



› Presentation of second quarter 2020

OKEA ASA

14 July 2020

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Highlights 2nd quarter 2020

Operations

- No serious incidents
- Production of 16,047 boepd
- High availability and regularity at Draugen and Gjøa
- Production restrictions managed

Financial

- Revenues from oil and gas of NOK 259 million
- EBITDA of NOK 210 million
- Non-cash effects of NOK 298 million in impairment
- Bond amendment process concluded

Temporary tax changes

- Significant improvements to liquidity position
- Trigger for reassessment of profitable projects



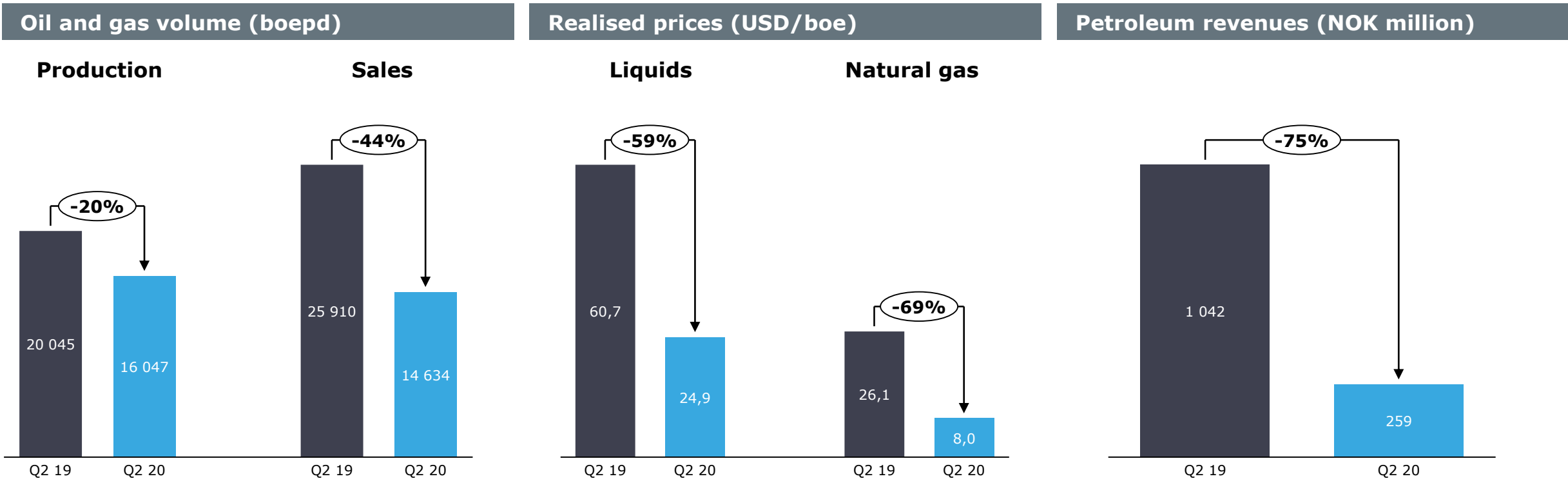


Financials

Birte Norheim, CFO

Oil and gas production, sales and revenues

Revenue decrease mainly due to fewer liftings on Draugen and significantly lower market prices



Income statement

Figures in NOK million	2nd quarter		H1	
	2020	2019	2020	2019
Total operating income	275	1 039	825	1 804
Production expenses	-186	-186	-353	-330
Changes in over/underlift positions and inventory	155	-191	122	-356
Depreciation	-192	-184	-374	-364
Impairment	-298	-43	-932	-97
Exploration and operating expenses	-34	-69	-72	-111
Profit / loss (-) from operating activities	-280	367	-783	546
Net financial items	92	-56	-331	-93
Profit / loss (-) before income tax	-187	311	-1 113	453
Income taxes	205	-293	347	-445
Net profit / loss (-)	18	18	-766	8
EBITDA	210	594	525	1 009

Q2 comments

Income:

- One lifting at Draugen vs two last year
- Significantly lower oil and gas prices compared to last year

Production expenses:

- NOK/boe of 118.1 compared to 102.4 last year

Impairments:

- Driven by strengthened NOK against USD, delay in Yme startup and reduced Gjøa P1 reserve estimates

Exploration and operating expenses:

- Field evaluation activities mainly on Hasselmus and SG&A

Financial items:

- Strengthened NOK against USD during the quarter resulted in unrealised gain on USD nominated bond loans, partly offset by interest expense and cost related to bond amendment process

Taxes:

