ANNUAL REPORT 2020

OKEA ASA

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Notice from the chairman

2020 was a difficult year for everyone, including for the petroleum industry. The Covid-19 pandemic, coupled with low commodity prices, created a number of challenges in our market. However, I am very pleased that OKEA has managed the challenging situation and associated uncertainty well. We reacted quickly to preserve cash by reducing costs and deferring expenditure, allowing us to retain a strong balance sheet. Despite the difficult market conditions there were some notable successes, including maintaining very high levels of uptime at the operated Draugen production facility and reaching agreement with the bondholders for amendment of terms in OKEA02 and OKEA03. As a consequence, OKEA has been able to ride out the storm and is now well positioned to continue to mature our project portfolio as well as to pursue new opportunities.

The Norwegian authorities were quick to recognise the challenges that the pandemic and associated market uncertainty could cause the petroleum industry and put in place effective temporary amendments to the Petroleum tax regulations to stimulate new developments. As we move into 2021, oil and gas prices are starting to rise which, coupled with the amendments to the tax regulations and our strong balance sheet, puts OKEA in a good position to aggressively pursue our strategy of developing small to mid-size fields on the Norwegian continental shelf. This will allow us to continue the growth of our production base and capitalise on the technical and operational capabilities within the company.

The Maersk Inspirer production unit was installed at the Yme field on New Year’s Eve and we anticipate that production from Yme will commence in the second half of the year. Once fully on-stream, Yme will materially add to OKEA’s production and cashflow. Looking forward, the company will continue to seek new opportunities to grow through addition of new resources to the portfolio. This growth will come from maturing and commercialising projects already in our portfolio, addition of new resources through our active participation in APA licence rounds where OKEA historically has been very successful, and potentially also from the exploration wells we will drill. In addition, the company intends to pursue value accretive merger and acquisition opportunities and the board of directors is working closely with OKEA management to achieve the growth ambitions we have set for ourselves.

During the year, the board and management have also worked hard to ensure that we maintain an effective approach to environment, social and governance (ESG) and we take our responsibilities in this area very seriously. One of the challenges that will need to be addressed by the industry is how to maximise the value from late-life assets, such as Draugen, where natural production decline means that emissions as measured on a per-barrel basis will increase. In order to offset this, we switched the power production at Draugen from using imported diesel to using produced gas during the third quarter of 2020, and we are currently assessing the opportunity to switch to renewable energy from shore.

During 2020, the board of directors and management have worked to ensure that our corporate governance policies are effective and complied with, and that the corporate culture and workplace behaviours reflect our desire for OKEA to be seen as an attractive, safe and fair place to work. Managing the Covid-19 situation remains a high priority and several measures have been implemented to manage the situation, including testing of all offshore personnel prior to departure.

During 2020 we strengthened the OKEA management team through the additions of Birte Norheim as CFO and Knut Gjertsen as SVP projects & technology. Further management changes will take place during 2021 when Erik Haugane hands over the CEO responsibilities to his successor, Svein J. Liknes. Erik has led the company since it was founded in 2015 but, unfortunately, is not getting any younger. I have therefore worked closely with Erik to ensure that the handover is smooth and efficient, and I look forward to continuing to work with Erik in a new advisory role to the board of directors. On behalf of the entire OKEA board, I would like to express my sincere appreciation to Erik for the way in which he has built and led the company over the last six years.

Finally, I would like to take this opportunity to thank the board of directors, the OKEA management team and all the OKEA employees for guiding and managing OKEA through a very challenging period. I would also like to thank OKEA's shareholders, bondholders, and other stakeholders for their continued support. I firmly believe that OKEA moves into 2021 as a stronger and more efficient company, and that we are fit to continue building the company into the leading independent operator on the Norwegian continental shelf.

Signed

Board of directors' report

Annual report **2020**

The board of directors

Chaiwat Kovavisarach – chairman of the board

Non-executive.

Chaiwat Kovavisarach (born in 1966) has been the president and CEO of Bangchak Corporation Public Company Limited since 2015. He also serves at the board of several listed and non-listed companies where among as director at the Lithium Americas Corp., Chair of BCPG and Chair of Bangchak Retail Company. He holds a Master of Engineering from the Asian Institute of Technology (AIT), an MBA from Thammasat University and a Bachelor of Engineering from King Mongkut's Institute of Technology Ladkrabang (KMITL).

Michael William Fischer – board member

Non-executive. Member of the remuneration and compensation committee.

Michael William Fischer (born in 1958) has 30+ years' experience from the oil and gas industry. He is currently the executive vice president of the Natural Resources business unit of Bangchak and managing director and CEO of Nido Petroleum Ltd. Dr. Fischer has previously held senior management positions at Ophir Energy, OMV, Woodside Energy and BP. He holds a PhD from the University of Wales and a BSc from the University of Leeds.

Nicola Gordon – board member

Independent, non-executive. Chair of the risk committee.

Nicola Gordon (born in 1957) has 35+ years of experience from the oil and gas industry. Ms. Gordon holds several board positions, among others at the audit committee at the Scottish Environment Protection Agency and as Chair of Heriot-Watt University's Institute of Petroleum Engineering Strategy Advisory board. Gordon has 36 years' experience from the Royal Dutch Shell Group including vice president for Shell International, as asset manager and board director at A/S Norske Shell and managing director at Shell Denmark. She is a Chartered Engineer and Fellow of the Energy Institute and holds an MSc in Petroleum Engineering from Heriot-Watt University and a BSc in Chemical Engineering from University of Newcastle upon Tyne.

Finn Haugan – board member

Independent, non-executive. Chair of the remuneration and compensation committee.

Finn Haugan (born in 1953) was from 1991 to May 2019 the CEO of SpareBank 1 SMN, before that deputy CEO of Fokus Bank (Danske Bank). Mr Haugan now holds positions as chairperson for the listed companies Norbit ASA and SpareBank 1 BV. Furtheron he holds the position as chairperson for the non-listed companies Forte Asset Managment AS, Sinkaberg Hansen AS (fishfarming) and Elekt AS and as deputy chairperson for LL Holding AS (retail). Mr Haugan holds a master's degree in business administration (MBA).

