



2020

Q4 Quarterly
Report



Photo by ESVAGT A/S

okea.no

Fourth quarter 2020 summary

Highlights

- No serious incidents at operated assets
- Continued to manage the Covid-19 situation without production disruptions
- Production of 16,171 (17,020) boepd
- Operating income of NOK 584 (564) million
- Profit from operating activities of NOK 167 (55) million
- Impairment reversal of Yme of NOK 117 million mainly due to an important de-risking milestone achieved by installation of Mærsk Inspirer offshore and improved market conditions
- Profit / loss (-) before tax of NOK 410 (-35) million
- Net profit/loss (-) of NOK 182 (-2) million
- Cash flow from operations of NOK 272 (250) million
- Continuing to pursue inorganic growth including Vette acquisition and six licences awarded in APA 2020

(Amounts in parentheses refer to corresponding period the prior year)

Financial and operational summary

	Unit	Q4 2020	Q3 2020	Q4 2019	Full year 2020	Full year 2019
Total operating income	MNOK	584	321	564	1,730	3,020
EBITDA ¹⁾	MNOK	229	116	226	867	1,636
EBITDAX ¹⁾	MNOK	272	132	378	964	1,936
Profit/loss (-) before income tax	MNOK	410	-527	-35	-1,231	419
Profit/loss (-) before tax per share	NOK/share	4.00	-5.14	-0.34	-12.02	4.52
Net profit / loss (-)	MNOK	182	-19	-2	-603	-71
Net cash flow from operations	MNOK	272	370	250 ⁴⁾	641	2,157 ⁴⁾
Net cash flow from investments	MNOK	-188	-323	-244	-1,043	-847
Net cash flow from financing activities	MNOK	-96	-81	-141 ⁴⁾	-390	-40 ⁴⁾
Net interest-bearing debt ¹⁾	MNOK	1,529	1,805	893	1,529	893
Net production	Boepd ²⁾	16,171	13,303	17,020	16,147	18,663
Over/underlift/inventory adjustments	Boepd ²⁾	2,623	929	-3,185	-276	818
Net sold volume	Boepd ²⁾	18,794	14,232	13,835	15,871	19,481
Production expense per boe ¹⁾	NOK/boe	110.4	112.6	120.7	104.8	95.7
Realised liquids price	USD/boe	39.0	32.3 ³⁾	61.2	36.3	56.6
Realised gas price	USD/scm	0.19	0.08	0.13	0.11	0.16

¹⁾ Definitions of Alternative Performance Measures are available on page 28 of this report

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

³⁾ Realised price include a norm price adjustment from the cargo in May on Draugen. Without the adjustment relating to the May cargo, the realised liquids price was USD 38.2 per barrel for the quarter

⁴⁾ Reclassified – reference is made to note 23 of the Q4 2020 Financial Statements for further details

Financial review

Statement of comprehensive income

Total operating income in the fourth quarter amounted to NOK 584 (564) million. Sold volumes were 456 thousand boe higher than prior year mainly due to a large lift from Draugen and the first allocation to OKEA of volumes from Ivar Aasen since mid-2018. Realised prices for liquids were USD 39.0 (61.2) per boe and realised gas prices were USD 0.19 (0.13) per scm.

Other operating income / loss (-) amounted to NOK 3 (31) million and comprised tariff income from GjØa of NOK 16 (16) million and income from joint utilisation of logistics resources of NOK 2 (0) million partly offset by net loss from hedging activities of NOK -15 (-5) million. Other operating income prior year included sale of licence interests in Grevling and Storskrynten licences to Chrysaor of NOK 20 million.

Production expenses amounted to NOK 189 (205) million, corresponding to NOK 110.4 (120.7) per boe. Produced volumes net to OKEA were 16,171 (17,020) boepd. The reduction in produced volumes compared to prior year was mainly due to general field decline.

Changes in over-/underlift positions and production inventory amounted to NOK -74 (42) million. Volumes sold exceeded volumes produced by 2,623 boepd in the fourth quarter mainly due to the large lifting on Draugen and the lifting on Ivar Aasen as described above. Volumes produced exceeded volumes sold by 3,185 boepd in the fourth quarter prior year.

Exploration expenses amounted to NOK 43 (152) million and were mainly related to evaluation activities for Hasselmus of NOK 10 million and cost of seismic data related to the Vette licence and new licences awarded in the APA 2020 of NOK 16 million. Exploration expenses prior year were mainly related to the dry exploration wells on Draugen and PL910 of NOK 68 million and NOK 29 million respectively as well as cost of seismic data on PL958 and Grevling of NOK 31 million.

The impairment income in the period represents a reversal of previous impairment charges relating to the Yme asset under development amounting to NOK 117 million. The reversal was primarily driven by an important de-risking milestone being achieved by installation of Mærsk Inspirer offshore and a net improvement in macro factors. The estimated fair value at Yme is sensitive to changes in macro variables at balance sheet date which may result in additional impairments or reversal of impairments on future reporting dates. Impairment last year amounted to NOK 9 million relating to the GjØa asset mainly caused by low gas prices.

General and administrative expenses amounted to NOK 48 (24) million and represent OKEA's share of costs after allocation to licence activities. The increase compared to prior year was mainly due to an annual recalculation of activities distributable to licences including costs related to OKEA's employee share incentive program. General and administrative expenses for the full year amounted to NOK 87 (103) million. The decrease of NOK 16 million was mainly due to cost cutting initiatives.

Net financial items amounted to NOK 243 (-90) million which includes NOK 23 (115) million in interest expense. Prior year financial loss included fees to bond holders in relation to refinancing of the OKEA01 bond loan. NOK strengthened by 10% (3%) against the USD during the quarter which resulted in an unrealised currency gain mainly relating to bond loans of NOK 274 (116) million. Reference is made to note 14 for further details.

Profit / loss (-) before income tax amounted to NOK 410 (-35) million for the quarter.

Tax expenses (-) / tax income (+) for the quarter amounted to NOK -227 (33) million representing an effective tax income rate of 55% (93%). The deviation from the expected 78% was mainly caused by financial items being taxed by approximately 39% (33%) and the effect of uplift.

Net profit / loss (-) for the period was NOK 182 (-2) million. Earnings per share were NOK 1.78 (-0.02).