- Effective tax rate of 110%
- Deviation from 78% due to impairment, financial items and uplift

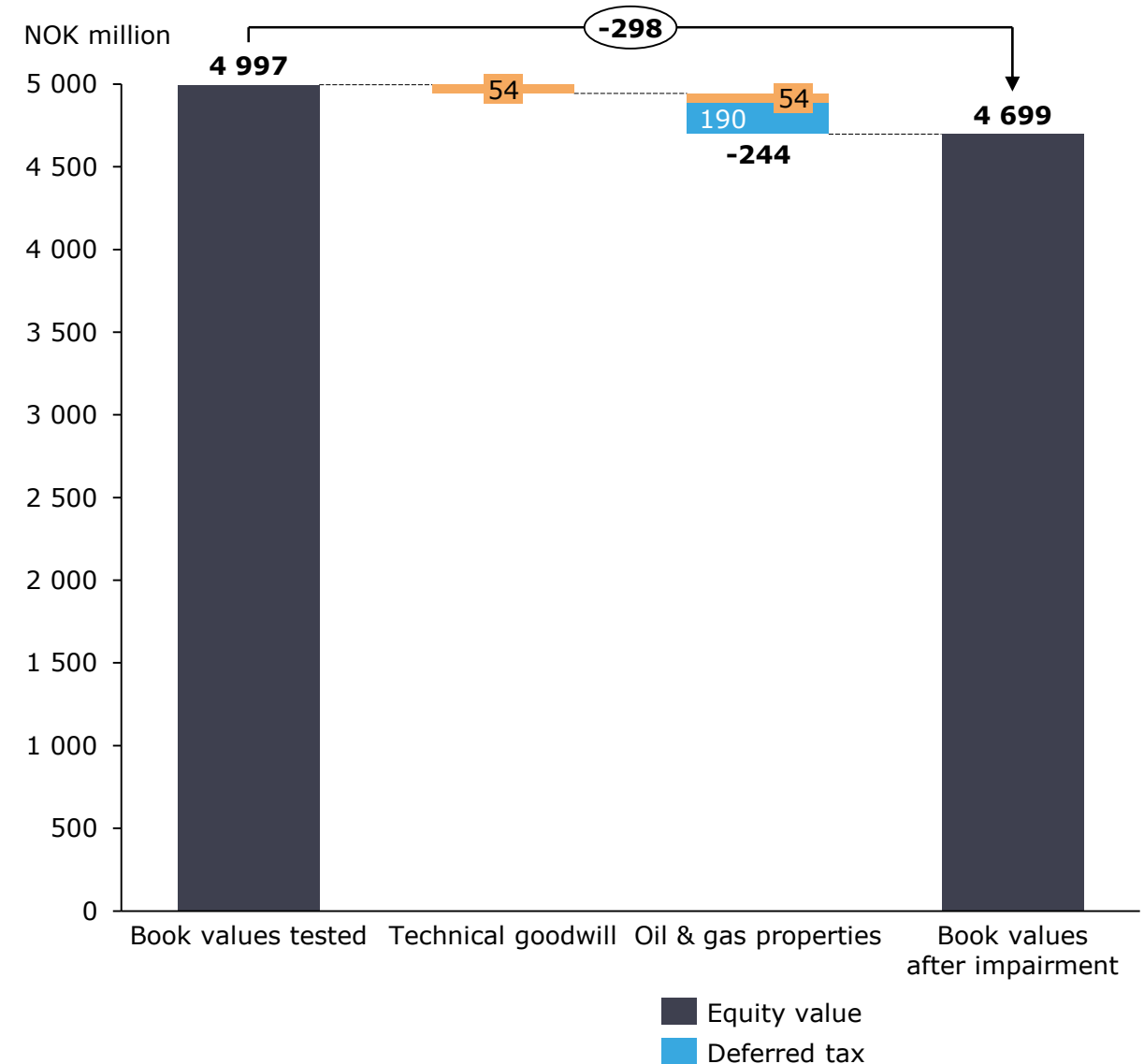
Impairment

Impairment indicators Q2

- Strengthened NOK against USD in the quarter
- Production start at Yme delayed with associated capex increase
- Revised project development concept at Gjøa P1 from 3 to 2 wells and reduced reserve estimates