Jan Atle Johansen – board member

Employee elected. Member of the audit committee.

Jan Atle Johansen (born in 1969) has 20+ years of experience as a production technician at the Draugen oil production platform. Mr Johansen is the trade union leader for SAFE (union for personnel working in the energy sector). He holds four years of technical higher education and has served in the Royal Norwegian Navy in the Coastal artillery.

Ida Ianssen Lundh – board member

Employee elected. Member of the remuneration and compensation committee.

Ida Ianssen Lundh (born in 1987) has 8+ years of experience from the oil and gas industry in Norway and internationally. Ms. Lundh has since 2018 served as vice president of Drilling and Wells at OKEA ASA. She has previously worked as Drilling Engineer at Norske Shell and Shell Global Solutions AS. She holds an MSc in Petroleum Engineering from Norwegian University of Science and Technology (NTNU), including an exchange year at Colorado School of Mines.

Paul Murray – board member

Non-executive.

Paul Murray (born in 1969) has over 25 years' experience in venture capital and private equity investment across technology and natural resources. He was previously a director of 3i's technology investment team, Cazenove Private Equity, a partner at DFJ Esprit, and one of the founders of Seacrest Capital Partners. He holds a degree in Mathematics from Oxford University.

Rune Olav Pedersen – board member

Independent, non-executive. Chair of the audit committee.

Rune Olav Pedersen (born in 1970) has been President & CEO of PGS ASA since 2017. Mr. Pedersen has previously held the position of executive vice president & general counsel at the company. Prior to joining PGS he was partner in the oil and gas department of the law firm Arntzen de Besche. He has a law degree from the University of Oslo, a post-graduate diploma in European competition law from Kings College London and an Executive MBA from London Business School.

Prisana Praharnkhasuk – board member

Non-executive. Member of the audit committee.

Prisana Praharnkhasuk (born in 1954) is a board member at Bangchak Corporation Public Company Limited as well as several listed and non-listed companies. Ms. Praharnkhasuk has 30 years' experience in Finance and Accounting for Oil and Gas Business and has previously held executive positions in PTT and ThaiOi. She holds an MBA from Tarleton State University, a BBA from Krirk University and BSc from Chulalongkorn University.

Anne Lene Rømuld – board member

Employee elected. Member of the risk committee.

Anne Lene Rømuld (born in 1971) has 20+ years of oil & gas industry experience. She currently serves as senior discipline engineer Control & Automation at OKEA. Prior to Joining OKEA, Ms. Rømuld held the position as senior Reliability Engineer at A/S Norske Shell and Manager of Control and Automation at Shell Canada Ltd. She holds an MSc in Process Automation from Telemark University College and a BSc in Automation and Electrical Engineering from The Arctic University of Norway.

Liv Monica Stubholt – board member

Independent, non-executive. Member of the risk committee.

Liv Monica Stubholt (born in 1961) has 20+ years of experience as a lawyer and is currently a partner in the law firm Selmer. Ms. Stubholt has held several top executive positions in Aker ASA and been State Secretary at the Norwegian Ministry of Foreign Affairs and the Ministry of Petroleum and Energy. Ms. Stubholt is further a council member of the Department for Petroleum and Energy Law at the Faculty of Law in Oslo, chairs the board of Norwegian Russian Chamber of Commerce and is a member of the board at the Norwegian German Chamber of Commerce. She holds a law degree from the University of Oslo.

Board of directors’ report 2020

2020 was a challenging year for OKEA and the entire petroleum industry due to the combination of the Covid-19 pandemic coupled with a dramatic fall in petroleum prices. OKEA reacted swiftly to manage the company through the turmoil and implemented a series of mitigations, including safety measures at offshore operations and offices, cost-cutting initiatives and management of a potential breach of covenant under the OKEA02 and OKEA03 bond loans. OKEA was consequently able to continue operations with high reliability and without unplanned disturbances to production throughout the year and was able to reschedule the planned maintenance shutdown at Draugen to optimise operation for the production restriction measures implemented by the Norwegian Government in the summer. The temporary changes to the petroleum tax regulations adopted by the Parliament in June were an important enabler for OKEA to continue to mature several projects in the portfolio. By the date of this report, the outlook is far more positive with recovering petroleum prices , Yme progressing towards production start, the Gjøa P1 wells in production, and several important milestones ahead in 2021.

(All figures in parentheses refer to 2019).

1. Description of the company

OKEA is an oil and gas company and operator, focused on efficient development and production of hydrocarbon resources on the Norwegian continental shelf (NCS) and value creation for its shareholders. The company has a strong asset portfolio including the Draugen field, which is operated by OKEA, as well as non-operated positions in Gjøa, Ivar Aasen and Yme. Currently, this portfolio produces more than 16,000 boepd. In addition, OKEA has 18 exploration licences with prospects being evaluated for drilling and several discoveries being evaluated for development, including Grevling, Vette and Aurora.

OKEA has its head office in Trondheim, with a major operation centre in Kristiansund and representative offices in Stavanger and Oslo.

As an operating company on the NCS, OKEA carries out significant operations related to production of hydrocarbons from existing assets, as well as development of new oil and gas fields. These activities take place at multiple locations both offshore and onshore. Each of the business functions within OKEA contribute to this work in a highly collaborative team effort, working closely with our third-party contractors and licence partners. Quality, health, safety and environment (“QHSE”) is a key priority and OKEA management devotes significant time and resources to to ensure that the highest HSE standards are incorporated and that all relevant regulatory requirements are met in all OKEA’s activities. The board of directors (“board”) believes that effective QHSE management is essential in everything the company does and regards it as the highest priority in all activities the company is engaged in.

Operational review

In 2020, OKEA participated in production from three fields: Draugen (44.56% and operator), Gjøa (12% and partner) and Ivar Aasen (0.544% and partner). Net production for the year averaged 16,147 (18,663) boepd, split between liquids and gas by approximately 70% and 30% respectively. Net sold volumes for the year averaged 15,871 (19,481) boepd.