Statement of financial position

Goodwill amounted to NOK 769 (1,426) million at the end of the quarter, consisting of NOK 606 (1,009) million in technical goodwill and NOK 163 (416) million in ordinary goodwill. The reduction compared to prior year was due to impairments as further described in note 12.

Right-of-use assets amounted to NOK 179 (163) million and mainly related to logistical resources on operated assets and lease of offices.

Total current tax refund amounted to NOK 296 (0) million, consisting of refund from exploration costs of NOK 86 (0) million and the remaining refund from tax losses for 2020 of NOK 210 (0) million which will be refunded under the temporary tax regulation.

Cash and cash equivalents amounted to NOK 871 (1,663) million. The reduction compared to prior year was mainly due to investments in the Yme New Development project and the Gjøa P1 project in addition to the final payment of the pro & contra settlement for Draugen and Gjøa made in January 2020, partly offset by contribution from operational activities and tax refunds under the temporary tax regulation.

Spare parts, equipment and inventory amounted to NOK 229 (142) million whereof NOK 117 (23) million related to oil inventory at Draugen.

Equity amounted to NOK 1,083 (1,681) million. The reduction compared to prior year was due to net losses mainly due to impairments.

Provisions for asset retirement obligations amounted to NOK 4,200 (4,024) million. The increase compared to prior year was mainly due to retirement obligations for the Gjøa P1 development project incurred in 2020 and accretion effects.

Interest-bearing loans and borrowings amounted to NOK 2,400 (2,557) million. The decrease compared to prior year was mainly due to a partial buy-back of OKEA02 of USD 14.6 million nominal value and a weakening of USD against NOK during the year which resulted in a reduction in book value of bonds by NOK 57 million. These effects were partly offset by an increase in redemption price following agreement on revised bond terms reached with bond holders in June. Reference is made to note 22 for further details.

The lease liability relating to IFRS 16 is split into a non-current liability of NOK 144 (118) million and a current liability of NOK 35 (46) million and represents the liability of the right-of-use assets as described above.

Trade and other payables amounted to NOK 890 (1,372) million and mainly relate to working capital from joint licences, prepayments and accrued expenses. The decrease from prior year was mainly due to the final payment to Shell in January 2020 regarding the acquisition of Draugen and Gjøa. Reference is made to note 21 for further details.

Statement of cash flows

Net cash flows from operating activities in the quarter amounted to NOK 272 (250) million. Net tax received amounted to NOK 164 (-124) million. The decrease in cash flows from other operating activities compared to prior year was mainly due to lower margin on sold volumes and working capital changes.

Net cash flows used in investment activities in the quarter amounted to NOK -188 (-244) million, of which investments in oil & gas properties amounted to NOK -164 (-269) million mainly relating to the Yme New Development project, the Gjøa P1 project and the Draugen Gas Import project. Cash flows from investment activities prior year primarily related to the Yme New Development project.

Net cash flows used in financing activities in the quarter amounted to NOK -96 (-141) million, of which interest paid amounted to NOK -71 (-84) million. In addition, net cash flows used in financing activities include a partial buy-back of OKEA02 of NOK -16 (0) million and payments of lease debt relating to logistical resources and lease of offices of NOK -9 (-11) million. In the fourth quarter prior year the OKEA01 bond was refinanced by issuance of the OKEA03 bond which resulted in a net payment of NOK -46 million.

Financial Risk Management

OKEA uses derivative financial instruments to manage exposures to fluctuations in commodity prices. At year-end 2020, OKEA had outstanding options for a total of 350 000 barrels of oil (bbl) at a floor of 40 USD per bbl and a ceiling for a total of 300 000 bbl at 50 USD per bbl with expiration in January and April 2021. At the date of this report, OKEA had additional outstanding options for a total of 150 000 bbl at a floor/ceiling of 50/60 USD per bbl which expire in July 2021.

Operational review

OKEA produced 16,171 (17,020) boepd in the fourth quarter. The market impact from Covid-19 and the unbalanced supply-demand situation for petroleum products have significantly impacted the market prices for liquids compared to prior year. The gas market has improved compared to prior year, mainly due to a cold winter season in Northern Hemisphere and Liquefied Natural Gas supply shortfalls. The average realised liquid price was USD 39.0 (61.2) per barrel and gas was realised at an average price of USD 0.19 (0.13) per standard cubic metre (scm).

	Unit	Q4 2020	Q3 2020	Q4 2019	Full year 2020	Full year 2019
Draugen - Production Reliability ⁵⁾	%	99	99	98	99	96
Draugen - Production Availability	%	98	76	95	90	88
Gjøa - Production Reliability ⁶⁾	%	99	98	79	99	94
Gjøa - Production Availability	%	95	75	75	86	85
Ivar Aasen - Production Availability	%	95	82	99	94	97
Draugen – production	Boepd	7,592	6,654	8,834	7,774	9,092
Gjøa – production	Boepd	8,293	6,390	7,843	8,059	9,230
Ivar Aasen – production	Boepd	286	259	343	314	341
Total net production	Boepd	16,171	13,303	17,020	16,147	18,663
Draugen – sold volume	Boepd	9,272	7,450	7,060	7,923	9,918
Gjøa – sold volume	Boepd	8,360	6,728	6,724	7,610	9,500
Ivar Aasen – sold volume	Boepd	1,162	54	51	338	63
Total net sold volume	Boepd	18,794	14,232	13,835	15,871	19,481
Total over/underlift/inventory adjust.	Boepd	2,623	929	-3,185	-276	818

Draugen (Operator, 44.56%)

Net production to OKEA from Draugen was 7,592 (8,834) boepd in the quarter and production availability was record high 98% (95%) and reliability was 99% (98%). The lower production compared to prior year was mainly due to stopped export of Natural Gas Liquids (NGL) and gas, a temporary shut-in of the E1 well and general field decline. The E1 well was back in production in February 2021.

Managing the Covid-19 situation remains a high priority. During the quarter OKEA implemented additional mitigating measures to manage the situation including testing prior to departure for all offshore personnel.

The Gas Import Project was completed during the quarter and Draugen is now importing fuel gas from the Åsgard pipeline. The imported fuel gas along with associated gas production at Draugen secures the power supply and reduces the need for diesel which has a positive effect on the risk for reductions in production availability and reliability.

⁵ **Production availability** = Actual Production / (Actual production + Scheduled deferment + Unscheduled deferment)

⁶ **Production reliability** = Actual Production / (Actual production + Unscheduled deferment)

Deferment is the reduction in production caused by a reduction in available production capacity due to an activity, an unscheduled event, poor equipment performance or sub-optimum settings.