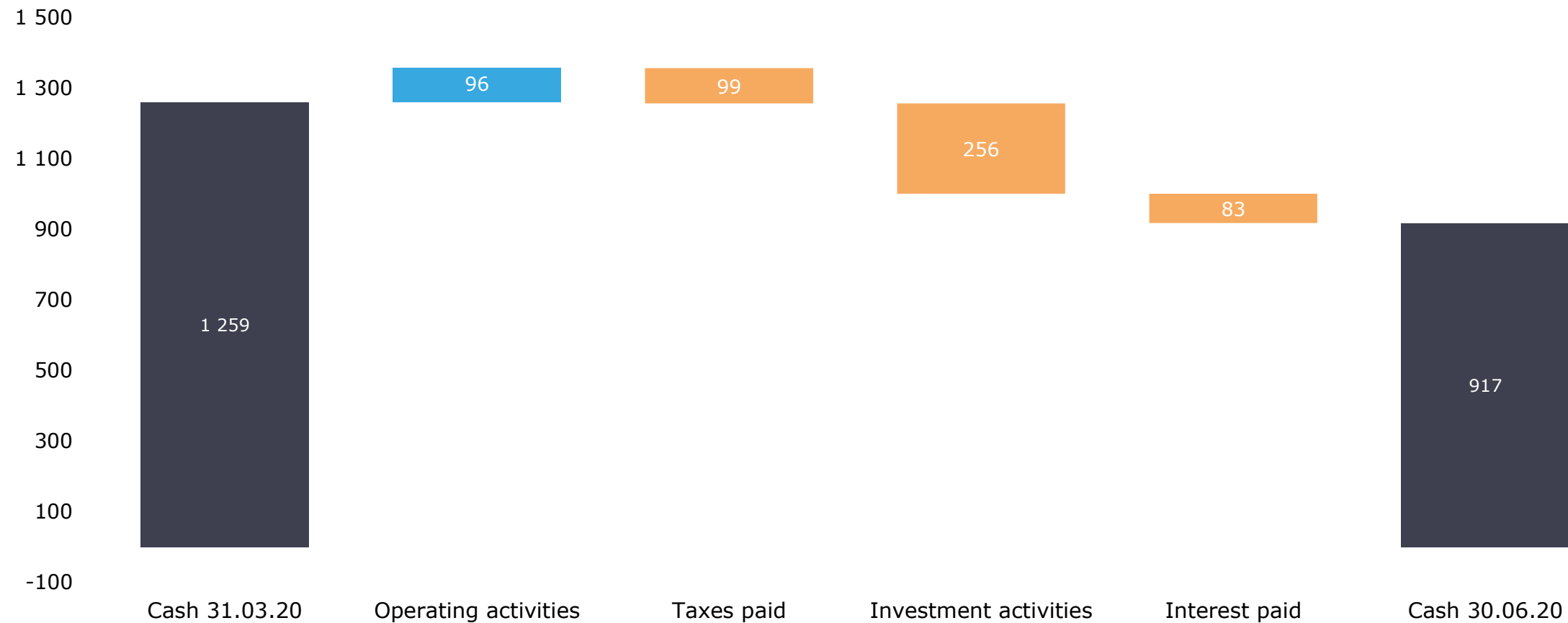
Methodology applied

- Forward curve per 30 June applied for NPV calculations; corporate assumptions from 2025
- Oil & gas properties carries deferred tax; post-tax impact of NOK 244 million impairment is NOK 54 million
- Impairment of oil & gas properties may be reversed if recoverable amount improves



Cash development Q2 2020

NOK million



Temporary tax changes

Key changes

- Direct expensing of capex with effect for the 56% special tax basis and uplift of 24%
- For investments made in 2020 and 2021 and until planned production start for projects where a PDO is filed by the end of 2022 and approved prior to the end of 2023
- Refund of the tax value of losses for the income years 2020 and 2021
- The refunds will be settled through negative instalments

Significantly improves liquidity for OKEA

- Negative instalments underpins equal treatment of E&P companies on NCS
- Revised assessment of profitable projects
- Cash effect for 2020 somewhat higher than initial indications

Improved robustness and flexibility

Bond amendment successfully concluded

- Projected breach of bond covenants during 2020 following market turmoil
- Appointed DNB as financial advisor and approached bondholders to seek a waiver
- Process concluded at bondholder meetings in June; 75.5% support in OKEA02 and 83.7% support in OKEA03
- Key amendments:
 - Leverage ratio adjusted
 - Put option of 15% at par in Jun-21
 - Improved hedging flexibility
 - Increase in redemption price/call premiums 100bps
 - Amendment fee 50bps