Draugen (Operator, 44.56%)

Draugen is an oil field with associated gas in the southern part of the Norwegian sea. The water depth in the area is 250 metres. Draugen was discovered by Shell in 1984, the plan for development and production (PDO) was approved in 1988, and production started in 1993. The field was developed using a fixed concrete facility with integrated topside and production is from both platform and subsea wells. Draugen produces oil from two formations. The main reservoir is in sandstone of late jurassic age (the rogn formation) while the Western part of the field also produces from sandstone of Middle Jurassic age (the garn formation). The reservoirs lie at a depth of 1,600 metres, are of good quality and relatively homogeneous across the field. Stabilised oil is stored in tanks at the base of the facility and two pipelines connect the facility to a floating loading-buoy. The oil is offloaded via a floating loading-buoy and exported by tankers. Associated gas is currently used for power generation.

Net production from Draugen was 7,774 (9,092) boepd in 2020. Production reliability[1] was 99% (96%) and production availability[2] was 90% (88%). The reduced production in 2020 was mainly due to the maintenance turnaround in June and July and a temporary shutdown of the D2 and E1 wells. The E1 well was back in operation in February 2021 after being shut down for four months. In addition, the sale of gas and natural gas liquids (NGL) from Draugen ceased in October 2020 when the Gas Import Project was completed and Draugen started importing fuel gas from the Åsgard pipeline. The imported fuel gas along with associated gas produced at Draugen secures power supply at the platform and reduces the need for imported diesel, which mitigates the risk of reduced production availability and reliability.

Since taking over the operatorship of Draugen in 2018, OKEA has been able to reduce downtime and optimise production and delivered a production reliability as high as 99% in 2020.

Managing the Covid-19 pandemic has been a key priority in 2020. Several mitigating measures have been implemented to reduce the risks and, in particular, to prevent the Covid-19 virus from reaching the offshore facility. This included restructuring shift rotas, limiting offshore staff numbers and implementing a number of infection control measures, including mandatory testing for all personnel prior to departure to Draugen.

In response to the production restrictions enforced by the Norwegian government, the planned maintenance turnaround at Draugen was rescheduled and extended in length to reduce the use of contractors. The shutdown was successfully executed in a safe and efficient manner, with production resumed in July after 27 days of shutdown.

During 2020, OKEA initiated an improvement project targeting an increase of production volumes and reduction in expenditure to secure long-term economic robustness of the Draugen asset. A number of initiatives were implemented already in 2020, including implementing "normal" and "peak" activity periods offshore, with the impact of lower manning offshore in the winter season and consequently less frequent helicopter and supply vessel departures and improved planning and execution of activities. Further initiatives are under development and will be implemented during 2021.

Gjøa (Partner, 12.00%)

The Gjøa field, operated by Neptune Energy AS, was discovered in 1989, and the development plan was approved by the Norwegian authorities in 2007. Production started in 2010. The field was developed using a semi-submersible production facility with five subsea templates tied back to the facility for processing and export. Oil is exported by pipeline to Mongstad and gas is exported by pipeline to St. Fergus in the UK. The Gjøa P1 segment is located in the northern part of the Gjøa field and is tied back to the main subsea facility via a 5 km oil pipeline and a 2 km gas pipeline at a water depth of 340 meters. The semi-submersible Gjøa production unit is partly electrified by power from shore.

[1] **Production reliability** = actual production / (actual production + unscheduled deferment)
[2] **Production availability** = actual production / (actual production + scheduled deferment + 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.

The Gjøa field, produced 8,059 (9,230) boepd net to OKEA in 2020. Production reliability for the year was 99% (95%) and production availability was 86% (85%). Availability of the Gjøa facility was impacted by tie-in activities for Duva and Nova and the Gjøa partners will be compensated for deferred production once the tie-ins are onstream, which is expected in late 2021 and 2022, respectively.

The successful start-up of production from the Gjøa P1 project in February 2021 underlines the platform’s position as an important hub and increases total remaining developed reserves at Gjøa by 30%. Good reservoir management has already extended the field life considerably and Gjøa is now set to produce in excess of 100 mmboe more than what was estimated when production started in 2010.

Ivar Aasen (Partner, 0.554%)

The Ivar Aasen field, operated by Aker BP ASA, was discovered in 2008 and is located on the Utsira High in the North Sea. First oil from the field was produced on 24 December 2016, four years after the plan for development and operation (PDO) was submitted.

The Ivar Aasen field produced 314 (341) boepd net to OKEA in 2020. Production availability was 94% (97%). The lower production and availability compared to 2019 was mainly a result of maintenance shutdown and production restrictions enforced by the Norwegian government. The Ivar Aasen field is powered by electricity from Edvard Grieg and will be supplied with power from shore as part of the joint development of Utsira High expected to commence in late 2022.

Development projects

Yme (Partner, 15.00%)

The Yme oil field was discovered by Equinor in 1987 and started producing in 1996. Low oil prices led to the abandonment of the field in 2001. OKEA acquired an ownership interest in Yme in 2016 and started preparing a new plan for development and operation (PDO). Repsol is the current operator for the field. The oil will be transported with tankers and the associated gas will be used for power consumption or reinjected.

Like several other industrial projects in 2020, Yme was affected by the Covid-19 pandemic. However, following delays at the Egersund yard the offshore production unit, jack-up rig Mærsk Inspirer, was successfully installed at the Yme field at the end of 2020.

The Yme 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 is in the second half of 2021 and the field is expected to add 7,500 boepd net to OKEA at plateau and 4,900 boepd net to OKEA on average during the first year of operation.

Hasselmus (Operator, 44.56%)

Located 7.5 km northwest of Draugen, the Hasselmus gas field was discovered in 2009 and has been unified within the Draugen licence. OKEA, as operator of Draugen, is currently developing the Hasselmus project 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 for first half of 2021. First gas is expected in 2023. OKEA estimates the recoverable volumes to 7-15 mmboe.

Draugen power from shore (Operator, 44.56%)

OKEA has initiated a project to consider the possibility of providing power from shore to the Draugen 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. Decision Gate 1 (decision on concretisation) was passed in September 2020, and concept selection is planned for mid-2021. The concept, which comprises a 130 km long subsea cable could be ready for operation by 2025.