Gjøa (Partner, 12.00%)

Net production to OKEA from Gjøa was 8,293 (7,843) boepd in the quarter and production availability was 95% (75%). Despite a reliability above 99% (79%), the union strike resulted in reduced production in the period 4 to 9 October and adversely impacted availability for the quarter. The low availability in the fourth quarter prior year was due to a temporary failure in the power turbine. The Gjøa operator continues to apply strict offshore and onshore measures to prevent and limit any consequences in case of a Covid-19 situation.

Drilling of two production wells on the P1 development project are about to be completed and first production from P1 is expected to start in February 2021.

Ivar Aasen (Partner, 0.554%)

Net production to OKEA from Ivar Aasen was 286 (343) boepd in the quarter. Production was lower than prior year mainly due to production restrictions implemented by the government.

Development projects

Yme (Partner, 15.00%)

The onshore construction work on the production unit, jack-up rig, *Mærsk Inspirer*, has been completed and the rig was safely installed at the Yme field in December.

The Yme New Development project is currently in the hook-up and commissioning phase. The subsea storage tank, subsea flowlines and the wellhead module are already in place, fully tested and ready for operation. Expected production start in the second half of 2021 appears well within reach.

Yme is expected to add production of 7,500 boepd net to OKEA at plateau, and 4,900 boepd net to OKEA on average over the first year.

Hasselmus (Operator, 44.56%)

The Hasselmus gas field located 7.5 km northwest of Draugen was discovered in 2009 and has been unified within the Draugen licence.

OKEA, as operator of Draugen, is currently developing the Hasselmus field as a gas tie-back to the Draugen platform for further processing and export. The project is currently in the Front-End Engineering Design (FEED) phase with a Final Investment Decision (FID) planned in first half of 2021. First gas is expected in the first half of 2023.

Draugen power from shore (Operator, 44.56%)

On behalf of the Draugen license, OKEA has commenced a project to consider the possibility to provide power from shore to the production platform. The project includes assessing the option to extend the power supply to support other nearby fields and the Draugen and Njord licences have entered into a joint study agreement for evaluation of a potential common infrastructure project for power from shore.

DG1 was passed in September 2020, and concept selection is planned for mid-2021. The concept, which comprises a 130 km long subsea cable may be ready for operation in 2025.

Aurora (Operator, 40.00%)

Following the acquisition and transfer of operatorship from Equinor, OKEA has now initiated a field development project regarding the Aurora gas discovery. The project targets a low-cost development of the discovery as a tie-in to Gjøa by utilizing existing infrastructure in the area. The licence is working towards an investment decision in 2022 with potential production start-up in 2024.

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

Over the last few years, OKEA has worked to improve the economics for Grevling / Storskrymten and has achieved a reduction in estimated break-even cost from USD 70 per boe to USD 40 per boe. This is deemed insufficient for a standalone field development in the current market environment and OKEA is therefore working to improve the economics further including assessing a potential serial field development strategy together with the Vette field.

In addition, drilling of two exploration wells, Jerv and Ilder, in PL973 is planned for the first half of 2021 and may improve the volume basis and economics further.

Studies for Carbon Capture and Storage (CCS) for the project are ongoing and scheduled for completion during the first quarter of 2021. The studies are partly funded by Gassnova.

Vette (Operator (pending government approval) 40.00%)

In December, OKEA entered into a Sales and Purchase Agreement (SPA) with Repsol Norge AS for the acquisition and operatorship of a 40% operated working interest in PL972, which includes the Vette oil discovery. The effective date for the transaction is 1 January 2021. The Vette discovery (Block 17/12) is located at a water depth of about 110 metres in the south-eastern part of the North Sea. OKEA estimates that the recoverable volumes are in the range of 30-50 mmboe. ONE-Dyas Norge AS and M Vest Energy AS each hold a 30% working interest in the licence which also includes the Mackerel and Brisling discoveries. As operator, OKEA intends to pursue a cost-efficient development of Vette with a concept applicable for production from small discoveries. Vette has a similar size as Grevling, and a joint and coordinated serial development is currently assessed.

The transaction is subject to approval from the Ministry of Petroleum and Energy.

Exploration licences

Drilling operations for the Chrysaor-operated Jerv and Ilder exploration wells in PL973 are expected to commence in March 2021. Both wells have optional well testing and side-track plans in the case of discoveries.

OKEA's farm-in to PL938 has been approved by the Ministry of Petroleum and Energy and the licence was granted a one-year extension of the deadline to drill the Calypso exploration well which is now scheduled for 2022.

Plans for a joint study of the regional geology and mapping of prospects between the Draugen licences (PL093) and the neighbouring PL958 have been launched. The study will partly be based on the 3D seismic data recently delivered.

During the quarter, OKEA acquired further 3D seismic data to support ongoing projects and areas awarded through APA 2020.

OKEA was awarded six licences through APA 2020 announced 19 January 2021, whereof four as operator. The awarded licences include exploration and field development opportunities near the important Draugen and Gjøa production hubs as well as new areas.

Health, safety, and environment (HSE)

There have been no serious incidents in OKEA's operations during the quarter. OKEA is maintaining a strict Covid-19 regime to protect our employees and limit risk of possible impact on our activities. There have been no infection cases onboard the Draugen platform.

During the quarter, OKEA's senior management conducted a detailed review of the annual Quality, Health, Safety and Environment (QHSE) work and results. As part of the review, a comprehensive QHSE activity plan for 2021 was established to secure continuous improvements.

The authorities have confirmed that the environmental impact assessment duty for the Hasselmus development project has been fulfilled. The Hasselmus tie-back project will reduce the greenhouse gas intensity at Draugen. The Draugen external environmental aspects have been reviewed, and an emission and energy management plan was established during the quarter.

For Draugen, OKEA is assessing the two alternatives Power from Shore and Carbon Capture and Storage (CCS) to seek a solution that is environmentally and financially viable. CCS is also studied as a part of the Grevling/Storskrynten development project.