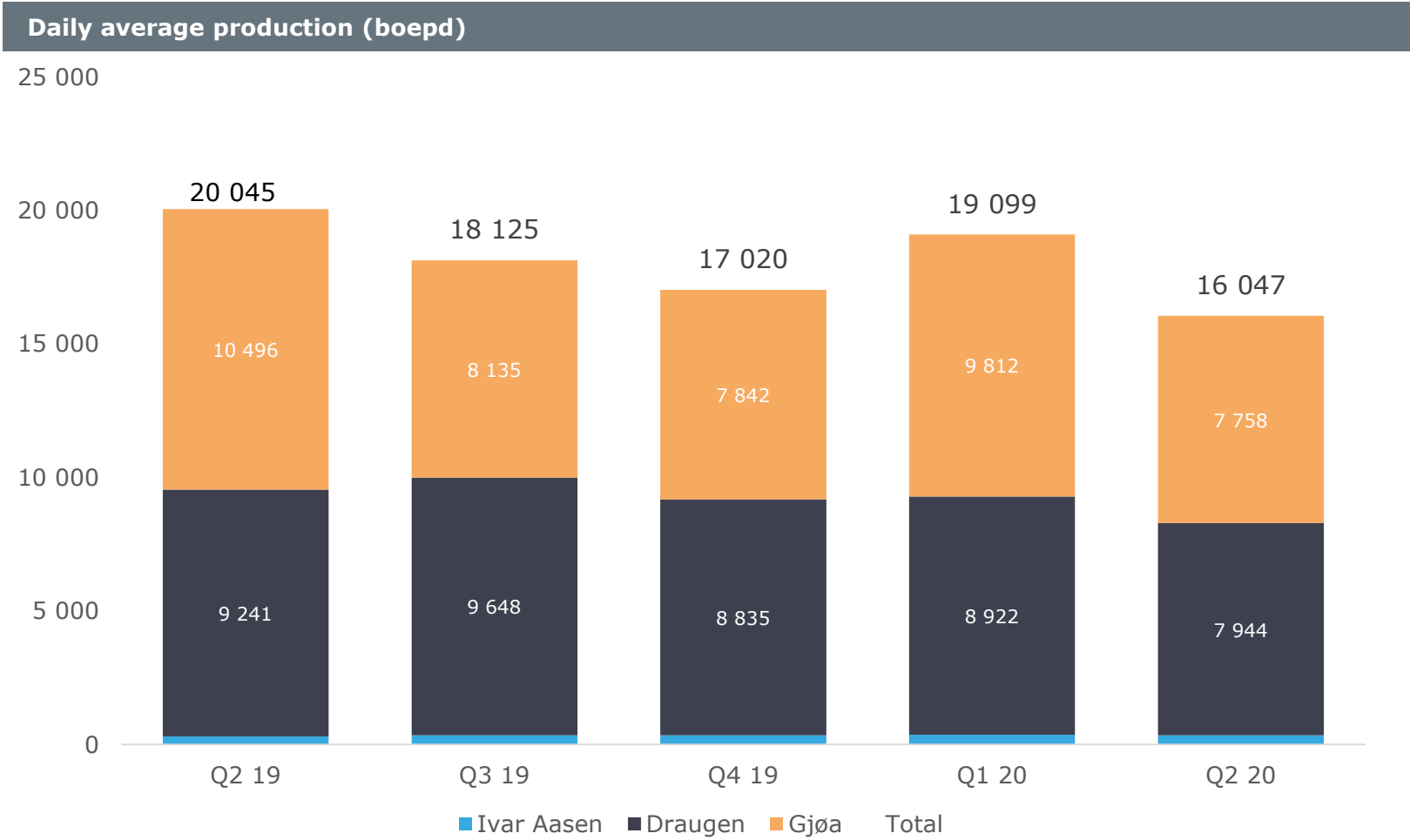




Operations and assets

Production volumes Q2

Covid-19 managed, stable production from both Draugen and Gjøa



Draugen (op)

- No incidents
- High availability and regularity
- Production somewhat lower than Q1 due to 7 days shutdown in the end of June (start of maintenance turnaround)
- Production restriction measures managed by optimised timing of maintenance turnaround
- Cost reduction project initiated
- Successful H2S project executed
- D2 well still not in production

Gjøa

- No incidents
- High availability and regularity
- Production somewhat lower than Q1 due to tie-in projects
- Exempted from production restriction measures

Yme

Expected production start postponed to H1 2021

Status

- Progress on modification of Maersk Inspirer has been lower than planned. Restrictions due to Covid-19 situation has further reduced yard progress
- Covid-19 restrictions are being reduced and availability of Yard manning is gradually increasing