Aurora (Operator, 40.00%)

OKEA acquired the Aurora gas discovery, including the operatorship, from Equinor in 2020. A field development project, utilising existing nearby infrastructure for processing and export for Aurora, has been initiated with a concept based on a low-cost tie-back to the Gjøa production facility. The licence is working towards an investment decision in 2022 with potential production start-up in 2024. OKEA estimates the recoverable volumes to 6-23 mmboe and is considering an appraisal well in 2021.

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

Over the last few years, OKEA has worked to improve economics for the Grevling / Storskrymten cluster and has achieved a reduction in estimated break-even full-cycle cost from USD 70 per boe to USD 40 per boe. This is still considered insufficient for a standalone field development and OKEA is working to improve the economics further, including assessing a potential serial field development strategy together with the Vette field. OKEA estimates the recoverable volumes to 30-70 mmboe.

Vette (Operator, 40%)

In December 2020, 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 was 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 recoverable volumes to 30-50 mmboe. ONE-Dyas Norge AS and M Vest Energy AS each hold 30% working interests in the licence which also includes the Mackerel and Brisling discoveries. As operator, OKEA intends to pursue a cost-efficient development of Vette, utilising concepts which are specifically applicable for production from small discoveries. Vette is of similar size to Grevling, with comparable economic challenges, and a coordinated serial development is currently being assessed.

Exploration licences

Preparation for drilling of the Chrysaor-operated Jerv and Ilder exploration wells in PL973 has been one of the key exploration activities for OKEA in 2020. Drilling operations started ahead of schedule in February 2021 and are expected completed in the first half of 2021. On 23 March, the Jerv exploration well was concluded as a non-commercial gas discovery. Reference is made to chapter 12 "Subsequent events". Both wells have contingent plans for well testing and/or side-track(s) to provide critical information in a discovery case.

Work program for the five new licences awarded through the Awards in Predefined Areas ("APA") 2019 round were initiated during the year including planning and drilling preparation of the Ginny exploration well in Equinor-operated licence PL1060 scheduled for the second half of 2021.

OKEA farmed into a 30% working interest in licence PL938 through a well carry agreement with the operator Neptune Energy Norge AS, strengthening the company's position in the Draugen area. The licensees have committed to an exploration well on the Calypso prospect, which is expected to be drilled in 2022.

OKEA was awarded six new licences in the 2020 Awards in Predefined Areas (APA), four as operator, in January 2021. The board believes there are substantial volumes of hydrocarbons still to be discovered and developed on the NCS and views the award of new licences in these rounds as important to provide strategic organic growth opportunities for OKEA, both in the near and medium term. The company will therefore continue to identify attractive opportunities and intends to apply for licences in strategically focused areas during 2021.

Reserves and resources

At 31 December 2020, OKEA's 2P/P50 reserves were estimated to 41.6 (49.5) million barrels of oil equivalent (mmboe). The contingent resources (2C/Base) were 53.6 (32.6) mmboe, including the

Hasselmus discovery and increased oil recovery volumes on Draugen, Grevling/Storskrymten and Aurora.

2. Consequences of Covid-19

In March 2020, the petroleum industry was faced with an unprecedented combination of a global pandemic coupled with a dramatic fall in oil prices. The pandemic had a significant negative effect on many important industries during 2020, including by travel restrictions and local lockdowns imposed by most countries. These restrictions adversely impacted the world economy and reduced energy consumption and petroleum prices.

At the first signs of this development in the beginning of the year, OKEA management and board commenced a program to assess the implications for the business and to identify and execute mitigating actions. The company put in place a series of strict measures designed to protect employees and ensure full continuity on OKEA operated projects, particularly at the Draugen field. The company has kept most of these measures in place throughout the year, and production at Draugen as well as at the non-operated assets have to a large extent been uninterrupted by the pandemic. There were no Covid-19 infection cases in OKEA's operations or offices in 2020 and the organisation is well prepared to manage the situation if such cases should occur in the future.

At the date of this report, vaccination programs are in progress in Norway and most other countries, and the general outlook appears more optimistic. The business continuity efforts which were put in place during 2020 have resulted in a number of long-term business improvement measures throughout the company's business areas, targeted to make OKEA more resilient to possible future market disruptions.

In response to the pandemic, the Norwegian authorities have implemented a series of relief packages designed to help companies and industries hit particularly hard. One such measure was resolved by the Norwegian Parliament in June 2020, and comprise temporary changes to the petroleum tax regime in order to stimulate increased activity and secure employment and competence in the Norwegian oil services industry. The temporary changes were highly favourable for OKEA's cash position as well as for the financial parameters for qualifying projects. The changes comprise direct expensing of capital expenditure with effect for the 56% special tax basis, an increase in the uplift-rate to 24%, and refund of tax value of losses for the tax years 2020 and 2021. The accelerated depreciation and increase in uplift apply to all investments made in 2020 and 2021 and until planned production start for projects where a plan for development and operation (PDO) is filed by the end of 2022 and approved prior to the end of 2023. The temporary tax regime significantly improves the short- to mid-term cash position of OKEA and is an important contributor in the further development of the company's project portfolio.

3. Strategy

OKEA will continue to contribute to value creation on NCS by delivering safe and cost-effective field development and operations solutions. OKEA aims to achieve this by identifying and commercialising discoveries that have not previously been progressed, despite containing profitable reserves. OKEA will further acquire shares in licences without a development plan where OKEA can contribute to implement a low-cost development project, including possibilities to co-ordinate several discoveries to share a development project.

OKEA aims to become the leading company and preferred operator delivering safe and cost-effective operation of medium and smaller sized oil and gas discoveries (i.e. less than 100 mmboe), and in extending production from mature fields (i.e. late-life field production) on the NCS.

Building on activities completed in 2020, OKEA will continue to focus its strategy in three key areas:

Firstly, the company will seek to maximise the value from late life assets, such as Draugen. This will require the company to focus on maximising the recovery from existing reservoirs, increasing operational efficiencies and minimising production expenses, while managing the ESG challenges associated with late-life assets.

Secondly, the company will identify, capture and exploit stranded and undiscovered resources close to existing facilities. The proximity to existing production facilities means that these resources may be developed quickly and efficiently, potentially adding substantial value to the greater asset which, ideally, OKEA would also operate. OKEA has identified a number of these type of opportunities close to the Draugen and Gjøa fields and is currently assessing their commercial viability.