Outlook

2020 was an exceptional year due to the Covid-19 pandemic which also significantly impacted the petroleum industry. Global oil demand in April was more than 20% reduced year-on-year and both oil and gas prices plunged. By the date of this report global demand for oil has recovered to 95% of pre-pandemic levels. With record high production cuts from OPEC and alliance partners coupled with falling US production, Brent oil prices have recovered to levels above USD 55 per boe. With Covid-19 vaccines now being distributed globally, the US Department of Energy expects oil demand to be back at pre-pandemic levels by the end of 2021. Natural gas prices in Europe have recovered even more, largely driven by low winter temperatures in the Northern Hemisphere and increased LNG imports to China.

Supported by higher petroleum prices and the temporary changes to the petroleum tax system, OKEA's target is to deliver significant organic growth within the existing portfolio without the need for additional new equity. The six exploration licences awarded to OKEA in the APA 2020 (four as operator) include exploration and field development opportunities near the producing Draugen and Gjøa fields as well as in new areas and will support growth in the coming years. OKEA also intends to continue to pursue further inorganic growth opportunities like the recent licence acquisition from Repsol which included the Vette discovery as well as other M&A opportunities.

OKEA has firm plans to participate in the drilling of three exploration wells in 2021. Two exploration wells are planned for drilling on the Jerv and Ilder prospects south of Grevling during the first half of the year and an exploration well on the Ginny prospect in PL1060 near Draugen is planned for drilling in the second half of the year.

Production guiding net to OKEA for 2021 is 15,500-16,500 boepd and capex guiding is NOK 600-700 million.

The background of the lower half of the page is a light gray topographic map with white contour lines.

Financial Statements with notes Q4 2020

Statement of Comprehensive Income

01.01-31.12

Amounts in NOK '000	Note	Q4 2020 (unaudited)	Q4 2019 (unaudited)	2020 (unaudited)	2019 (audited)
Revenues from crude oil and gas sales	6	581 217	533 590	1 652 311	2 935 635
YME compensation contract breach	6	-	-	-	22 098
Other operating income / loss (-)	6	2 566	30 801	77 911	61 833
Total operating income		583 782	564 390	1 730 222	3 019 566
Production expenses	7	-189 330	-205 009	-695 877	-708 649
Changes in over/underlift positions and production inventory	7	-74 221	42 357	16 690	-272 472
Exploration and evaluation expenses	8	-43 094	-151 631	-97 036	-299 446
Depreciation, depletion and amortization	10	-178 894	-162 536	-699 403	-703 883
Impairment (-) / reversal of impairment	10, 11, 12	116 851	-8 736	-1 387 018	-105 394
General and administrative expenses	13	-48 371	-24 153	-86 713	-102 562
Total operating expenses		-417 058	-509 707	-2 949 358	-2 192 406
Profit / loss (-) from operating activities		166 724	54 683	-1 219 136	827 160
Finance income	14	22 641	28 497	105 559	103 893
Finance costs	14	-47 901	-164 688	-268 907	-444 880
Net exchange rate gain/loss (-)	14	268 403	46 579	151 744	-66 777
Net financial items		243 144	-89 612	-11 604	-407 764
Profit / loss (-) before income tax		409 868	-34 929	-1 230 740	419 396
Taxes (-) / tax income (+)	9	-227 404	32 637	628 014	-490 527
Net profit / loss (-)		182 464	-2 292	-602 726	-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 (-)		-509	418	-509	418
Total other comprehensive income, net of tax		-509	418	-509	418
Total comprehensive income / loss (-)		181 955	-1 873	-603 235	-70 712
Weighted average no. of shares outstanding basic		102 502 650	102 022 474	102 394 798	92 848 011
Weighted average no. of shares outstanding diluted		102 502 650	102 022 474	102 394 798	92 848 011
Earnings per share (NOK per share) - Basic		1,78	-0,02	-5,89	-0,77
Earnings per share (NOK per share) - Diluted		1,78	-0,02	-5,89	-0,77

Statement of Financial Position

Amounts in NOK '000	Note	31.12.2020 (unaudited)	31.12.2019 (audited)
ASSETS			
Non-current assets			
Goodwill	11, 12	768 946	1 425 568
Exploration and evaluation assets		38 349	15 927
Oil and gas properties	10	3 757 546	3 885 889
Buildings	10	83 250	87 875
Furniture, fixtures and office equipment	10	10 236	11 250
Right-of-use assets	10	179 235	163 398
Other non-current assets	15	3 029 367	2 968 502
Total non-current assets		7 866 930	8 558 409
Current assets			
Trade and other receivables	17	513 601	621 913
Spareparts, equipment and inventory	20	228 790	142 291
Tax refund, current	9	295 932	-
Cash and cash equivalents	18	871 210	1 663 478
Total current assets		1 909 534	2 427 682
TOTAL ASSETS		9 776 464	10 986 091
EQUITY AND LIABILITIES			
Equity			
Share capital	16	10 250	10 206
Share premium		1 912 462	1 912 462
Other paid in capital		11 342	6 855
Accumulated loss		-851 329	-248 094
Total equity		1 082 725	1 681 430
Non-current liabilities			
Asset retirement obligations	19	4 199 866	4 024 420
Pension liabilities		31 988	26 857
Lease liability	23	143 978	117 996
Deferred tax liabilities	9	940 558	830 417
Interest-bearing loans and borrowings	22, 25	2 400 297	2 556 570
Total non-current liabilities		7 716 687	7 556 259
Current liabilities			
Trade and other payables	21	890 362	1 371 587
Income tax payable	9	14 207	294 704
Lease liability - current	23	35 257	45 544
Public duties payable		37 227	32 798
Provisions, current		-	3 769
Total current liabilities		977 052	1 748 402
Total liabilities		8 693 739	9 304 661
TOTAL EQUITY AND LIABILITIES		9 776 464	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	-	-	-	-70 712	-70 712
Share issues, cash	1 986	288 358	-	-	290 344
Share based payment	-	-	5 494	-	5 494
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	-	-	-	-603 235	-603 235
Share issues, cash	44	-	-	-	44
Share based payment	-	-	4 487	-	4 487
Equity at 31 December 2020	10 250	1 912 462	11 342	-851 329	1 082 725