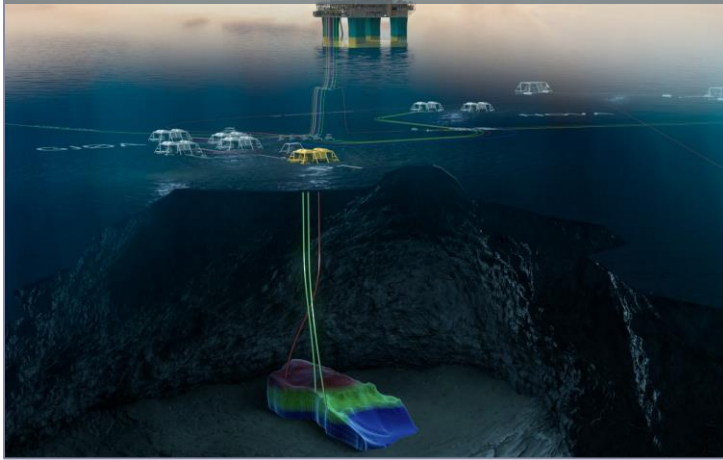
Outlook

- Expected ready for sail away from Egersund in Q4 2020
- Expected production start postponed to H1 2021
- At plateau approx. 7 500 boepd net to OKEA



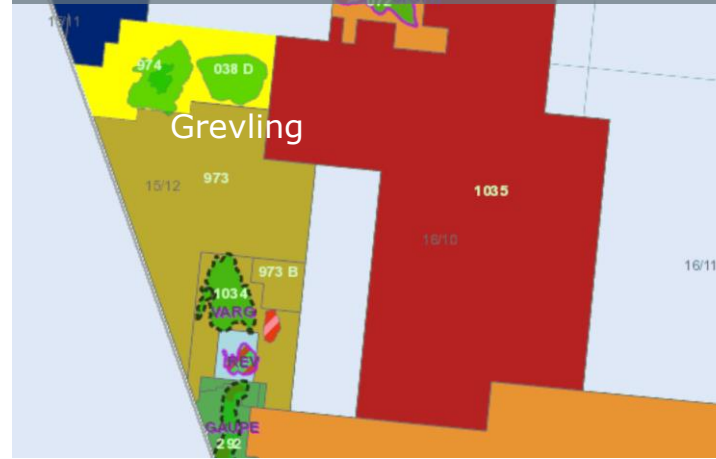
Development Projects

P1/Gjøa (Neptune op.)



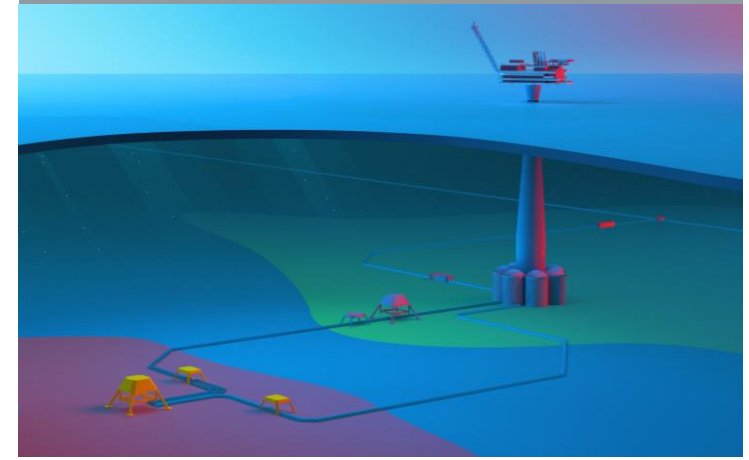
- Costly appraisal well, improved understanding of reservoir
- Reduced scope from 3 to 2 production wells, and reduced reserve estimates
- Production start scheduled for Q4 2020

Grevling/Storskrynten



- PL973 exploration wells to be drilled in 2021
- Substantial reduction in 2020 spending
- CO2 study ongoing (partly funded by Gassnova)

Hasselmus



- The temporary changes to the tax regime has been a key enabler for reassessing Hasselmus
- Planning work for FEED started in July; scheduled commencement of FEED in Q4 2020



Outlook & concluding remarks

Outlook

Reassessing growth opportunities

- Restart of profitable projects
- Potential new projects
- APA 2020
- Continue seeking inorganic growth opportunities

Maintaining financial robustness

- Bond amendment process concluded
- Continued focus on reducing cost

No change in guidance for 2020

- Production: 14 000 – 15 000 boepd
- Capex: NOK 900 – 1 000 million

OKEA, one of few NCS oil companies with production operating capabilities



A dark blue background with a subtle, light blue topographic map pattern showing contour lines and geographical features.

OK
EVA