Finally, the company will seek to identify and develop new fields. As NCS has matured, the average size of new discoveries has decreased, as is common in hydrocarbon provinces in other areas of the world. It is the board's opinion that much of the remaining hydrocarbon potential on the Norwegian continental shelf will exist in medium and smaller sized oil and gas discoveries. OKEA is seeking to become the major player exploiting this opportunity and is well positioned to achieve this with the operational experience and capability which the company has already demonstrated.

The board recognises that the company is unlikely to achieve its growth ambitions purely organically (i.e. through the exploitation of its current asset portfolio). The board has therefore endorsed a strategy to identify and acquire additional assets that complements and add value to, OKEA's current portfolio and expertise. The board believes that a well-executed combination of organic and inorganic growth activities will allow OKEA to become one of the principal players on the NCS.

4. The financial statements

OKEA prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and additional requirements following the Norwegian Accounting Act. New standards and amendments to standards and interpretations effective from 1 January 2020 did not have any significant impact on the company's financial statements and hence the accounting principles are in all material respects the same as in the financial statements for 2019.

5. Statement of comprehensive income

OKEA's financial results for 2020 were significantly adversely impacted by the Covid-19 pandemic coupled with a dramatic fall in petroleum prices. The average realised price for liquids (oil and natural gas liquids) was 36% lower in 2020 compared to 2019, while average gas price was down 32%. During fourth quarter, a significant recovery in gas prices increased the average realised gas price to USD 0.19 standard cubic meter (scm) compared to USD 0.08 scm for the third quarter.

OKEA's total operating income for 2020 amounted to NOK 1,730 (3,020) million. Sold volumes were 5,808,830 (7,110,517) barrels of oil equivalents (boe). The average realised price for liquids was USD 36.3 (56.6) per boe, while the average gas price was USD 0.11 (0.16) per standard cubic meter.

Other operating income amounted to NOK 78 (62) million and includes tariff income at Gjøa of NOK 53 (57) million, net gain/loss (-) relating to commodity hedging of NOK 10 (-15) million and the effect of joint utilisation of logistics resources of NOK 15 (0) million.

Production expenses amounted to NOK 696 (709) million and the produced volume was 5,909,921 (6,811,995) boe. The reduction in produced volumes compared to 2019 was mainly due to shutdown in relation to a turnaround at Draugen of 27 days, tie-in projects at Gjøa and general field decline. Production expenses per boe was NOK 105 (96). Reference is made to note 6 to the financial statements for further details.

Exploration and evaluation expenses amounted to NOK 97 (299) million. Exploration and evaluation expenses in 2020 mainly related to exploration and evaluation at Hasselmus and Grevling in addition to expenses for purchasing seismic data. Exploration and evaluation expenses in 2019 mainly related to expensing of the dry wells Skumnisse on Draugen and Kathryn in PL910 in the Yme area. Reference is made note 7 to the financial statements for further details.

Depreciation amounted to NOK 699 (704) million. Total impairment was NOK 1,387 (105) million whereof NOK 730 million related to impairment of Yme asset with an offsetting change in deferred tax of NOK 570 million, NOK 403 million related to impairment of technical goodwill on Draugen, Gjøa and Ivar Aasen, and NOK 253 million in impairment of ordinary goodwill. The key drivers for impairments were significant adverse development in oil and gas prices and resulting drop in market price of the OKEA shares. Reference is made note 9 to the financial statements for further details.

Net financial income/expenses (-) amounted to NOK -12 (-408) million. Interest expenses and fees to bondholders amounted to NOK -291 (-298) million, partly offset by capitalisation of borrowing costs in relation to development projects of NOK 124 (0) million. In addition, NOK 152 (-67) million in net exchange rate gain was recognised, largely relating to the two USD denominated bond loans. Gain on buy-back of OKEA02 bonds amounted to NOK 24 (0) million, while other financial expenses amounted to NOK -17 (-20) million.

Profit/loss (-) before income tax amounted to NOK -1,231 (419) million. Tax income/expense (-) amounted to NOK 628 (-491) million, whereof tax refund/payable (-) amounted to NOK 752 (-431) million and changes in deferred tax were NOK -124 (-60) million. The effective tax rate of 51% (117%) deviates from the standard tax rate of 78% due to impairments and financial items which are tax deductible with 0% and approximately 39% respectively. This was partly offset by the effect of uplift on investments.

Net profit/loss (-) was NOK -603 (-71) million and total comprehensive loss (-) was NOK -603 (-71) million.

6. Statement of financial position

Total assets at 31 December 2020 amounted to NOK 9,776 (10,986) million. The main reason for the reduction was impairment charges largely due to market turmoil following the outbreak of the Covid-19 pandemic in the beginning of 2020.

Goodwill amounted to NOK 769 (1,426) million whereof ordinary and technical amounted to NOK 163 (416) million and NOK 606 (1,009) million, respectively. Reference is made to note 16 to the financial statements for further details.

Oil & gas properties amounted to NOK 3,758 (3,886) million. The change from last year mainly relates to investments in fields in production and under development of NOK 1,125 (853) million, offset by unit of production depreciation of NOK 672 (679) million and impairment of NOK 730 (0) million.

Other non-current assets amounted to NOK 3,029 (2,969) million and relate to; i) Shell's obligation to cover 80% of the decommissioning costs of Draugen and Gjøa, limited to an agreed cap, and ii) NOK 399 (2020 value) million subject to consumer price index adjustment according to a schedule based on the percentage of completion of the decommissioning of the fields. Reference is made to note 18 for further details.

In relation to the temporary changes in tax regulations in 2020 where tax deficits for 2020 and 2021 are reimbursed through negative instalments, the company has recognised tax refund of NOK 296 (0) million at balance sheet date, whereof NOK 86 (0) million relates to tax value of exploration expenditures and NOK 210 (0) million to the remaining value of tax losses for 2020.

Cash and cash equivalents at balance sheet date amounted to NOK 871 (1,663) million. The decrease from prior year was mainly due to investments in oil and gas properties of NOK -1,001 (-853) million, interest paid of NOK -223 (-232) million, partial buy-back of OKEA02 bonds of NOK -121 (0) million, partly offset by cash flow from operating activities of NOK 641 (2,157) million.