Statement of Cash Flows

01.01-31.12

Amounts in NOK `000	Note	Q4 2020 (unaudited)	Q4 2019 (unaudited)	2020 (unaudited)	2019 (audited)
Cash flow from operating activities					
Profit / loss (-) before income tax		409 868	-34 929	-1 230 740	419 396
Income tax paid/received	9	164 187	-123 597	169 052	-171 671
Depreciation, depletion and amortization	10	178 894	162 536	699 403	703 883
Impairment / reversal of impairment	10, 11, 12	-116 851	8 736	1 387 018	105 394
Accretion asset retirement obligations	14, 15, 19	774	4 066	3 106	16 088
Gain from sales of licenses	6	-	-19 063	-	-19 063
Interest expense	14	22 573	115 261	166 950	297 998
Loss on financial assets		-	-	10 615	-
Change in trade and other receivables, and inventory		-55 899	-101 894	-15 710	434 004
Change in trade and other payables		-61 221	344 554	-475 024	335 354
Change in foreign exchange bond loans and other non-current items		-270 144	-106 014	-73 480	35 233
Net cash flow from / used in (-) operating activities		272 181	249 656	641 191	2 156 616
Cash flow from investment activities					
Investment in exploration and evaluation assets		-21 722	8 880	-27 945	-10 195
Business combination, cash paid		-	-	-	-40 000
Investment in oil and gas properties	10, 14	-164 431	-269 185	-1 000 516	-852 611
Investment in furniture, fixtures and office machines	10	-1 770	-3 185	-4 377	-11 628
Net investment in (-)/release of restricted cash		-	651	-	48 327
Investment in financial assets		-	-	-10 615	-
Proceeds from sales of licenses		-	18 716	-	18 716
Net cash flow from / used in (-) investment activities		-187 923	-244 122	-1 043 452	-847 391
Cash flow from financing activities					
Net proceeds from borrowings, bond loan	22	-	1 062 157	-	1 062 157
Repayment/buy-back of borrowings, bond loan	22	-16 439	-1 107 839	-120 955	-1 107 839
Interest paid		-70 929	-83 775	-222 715	-232 412
Payments of lease debt*	23	-8 919	-11 439	-46 380	-45 500
Net proceeds from share issues		0	-	44	283 177
Net cash flow from / used in (-) financing activities		-96 286	-140 896	-390 006	-40 417
Net increase/ decrease (-) in cash and cash equivalents		-12 028	-135 362	-792 268	1 268 807
Cash and cash equivalents at the beginning of the period		883 238	1 798 839	1 663 478	394 670
Cash and cash equivalents at the end of the period		871 210	1 663 478	871 210	1 663 478

* Payments of lease debt has been reclassified from cash flow from operating activities, refer to note 23

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 fourth 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. The company's shares are listed on the Oslo Stock Exchange under the ticker 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 authorised for issue by the company's Board of Directors on 4 February 2021.

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	Q4 2020	Q4 2019	01.01-31.12	
			2020	2019
Sale of liquids	463 524	447 432	1 373 994	2 486 165
Sale of gas	117 693	86 157	278 317	449 470
Total petroleum revenues	581 217	533 590	1 652 311	2 935 635
Sale of liquids (boe*)	1 289 436	804 932	4 079 188	5 024 339
Sale of gas (boe*)	439 628	467 888	1 729 642	2 086 178
Total sale of petroleum in boe*	1 729 064	1 272 820	5 808 830	7 110 517

*Barrels of oil equivalents

Other operating income

Amounts in NOK `000	Q4 2020	Q4 2019	01.01-31.12	
			2020	2019
Yme compensation contract breach	-	-	-	22 098
Gain / loss (-) from put/call options, oil	-14 645	-5 123	9 568	-14 819
Tariff income GjØa	15 570	15 953	53 237	56 681
Sale of licenses	-	19 971	-	19 971
Joint utilisation of logistics resources	1 641	-	15 107	-
Total other operating income/loss (-)	2 566	30 801	77 911	83 931

Note 7 Production expenses and changes in over/underlift positions and production inventory

Production expenses

Amounts in NOK `000	Q4 2020	Q4 2019	01.01-31.12	
			2020	2019
From licence billings - producing assets	157 528	180 339	591 305	568 030
From licence billings - assets under construction - various preparations for operation	7 813	-	7 813	-
Other production expenses (insurance, transport)	23 989	24 669	96 759	140 619
Total production expenses	189 330	205 009	695 877	708 649

Changes in over/underlift positions and production inventory

Amounts in NOK `000	Q4 2020	Q4 2019	01.01-31.12	
			2020	2019
Changes in over/underlift positions	-54 751	107 950	-77 423	-106 633
Changes in production inventory	-19 470	-65 593	94 112	-165 839
Total changes income/loss (-)	-74 221	42 357	16 690	-272 472

Note 8 Exploration and evaluation expenses

Amounts in NOK `000	Q4 2020	Q4 2019	01.01-31.12	
			2020	2019
Share of exploration and evaluation expenses from participation in licences, from billing	26 550	55 244	74 942	111 270
Share of exploration expenses from participation in licences, dry well write off, from billing	-12	83 189	335	113 089
Seismic and other exploration and evaluation expenses, outside billing	16 555	13 198	21 759	75 087
Total exploration and evaluation expenses	43 094	151 631	97 036	299 446

Note 9 Taxes

Income taxes recognised in the income statement

Amounts in NOK `000	Q4 2020	Q4 2019	01.01-31.12	
			2020	2019
Change in deferred taxes current year	-200 527	60 208	-111 946	-72 117
Taxes payable current year	-	-38 347	-	-430 778
Tax payable adjustment previous year	-12 046	117 251	-12 046	117 251
Tax refund current year	-14 832	-	752 006	-
Change in deferred taxes previous year	-	-106 476	-	-106 476
Tax refund adjustment previous year	-	-	-	1 592
Total taxes (-) / tax income (+) recognised in the income statement	-227 404	32 637	628 014	-490 527

Reconciliation of income taxes

Amounts in NOK `000	Q4 2020	Q4 2019	01.01-31.12	
			2020	2019
Profit / loss (-) before income taxes	409 868	-34 929	-1 230 740	419 396
Expected income tax at nominal tax rate, 22%	-90 171	7 684	270 763	-92 267
Expected petroleum tax, 56%	-229 526	19 560	689 214	-234 862
Permanent differences, including impairment of goodwill	-1 983	17 278	-504 605	-61 583
Effect of uplift	22 901	19 809	180 613	47 993
Financial and onshore items	82 775	-42 470	3 429	-162 177
Effect of new tax rates	-	-	-	-
Change valuation allowance	-	-	-	-
Adjustments previous year and other	-11 401	10 776	-11 401	12 368
Total income taxes recognised in the income statement	-227 404	32 637	628 014	-490 527
Effective income tax rate	55 %	93 %	51 %	117 %

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

Amounts in NOK `000	31.12.2020	31.12.2019
Tangible and intangible non-current assets	-2 113 571	-1 945 367
Provisions (net ARO), lease liability, pensions and gain/loss account	1 299 894	1 163 869
Interest-bearing loans and borrowings	-7 240	-14 661
Current items (spareparts and inventory)	-122 180	-47 346
Tax losses carried forward, onshore 22%	992	1 190
Tax losses carried forward, offshore 22%	-	-
Tax losses carried forward, offshore 56%	-	-
Uplift, offshore 56%	1 548	11 898
Valuation allowance (uncapitalised deferred tax asset)	-	-
Total deferred tax assets / liabilities (-) recognised	-940 558	-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 limitation on the right to carry tax losses forward in Norway.

