral of non-essential activities into 2021 or beyond. For the entire portfolio measures already implemented reduces 2020 spending with NOK 270 million. Potential further saving potentials of NOK 160 million is currently evaluated. The measures implemented to preserve capital include reduced overall activity level, postponing exploration wells in PL973 and suspension of the Hasselmus development project for 12 months.

Based on management estimates, and in a continuing low oil price scenario, certain bond covenants may become in temporary breach. The company intends to enter into discussions with bondholders to request a waiver and has engaged DNB Markets to act as financial advisor in this respect. The Board and management will continue to closely monitor the situation.

Note 20 Leasing

The Company has entered into operating leases for office facilities. In addition, the Company has entered into operating leases as an operator of the Draugen field for platform supply vessel and associated Remote Operated Vehicle (ROV) upgrade, together with office and warehouse Draugen.

Amounts in NOK `000	
Lease debt 1 January 2020	163 540
Additions lease contracts	
Accretion lease liability	2 505
Payments of lease debt	-23 899
Total lease debt at 31 March 2020	142 145

Break down of lease debt	
Short-term	28 632
Long-term	113 514
Total lease debt	142 145

Future minimum lease payments under non-cancellable lease agreements

Amounts in NOK `000	31.03.2020
Within 1 year	28 632
1 to 5 years	110 815
After 5 years	53 918
Total	193 364

Future lease payments related to leasing contracts entered into as an operator of the Draugen field are presented gross.

Note 21 Derivatives

Amounts in NOK `000	31.03.2020	31.03.2019	31.12.2019
Premium commodity contracts	6 721	5 528	4 785
Unrealised gain/loss (-) commodity contracts	26 958	-1 938	-4 000
Short-term derivatives included in assets	33 679	3 590	786
Premium currency contracts	-	-	-
Unrealised gain/loss (-) currency contracts	-	-12 050	-
Short-term derivatives included in assets/liabilities (-)	-	-12 050	-

Note 22 Fair value of financial instruments

It is assessed that the carrying amounts of financial assets and liabilities, except for interest-bearing loans and borrowings, is approximately equal to its fair values. For interest-bearing loans and borrowings, the fair value is estimated to be NOK 2 591 840 thousand at 31 March 2020. The OKEA02 bond loan is listed on the Oslo Stock Exchange and the fair value is based on the latest quoted market price of 84,00 (level 1 in the fair value hierarchy according to IFRS 13). The OKEA03 bond loan is not yet listed on the Oslo Stock Exchange and the fair value is based on the latest quoted market price of OKEA02.

Fair values of put options oil are based on quoted market prices at the balance sheet date (level 2 in the fair value hierarchy). The fair values of the put options are equal to their carrying amounts.

Note 23 Events after the balance sheet date

The challenges caused by the combination of the global pandemic Covid-19 coupled with dramatic fall in oil prices continues. Reference is made to note 19 for the challenges related to potential breach of bond covenants.

Reconciliations of Alternative Performance Measures

EBITDA	Q1 2020	Q1 2019	Year 2019
Amounts in NOK `000	3 months	3 months	12 months
Profit / loss (-) from operating activities	-503 194	179 125	827 160
Add: depreciation, depletion and amortization	181 622	180 210	703 883
Add: impairment	633 720	53 648	105 394
EBITDA	312 148	412 984	1 636 437

EBITDAX	Q1 2020	Q1 2019	Year 2019
Amounts in NOK `000	3 months	3 months	12 months
Profit / loss (-) from operating activities	-503 194	179 125	827 160
Add: depreciation, depletion and amortization	181 622	180 210	703 883
Add: impairment	633 720	53 648	105 394
Add: exploration expenses	27 440	12 402	299 446
EBITDAX	339 588	425 386	1 935 883

Production expense per boe	Q1 2020	Q1 2019	Year 2019
Amounts in NOK `000	3 months	3 months	12 months
Productions expense	166 862	144 106	708 649
Minus: tariff income	-15 182	-	-56 681
Divided by: produced volumes (boe)	1 738 009	1 774 318	6 811 995
Production expense NOK per boe	87,3	82,1	95,7

Profit/loss (-) before tax per share	Q1 2020	Q1 2019	Year 2019
Amounts in NOK `000	3 months	3 months	12 months
Profit / loss (-) before income tax	-926 268	142 181	419 396
Divided by: weigh. average no. of shares	102 064 050	82 204 500	92 848 011
Result before tax per share (NOK per share)	-9,08	1,73	4,52

Earnings per share	Q1 2020	Q1 2019	Year 2019
Amounts in NOK `000	3 months	3 months	12 months
Net profit / loss (-)	-784 730	-9 275	-71 131
Calculated interest on preference capital (8%)	-	-	-
Calculated net profit / loss (-) attributable to ordinary shares	-784 730	-9 275	-71 131
Divided by: weigh. ave. no. of shares - Basic	102 064 050	82 204 500	92 848 011
or. Div. by: weigh. average no. of shares - Diluted	102 064 050	82 204 500	92 848 011
Earnings per share (NOK per share) - Basic	-7,69	-0,11	-0,77
Earnings per share (NOK per share) - Diluted	-7,69	-0,11	-0,77

Net interest-bearing debt	Q1 2020	Q1 2019	Year 2019
Amounts in NOK `000	3 months	3 months	12 months
Interest-bearing loans and borrowings	3 011 608	2 505 875	2 556 570
Minus: Cash and cash equivalents	1 259 339	585 949	1 663 478
Net interest-bearing debt	1 752 270	1 919 927	893 092

Definitions of Alternative Performance Measures

EBITDA is defined as earnings before interest and other financial items, taxes, depreciation, depletion, amortization and impairments

EBITDAX is defined as earnings before interest and other financial items, taxes, depreciation, depletion, amortization, impairments and exploration expenses

Net interest-bearing debt is book value of current and non-current interest-bearing debt excluding lease liability (IFRS 16) less cash and cash equivalents

Production expense per boe is defined as production expense less tariff income divided by produced volumes

Profit/loss (-) before tax per share is profit/loss (-) before income tax divided by weighted average number of shares outstanding



OKEA is an oil company contributing
to the value creation on the Norwegian
Continental Shelf with cost effective
development and operation systems.

OKEA ASA

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