The fair value of the asset retirement obligation (ARO) was estimated to NOK 4,190 (4,014) million. The estimate represents the future expected costs for plugging, abandonment and removal of equipment including production facilities. The obligation is partly offset by ARO receivable as described in section for "other non-current assets". Reference is made to note 23 to the financial statements for further details.

Deferred tax liabilities amounted to NOK 941 (830) million at balance sheet date. Reference is made to note 13 for further details.

At 31 December 2020 interest-bearing loans amounted to NOK 2,400 (2,557) million, consisting of the remaining outstanding amounts on the bonds OKEA02 and OKEA03. Reference is made to note 24 to the financial statements for further details.

At balance sheet date, OKEA had issued a total of 102,502,650 ordinary shares. Each ordinary share has one vote at general meetings. A total of 985,000 warrants remain outstanding at 31 December 2020.

The share capital amounted to NOK 10 million and total equity amounted to NOK 1,083 (1,681) million, corresponding to an equity ratio of 11% (15%). Total liabilities amounted to NOK 8,694 (9,305) million.

7. Statement of cash flows

Net cash flows from operating activities were NOK 641 (2,157) million, including net taxes received/paid (-) of NOK 169 (-172) million. The decrease from 2019 was mainly due to lower margin on sold volumes and working capital changes, partly offset by tax refunds in relation to the temporary changes to the petroleum tax regulations implemented in 2020. Net cash flow from operating activities deviates from loss from operating activities mainly due to depreciation and impairment of NOK 2,086 million, net income tax received of NOK 169 million and change in net working capital of NOK -395 million.

Net cash flows used in investing activities amounted to NOK 1,043 (847) million and mainly related to investment in oil and gas properties of NOK 1,001 (853) million and investments in exploration and evaluation assets of NOK 28 (10) million.

Net cash flows used in financing activities amounted to NOK 390 (40) million, which included paid interest of NOK 223 (232) million, partial buy-back of OKEA02 bonds of NOK 121 (0) million and payments of lease agreements of NOK 46 (46) million. Net cash flows used in financing activities prior year included net proceeds from issuance of new shares of NOK 283 million.

Net increase/decrease (-) in cash and cash equivalents in 2020 was NOK -792 (1,269) million in 2020.

8. Going concern and liquidity

Pursuant to §3-3 of the Norwegian Accounting Act, the board confirms that conditions for continued operation as a going concern are present for the company and the annual financial statements for 2020 have been prepared under this assumption.

The world's economy has over the last months started to recover from the turmoil that followed from the Covid-19 pandemic crisis and the brent oil price is, at the date of this report, at levels above USD 60 boe.

The temporary changes to the petroleum tax regulations resolved by the Norwegian Parliament in June 2020 had an immediate and substantial positive impact on OKEA's liquidity position and ability to proceed with plans to develop profitable projects.

Following the agreement reached with bondholders during the summer to revise certain terms under the bond loans OKEA02 and OKEA03, the board is not expecting any breach of bond covenants given the current outlook.

The board considers the financial position and liquidity of the company to be sound. The company is continuously considering various sources of funding to facilitate the anticipated growth. Cash flow from operations, combined with available liquidity, is expected to be sufficient to finance the company's commitments in 2021.

In the board's view, the annual accounts give a true and fair view of OKEA's assets and liabilities, financial position and results. The board is not aware of any factors that materially affect the assessment of OKEA's financial position as of 31 December 2020, or the result for 2020, other than those presented in the board of directors' report or that otherwise follow from the financial statements.

9. Allocation of loss for the year

Total comprehensive loss for 2020 amounted to NOK 603 million. The board proposes the following allocation:

Transferred to accumulated loss NOK 603 million.

10. Risks related to OKEA's business and industry

Comprehensive, transparent, inclusive and dynamic risk management, supported by necessary structures, framework, tools and practice, is of great importance for OKEA's ability to achieve goals and deliverables. The overall purpose of risk management in OKEA is to ensure the balance between creating value and avoiding accidents, damages and losses. As a result, the company is continuously undertaking risk management activities, embedded in the company's management system and operational practices, at all levels of the organisation,. The board and the risk and audit committees regularly review major risks.

Necessary measures and actions to manage and mitigate risks are identified, followed-up and reported on a continuous basis. Assurance and verification of the company's management systems and structures is governed by risk-based and dynamic audit and verification plans. The plans are developed and maintained based on the company's three lines of defence model, which differentiates verification activities owned by operational management and activities with a higher degree of independence.

The company's business, results of operations, value of assets, reserves, cash flows, financial condition and access to capital depend significantly upon, and may be adversely affected by, strategic, operational as well as financial risk factors.

OKEA currently has production from three fields; Draugen, Gjøa and Ivar Aasen, where the first two constitute the majority of total net production in 2020. As a result, operational issues affecting availability and reliability of production from any of these fields may have a material impact on the company. This risk will partly be mitigated by commencement of production on the Yme field, which is expected in the second half of 2021.

The company's project portfolio (operated and non-operated) is associated with technical, geological and operational uncertainty. The company, together with license partners, continuously strives to mitigate project risks and ensure progress to meet defined targets and milestones. However, the inherent complexity of development projects may result in delays, cancellations and/or cost increases.

Changes in national and/or international framework conditions, (e.g. changes in regulations related to ESG, QHSE or taxation) can lead to increased costs, reduced value of the company's asset base, and can potentially impact feasibility of new development projects. Unfavourable changes to governmental regulations for the petroleum industry, such as potential lack of new exploration areas granted, reduced production permits or failure to extend production permits may have considerable impacts to OKEA's business.

Activities throughout the company value chain (exploration, development and production) within the oil and gas industry has considerable inherent environmental and safety risks. In case of incidents, these risks can lead to significant losses and cost increases. OKEA is continuously working to assess such risks and to implement business measures to manage it. This work includes focusing on both threats and opportunities with respect to the company's overall strategy, as well as operational and field development related activities. A separate ESG project has undertaken work to identify, manage and control all material issues related to ESG, including undertaking a separate TCFD (Task Force on Climate Related Financial Disclosures) analysis to assess financial risk exposure imposed by climate related risk. This work is further addressed in the ESG report for 2020.