Specification of tax refund

Amounts in NOK `000	31.12.2020	31.12.2019
Tax value of exploration expenditures	85 735	-
Residual tax value of tax losses	210 197	-
Total tax refund	295 932	-

The tax value of exploration expenditures is paid in November the following year.

The residual tax value of tax losses in 2020, deducted for tax refund from exploration expenses, is received in six instalments occurring every two months, and is a part of the temporary change to the tax regime for oil and gas companies for the income years 2020 and 2021, as enacted by the Norwegian Parliament in June 2020.

Specification of tax payable

Amounts in NOK `000	Total
Tax payable at 1 January 2020	294 704
Tax paid	-292 543
Tax payable adjustment previous year	12 046
Tax payable at 31 December 2020	14 207

Note 10 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	445 004	487 324	-	2 607	-	934 935
Reclassification from inventory	36 511	-	-	-	-	36 511
Removal and decommissioning asset	372	-	-	-	-	372
Disposals	-	-	-	-	-8 746	-8 746
Cost at 30 September 2020	3 658 723	1 993 237	92 501	17 664	190 306	5 952 429
Accumulated depreciation and impairment at 1 January 2020	-796 860	-	-4 625	-3 806	-35 653	-840 944
Depreciation	-499 149	-	-3 469	-3 905	-13 987	-520 509
Impairment	-	-847 248	-	-	-	-847 248
Disposals	-	-	-	-	1 982	1 982
Additional depreciation of IFRS 16 Right-of-use assets presented gross related to leasing contracts entered into as licence operator	-	-	-	-	-16 448	-16 448
Accumulated depreciation and impairment at 30 September 2020	-1 296 009	-847 248	-8 094	-7 711	-64 106	-2 223 168
Carrying amount at 30 September 2020	2 362 714	1 145 988	84 407	9 953	126 200	3 729 261
Cost at 1 October 2020	3 658 723	1 993 237	92 501	17 664	190 306	5 952 429
Additions	141 535	50 997	-	1 770	59 133	253 435
Reclassification from inventory	1 011	-	-	-	-	1 011
Removal and decommissioning asset	117 712	-6 608	-	-	-	111 104
Disposals	-	-	-	-	-	-
Cost at 31 December 2020	3 918 980	2 037 626	92 501	19 434	249 439	6 317 979
Accumulated depreciation and impairment at 1 October 2020	-1 296 009	-847 248	-8 094	-7 711	-64 106	-2 223 168
Depreciation	-172 654	-	-1 156	-1 487	-3 597	-178 894
Impairment (-) / reversal of impairment	-	116 851	-	-	-	116 851
Disposals	-	-	-	-	-	-
Additional depreciation of IFRS 16 Right-of-use assets presented gross related to leasing contracts entered into as licence operator	-	-	-	-	-2 501	-2 501
Accumulated depreciation and impairment at 31 December 2020	-1 468 663	-730 397	-9 250	-9 198	-70 204	-2 287 711
Carrying amount at 31 December 2020	2 450 318	1 307 229	83 250	10 236	179 235	4 030 268

Note 11 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 30 September 2020	1 114 547	416 415	1 530 962
Accumulated impairment at 1 January 2020	-105 394	-	-105 394
Impairment	-403 423	-253 198	-656 621
Accumulated impairment at 30 September 2020	-508 818	-253 198	-762 016
Carrying amount at 30 September 2020	605 729	163 217	768 946
Cost at 1 October 2020	1 114 547	416 415	1 530 962
Additions through business combination	-	-	-
Cost at 31 December 2020	1 114 547	416 415	1 530 962
Accumulated impairment at 1 October 2020	-508 818	-253 198	-762 016
Impairment	0	-	0
Accumulated impairment at 31 December 2020	-508 818	-253 198	-762 016
Carrying amount at 31 December 2020	605 729	163 217	768 946

Note 12 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.

Fair value assessment of the company's right-of-use ROU assets portfolio are included in the impairment test.

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

Year	Oil USD/BOE*	Gas GBP/therm*	Currency rates USD/NOK
2021	50.9	0.46	8.5
2022	48.7	0.42	8.6
2023	52.8	0.42	8.4
2024	60.3	0.42	8.2
From 2025	65.0	0.43	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, unchanged from YE 2019.

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

Impairment testing of technical goodwill, ordinary goodwill, fixed assets and ROU assets

Based on the impairment test, NOK 117 million of previous impairment charge related to the Yme asset under development was reversed in the fourth quarter with an offsetting change in deferred tax of NOK 91 million. This impairment reversal was primarily driven by important de-risking milestone achieved in the project and a net improvement in macro factors.

Based on the Company's impairment assessments including calculation of net present value of assets, no impairment of technical or ordinary goodwill or ROU assets was required in the three month period ending on 31 December 2020.

Sensitivity analysis

The table below shows what the impairment pre-tax would have been in the fourth quarter under various alternative assumptions, assuming all other assumptions remaining constant. The total figures shown are combined impairment for CGUs Gjøa, Draugen, Ivar Aasen and Yme.