Information security events (e.g. cyber-attacks) may threaten the confidentiality, integrity and availability of company data and information which, in turn, could negatively impact the company's business activities. These events can come from both targeted and random events, and may result in loss of information, interruption in operational activities, and/or increased expenditure.

OKEA has several key partners and suppliers and relies on their competence and capacity to a larger extent than many comparable companies within the Norwegian oil and gas industry. These partners are critical to OKEA's successful execution of the company's strategy and roadmap. Any adverse events impacting our key suppliers' ability to deliver as agreed may impact the company's performance, lead to increased costs, operational disruptions or delays. In addition, the company is dependent on alignment with and endorsement from license partners for operated assets. For non-operated assets, although OKEA exercises it's "see-to-duty" diligently through regular partner meetings, the company is dependent on the various operators' management and performance and the voting arrangements in each joint venture.

The company is dependent on the robustness, competence and capability of personnel in senior management positions, as well as in other key personnel throughout entire workforce. Not being able to hire, retain or replace key members of the organisation may result in an inability to realise the company strategy and further expand the business.

Financial risk factors

OKEA is exposed to a variety of financial risk factors. Oil and gas prices are highly volatile, and the company may from time to time enter into derivative contracts in order to hedge portions of its oil and gas production to limit market price risk. Reserves and contingent resources are by their nature uncertain with respect to inferred volumes which is also sensitive to oil and gas prices. OKEA will continue to manage these risks through its hedging policy.

OKEA is exposed to foreign exchange rate risk as revenues are denominated in USD for oil sales and in GBP and EUR for gas sales, whilst operational and development costs are mainly denominated in NOK, and all income taxes are denominated in NOK. OKEA manages its currency risk by regular exchanges. All outstanding interest bearing debt is issued in USD. Refinancing risk is partly mitigated by different durations for the two bonds where OKEA02 matures in June 2023 and OKEA03 matures in December 2024.

OKEA's exposure to interest rate risk relates to the OKEA02 bond loan with remaining nominal amount outstanding of USD 174 million, which is subject to floating interest rate through the three months LIBOR. The company has no other interest-bearing debt with floating interest rate as the OKEA03 USD 120 million senior secured bond loan was issued at a fixed interest rate. The agreements associated with these bonds may limit OKEA's ability to enter into new financing arrangements. The key financial covenants under the bonds comprise Capital Employment Ratio (paid-in equity divided by paid-in equity plus interest-bearing debt), Leverage Ratio (net interest-bearing debt divided by 12-month EBITDA), and minimum free liquidity of USD 10 million.

Operating in a capital-intensive industry, OKEA is exposed to liquidity risk and has taken mitigating actions to ensure that sufficient liquidity is secured under normal as well as extraordinary circumstances. The company conducts detailed cash flow forecasting, including sensitivity analyses on key variables, to meet financial liabilities as they fall due without incurring unacceptable losses or risking damage to the company's reputation.

OKEA's exposure to credit risk for counterparties to default on their payment obligations is considered limited, as sales agreements are only entered into with solid customers and derivative contracts are entered into with reputable counterparties.

Financial risk is managed by the finance department under policies approved by the board. OKEA management continuously monitors the risk picture and reports to the board regularly but not less than monthly. The overall risk management policy seeks to minimise potential adverse effects on financial performance from unpredictable fluctuations in financial and commodity markets.

The fiscal regime for the Norwegian petroleum sector has largely remained unchanged since the tax reform in 1992. Following the impact from the Covid-19 pandemic and market turmoil in the beginning of 2020, the Norwegian Parliament resolved to implement temporary changes to petroleum tax regime to stimulate increased activity and secure employment and competence in the Norwegian oil services industry. The temporary changes were highly favourable for OKEA's cash position as well as for the financial parameters for qualifying projects. However, the Norwegian government may implement further changes to the fiscal regime in the future which could have adverse impacts on OKEA's net income and cash flow going forward.

OKEA is listed on Oslo Stock Exchange (ticker "OKEA") and the market valuation of, and active trading in, OKEA's shares are important for the company's ability to obtain funding at favourable terms.

11. Environment, social and governance (ESG)

Acting in line with established and acknowledged international guidelines and references within ESG topics, such as the UN Sustainable Development Goals – in addition to ensuring compliance with all regulatory requirements is a vital part of being a prudent operator on the NCS. Sustainable energy and resource management is an integral part of OKEA's decisions and objectives. OKEA continuously works towards more efficient exploitation of petroleum reserves, including implementation of new and innovative technology.

The board of directors of OKEA takes the company's environmental responsibility very seriously and is committed to reduce the environmental impact from the company's activities going forward in balance with the ability to create shareholder value.

Pursuant to section 3-3a and 3-3c of the Norwegian Accounting Act and requirements from Oslo Stock Exchange, OKEA has prepared an ESG Report for 2020, describing how the company addresses ESG matters. Information regarding research and development activities is also included in the ESG report. The report is available at www.okea.no/investor/reports/.

Quality, health, safety and environment (QHSE)

OKEA considers its employees and contractors key assets and is focused on motivating employee participation, innovation, and experience transfer to create and sustain a company culture which fosters the most efficient and cost-effective solutions and best possible QHSE, operational and financial performance.

OKEA's overall QHSE objectives are:

- Safe production – no harm – no leak
- Minimise impact to the environment from its activities
- Apply a risk-based management approach in all its activities
- Implement cost effective field development and operational solutions

OKEA had no serious incidents in the company's activities and operations in 2020. There have been zero lost time injuries and two medical treatment case in the Draugen license's production and well operations, i.e. two recordable injuries in 2020. This provides a total recordable injury frequency of 3.42 in 2020 (frequency per one million working hours). Pursuant to section 3-3a and 3-3c of the Norwegian Accounting Act, the board of directors has provided a more detailed reporting on QHSE matters in the OKEA ESG report for 2020. The report is available at www.okea.no/investor/reports/.

Organisation and equal opportunities

OKEA promotes a healthy working environment for all employees, vendors and contractors involved in its activities. OKEA has established and implemented a working environment committee for the new integrated organisation, covering all locations, offshore and onshore. In 2020, the sickness absence rate in OKEA was 2.7%.