Assumptions	Change	Alternative calculations of pre-tax impairment/reversal (-) in Q4 2020 (NOK '000)	
		Increase in assumption	Decrease in assumption
Oil and gas price	+/- 10%	-518 834	474 092
Currency rate USD/NOK	+/- 1.0 NOK	-117 611	86 905
Discount rate	+/- 1% point	-	-235 520
Inflation rate	+/- 1% point	-207 649	-

Note 13 General and administrative expenses

Amounts in NOK `000	Q4 2020	Q4 2019	01.01-31.12	
			2020	2019
Salary and other employee benefits expenses	140 020	120 379	438 868	416 168
Consultants and other operating expenses	53 321	57 292	160 498	228 126
Allocated to operated licences	-141 668	-153 518	-502 367	-541 732
Reclassified to oil and gas properties under development	-3 302	-	-10 286	-
Total general and administrative expenses	48 371	24 153	86 713	102 562

Note 14 Financial items

Amounts in NOK `000	Q4 2020	Q4 2019	01.01-31.12	
			2020	2019
Interest income	1 235	3 783	4 036	5 037
Unwinding of discount asset retirement receivable (indemnification asset)	19 376	24 714	77 450	98 856
Gain on buy-back bond loan	2 031	-	24 074	-
Finance income	22 641	28 497	105 559	103 893
Interest expense and fees to bondholders	-50 617	-115 145	-291 237	-297 882
Capitalised borrowing cost, development projects	28 100	-	124 344	-
Interest expense shareholder loan	-57	-116	-57	-116
Other interest expense	-3 386	-10 795	-4 331	-12 300
Unwinding of discount asset retirement obligations	-20 150	-28 780	-80 555	-114 944
Other financial expense	-1 791	-9 851	-17 071	-19 639
Finance costs	-47 901	-164 688	-268 907	-444 880
Put/call options, foreign exchange*	-	-9 331	-	-42 171
Exchange rate gain/loss (-), bond loans	274 068	116 274	57 171	-3 396
Net exchange rate gain/loss (-), other	-5 664	-60 364	94 573	-21 210
Net exchange rate gain/loss (-)	268 403	46 579	151 744	-66 777
Net financial items	243 144	-89 612	-11 604	-407 764

*Reference is made to note 21 for more information about derivatives.

Note 15 Other non-current assets

Amounts in NOK '000	
Other non-current assets at 1 January 2020 (Indemnification asset)	2 968 502
Changes in estimates	-16 585
Effect of change in the discount rate	-
Unwinding of discount	77 450
Total other non-current assets at 31 December 2020	3 029 367

Other non-current assets consists of a receivable from the seller Shell from OKEA's acquisition of Draugen and Gjøa assets in 2018. The parties 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 679 million (2020 value) subject to Consumer Price Index (CPI) adjustment. The present value of the expected payments is recognised as a pre-tax receivable from the seller.

In addition, the seller has agreed to pay OKEA an amount of NOK 399 million (2020 value) subject to a 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%.

Note 16 Share capital

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

As per 31 December 2020, 1,235,000 equity-settled warrants are still outstanding. Reference is made to note 10 in the 2019 Annual Statements for further details.

Note 17 Trade and other receivables

Amounts in NOK '000	31.12.2020	31.12.2019
Accounts receivable and receivables from operated licences*	67 640	254 626
Accrued revenue	64 807	73 211
Prepayments	30 906	9 883
Working capital and overcall, joint operations/licences	161 392	17 249
Underlift of petroleum products	184 672	262 095
VAT receivable	4 184	4 063
Fair value put/call options, oil	-	786
Total trade and other receivables	513 601	621 913

* There are no accruals for potential losses on receivables.

Note 18 Cash and cash equivalents

Cash and cash equivalents:

Amounts in NOK `000	31.12.2020	31.12.2019
Bank deposits, unrestricted	853 903	1 647 436
Bank deposit, employee taxes	17 307	16 041
Total cash and cash equivalents	871 210	1 663 478

Note 19 Asset retirement obligations

Amounts in NOK `000	Total non-current
Provision at 1 January 2020	4 024 420
Additions and adjustments	-
Changes in estimates	94 891
Effects of change in the discount rate	-
Unwinding of discount	80 555
Total provisions at 31 December 2020	4 199 866

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%, unchanged from YE 2019. The assumptions are based on the economic environment at 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, reference is made to note 15.

Note 20 Spareparts, equipment and inventory

Amounts in NOK `000	31.12.2020	31.12.2019
Inventory of petroleum products	117 022	22 909
Spare parts and equipment	111 768	119 381
Total spareparts, equipment and inventory	228 790	142 291

Note 21 Trade and other payables

Amounts in NOK `000	31.12.2020	31.12.2019
Trade creditors	46 509	339 909
Accrued holiday pay and other employee benefits	89 595	69 294
Working capital, joint operations/licences	451 217	613 329
Accrued interest bond loans	5 008	6 120
Prepayments from customers	199 001	174 324
Fair value put/call options, oil	7 169	-
Fair value put options, foreign exchange	-	-
Loan from shareholder OKEA Holdings Ltd	1 314	1 257
Other accrued expenses	90 550	167 354
Total trade and other payables	890 362	1 371 587

Note 22 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	10 186	5 942	16 127
Bond buy-back	-145 029	-	-145 029
Increased redemption price at maturity to 101%	16 781	11 593	28 374
Foreign exchange movement	-26 093	-31 078	-57 171
Capitalised transaction costs, adjustment previous year	-	1 425	1 425
Bond loans at 31 December 2020	1 395 997	1 004 299	2 400 297

Amounts in NOK `000	OKEA02	OKEA03	Total
Bond loans at 1 January 2020	1 540 153	1 016 417	2 556 570
Cash flows:			
Gross proceeds from borrowings	-	-	-
Transaction costs	-	-	-
Repayment/buy-back of borrowings	-120 955	-	-120 955
Total cash flows:	-120 955	-	-120 955
Non-cash changes:			
Amortization of transaction costs	10 186	5 942	16 127
Foreign exchange movement	-26 093	-31 078	-57 171
Increased redemption price at maturity to 101%	16 781	11 593	28 374
Gain on buy-back	-24 074	-	-24 074
Capitalised transaction costs, adjustment previous year	-	1 425	1 425
Bond loans at 31 December 2020	1 395 997	1 004 299	2 400 297

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

Revised bond terms affecting the covenants in the waiver period effective from 30 June 2020 to and including 31 December 2021 comprise OKEA02 and OKEA03 and can be summarised as follows:

Leverage Ratio covenant:

Shall not exceed:

- (i) 3:1 to and including 30 June 2020;
- (ii) 5:1 from 1 July 2020 to and including 30 September 2020;
- (iii) 7:1 from 1 October 2020 to and including 30 June 2021;
- (iv) 6:1 from 1 July 2021 to and including 30 September 2021; and
- (v) 3:1 from 1 October 2021 to and including 31 December 2021.

During the waiver period, a breach of the Leverage Ratio covenant will only result in a default if the company is in breach on two consecutive calculation dates.

The following changes are permanent:

Capital Employment Ratio covenant:

The covenant shall be calculated in USD by converting the cash equity capital using the NOK/USD exchange rate applicable at the time of registering the share capital.

Other terms:

- Alignment of the definition of permitted hedging in the OKEA02 bond terms with OKEA03 bond terms
- All call prices are increased by 1%
- Outstanding bonds shall be redeemed at 101% of the nominal amount at the maturity date
- All put prices are increased by 1%
- The company shall not declare or make any dividends or grant any loans or other transfer of value to its shareholders
- Security in any additional tax refund claims if at any time Norwegian law permits this
- Extraordinary put option on 30 June 2021 up to 15% of outstanding bonds at 100% of the nominal amount

Note 23 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 logistic resources such as platform supply vessel with associated Remote Operated Vehicle (ROV), base and warehouse for spare parts.

Amounts in NOK `000

Lease liability 1 January 2020	163 540
Additions/disposals lease contracts	52 370
Accretion lease liability	9 706
Payments of lease debt *	-46 380
Total lease debt at 31 December 2020	179 235

* Payments of lease debt has in previous periods been classified under operating activities in the statement of cash flows. This has been reclassified to conform presentation to the current quarters classification under financing activities.

Break down of lease liability

Short-term (within 1 year)	35 257
Long-term	143 978
Total lease liability	179 235

Future minimum lease payments under non-cancellable lease agreements:

Amounts in NOK `000	31.12.2020
Within 1 year	35 257
1 to 5 years	138 727
After 5 years	94 316
Total	268 300

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

Note 24 Derivatives

Amounts in NOK `000	31.12.2020	31.12.2019
Premium commodity contracts	6 653	4 785
Unrealised gain/loss (-) commodity contracts	-13 821	-4 000
Short-term derivatives included in assets/liabilities (-)	-7 169	786

OKEA uses derivative financial instruments (put and call options) to manage exposures to fluctuations in commodity prices. Put options are purchased to establish a price floor for a portion of future production of petroleum products. On some occasions, a price ceiling are established by selling call options, which reduces the net premium paid for hedging. At year-end 2020, OKEA had outstanding put option contracts creating a price floor for a total of 350 000 bbls of oil at 40 USD/bbl and outstanding call option contracts for a price ceiling of 300 000 bbls at 50 USD/bbl. The contracts expire in January and April 2021.

Note 25 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 2 271 173 thousand at 31 December 2020. The OKEA02 and OKEA03 bond loans are listed on the Oslo Stock Exchange and the fair value is based on the latest quoted market prices (level 1 in the fair value hierarchy according to IFRS 13) as per balance sheet date.

Note 26 Events after the balance sheet date

In January 2021 OKEA was awarded six new production licences on the Norwegian Continental Shelf under the Award in Pre-Defined Areas (APA) for 2020. The awarded licences include exploration and field development opportunities near the important Draugen and Gjøa production hubs as well as other new areas. OKEA will be the operator for four of the licences and a partner with operators DNO and Wintershall Dea in the remaining two.

Alternative Performance Measures

Reconciliations

EBITDA	Q4 2020	Q4 2019	2020	2019
Amounts in NOK `000	3 months	3 months	12 months	12 months
Profit / loss (-) from operating activities	166 724	54 683	-1 219 136	827 160
Add: depreciation, depletion and amortisation	178 894	162 536	699 403	703 883
Add: impairment	-116 851	8 736	1 387 018	105 394
EBITDA	228 767	225 955	867 286	1 636 437

EBITDAX	Q4 2020	Q4 2019	2020	2019
Amounts in NOK `000	3 months	3 months	12 months	12 months
Profit / loss (-) from operating activities	166 724	54 683	-1 219 136	827 160
Add: depreciation, depletion and amortisation	178 894	162 536	699 403	703 883
Add: impairment	-116 851	8 736	1 387 018	105 394
Add: exploration expenses	43 094	151 631	97 036	299 446
EBITDAX	271 860	377 585	964 322	1 935 883

Production expense per boe	Q4 2020	Q4 2019	2020	2019
Amounts in NOK `000	3 months	3 months	12 months	12 months
Productions expense	189 330	205 009	695 877	708 649
Less: processing tariff income	-15 570	-15 953	-53 237	-56 681
Less: joint utilisation of resources	-1 641	-	-15 107	-
Less: preparation for operation asset under construction	-7 813	-	-7 813	-
Divided by: produced volumes (boe)	1 487 762	1 565 840	5 909 921	6 811 995
Production expense NOK per boe	110,4	120,7	104,9	95,7

Profit/loss (-) before tax per share	Q4 2020	Q4 2019	2020	2019
Amounts in NOK `000	3 months	3 months	12 months	12 months
Profit / loss (-) before income tax	409 868	-34 929	-1 230 740	419 396
Divided by: weigh. average no. of shares	102 502 650	102 022 474	102 394 798	92 848 011
Result before tax per share (NOK per share)	4,00	-0,34	-12,02	4,52

Earnings per share	Q4 2020	Q4 2019	2020	2019
Amounts in NOK `000	3 months	3 months	12 months	12 months
Net profit / loss (-) attributable to ordinary shares	182 464	-2 292	-602 726	-71 131
Divided by: weigh. ave. no. of shares - Basic	102 502 650	102 022 474	102 394 798	92 848 011
or.div. by: weigh. average no. of shares - Diluted	102 502 650	102 022 474	102 394 798	92 848 011
Earnings per share (NOK per share) - Basic	1,78	-0,02	-5,89	-0,77
Earnings per share (NOK per share) - Diluted	1,78	-0,02	-5,89	-0,77

Net interest-bearing debt	31.12.2020	31.12.2019
Amounts in NOK `000		
Interest-bearing loans and borrowings	2 400 297	2 556 570
Less: Cash and cash equivalents	871 210	1 663 478
Net interest-bearing debt	1 529 086	893 092

Definitions

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 processing tariff income and joint utilisation of resources income for assets in production divided by produced volumes. Expenses classified as production expenses related to various preparation for operations on assets under development are excluded.

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

Kongens gate 8
7011 Trondheim

www.okea.no