The company endeavours to maintain a working environment with equal opportunities for all based on qualifications, irrespective of gender, ethnicity, sexual orientation or disability.

At the end of 2020, the senior management team consisted of two women and six men. At the end of 2020, the board of directors consisted of eleven members, five of whom are women (45%), with four deputy members, one of whom is a woman.

The working environment in OKEA during 2020 was considered "very good" by the employees as demonstrated by an employee satisfaction survey which was conducted during the autumn of 2020. The response rate was excellent with a total of 94% and 90% participation amongst onshore and offshore employees respectively.

Pursuant to section 3-3a and 3-3c of the Norwegian Accounting Act and section 26a of the Norwegian Act on Gender Equality and Prohibition of Discrimination, the board of directors has provided a more detailed reporting on organisation and equal opportunities matters in the OKEA ESG Report for 2020. The report is available at www.okea.no/investor/reports/.

Corporate Governance

The company is committed to create sustained shareholder value and respects the company's various stakeholders. In achieving this, the company will remain committed to maintain a high standard of corporate governance. The company has established policies and guidelines that lay out how business shall be conducted, including clearly defining the roles and responsibilities of the board and the senior management of the company, as well as the relationship between them. Corporate governance principles and implementation within OKEA are subject to annual reviews and sign-off by the board of directors.

Pursuant to section 3-3b of the Norwegian Accounting Act the 2020 statement on corporate governance is provided in a separate section of the annual report.

Reporting of payments to governments

OKEA has prepared a report of government payments in accordance with the Norwegian Accounting Act §3-3d and the Norwegian Securities Trading Act §5-5a. These regulations state that companies engaged in activities within the extractive industries shall on an annual basis prepare and publish a report containing information about their payments to governments at country and project level. The report is provided in a separate section of the annual report.

12. Subsequent events

APA 2020 licence awards

In January 2021, OKEA was awarded six new production licences on the NCS by the Ministry of Petroleum and Energy under the Award in Pre-Defined Areas (APA) for 2020. OKEA will be the operator for four of the licences and a partner with operators DNO and Wintershall Dea in the remaining two.

Two of the licences have a work programme leading to a drill or drop decision in early 2022. The others have a two-year initial work programme.

Appointment of Svein J. Liknes as new CEO

In February 2021, the board of directors of OKEA announced the appointment of Svein J. Liknes (48) as new CEO of OKEA with effect from 1 June 2021. The founder and current CEO of OKEA, Erik Haugane (68), will retire from the CEO position the same date. Haugane will continue to be associated with the company as advisor to the board. Mr. Liknes comes from the position as VP Special Projects & Due Diligence in Aker BP.

Drilling of the Jerv exploration well (PL973) concluded non-commercial

Drilling operations on the Chrysaor-operated Jerv exploration well 15/12-25 commenced in February 2021, targeting a prospect close to the UK border in the southern North Sea in production licence PL973. A 40 meter gas condensate column was discovered in the target reservoir but it was concluded that the remaining resources were insufficient for development due to high pressure depletion. The licence is located directly south of the OKEA-operated Grevling and Storskrymten discoveries. OKEA holds a 30% working interest in the licence.

Production from Gjøa P1 started

The Gjøa P1 development project came onstream with one oil and one gas producer in February 2021 and marks a key milestone for the Gjøa license. The P1 development enables the licence to recover significant quantities of oil and gas from deeper reservoirs, as well as utilising spare production capacity. P1 increases total remaining developed reserves at Gjøa by 30%. OKEA holds a 12% working interest in the licence.

Share issue pursuant to long-term retention incentive program

In March 2021, and pursuant to an authorisation granted by the annual general meeting of 2020, the board of directors resolved to issue a total of 502,700 shares under the long-term retention incentive program to key employees. The shares are subject to a 12-month lock-up period, with an exemption for sales necessary to cover any directly related tax liabilities limited to up to 50% of the shares allocated. The subscription price is NOK 0.10 per share. Total number of outstanding shares in the company following this share issue is 103,005,350.

13. Outlook

2020 was an exceptional year due to the Covid-19 pandemic where global oil demand reduced more than 20% year-on-year and both oil and gas prices plunged. Market conditions in the petroleum industry have, however, improved over the last months and global demand for oil have recovered significantly. With record high production cuts from OPEC and alliance partners, coupled with falling US production, Brent oil prices have recovered to levels above USD 60 per boe as per the date of this report.

OKEA's target is to deliver significant organic growth within the existing portfolio without the need for new equity. The increased petroleum prices and the temporary changes to the petroleum tax system are important enablers in this respect. 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 maintaining an opportunistic view on other merger and acquisition opportunities.

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

Board of directors, Trondheim, 24 March 2021

Chaiwat Kovavisarach
Chairman of the board

Paul Anthony Murray
Board member

Michael William Fischer
Board member

Rune Olav Pedersen
Board member

Nicola Carol Gordon
Board member

Prisana Praharnkhasuk
Board member

Finn Haugan
Board member

Anne Lene Rømuld
Board member

Jan Atle Johansen
Board member

Liv Monica Bargem Stubholt
Board member

Ida Ianssen Lundh
Board member

Erik Haugane
CEO

Statement on corporate governance

Annual report **2020**

Statement on corporate governance 2020

1. Governance principles and objectives

OKEA ASA («OKEA» or «the company») seeks to create sustained shareholder value and to pay due respect to the company’s various stakeholders. These include its shareholders, employees, business partners, authorities, and society in general. OKEA is committed to maintain a high standard of corporate governance.

OKEA is a public limited liability company incorporated and registered in Norway and subject to Norwegian law. The company’s shares are listed on Oslo Stock Exchange under the ticker OKEA, and the company has as of the date of this statement two bonds, OKEA02 and OKEA03, on issue which are listed on Oslo Stock Exchange.

As a public limited liability company with listed shares and bonds, the company is required to report on its corporate governance in accordance with the Norwegian Accounting Act section 3-3b, 3rd subsection. Further, the Oslo Stock Exchange requires listed companies to report annually on the company's corporate governance policy in accordance with the current recommendation. Continuing obligations for companies listed on the Oslo Stock Exchange can be found at The Issuer Rules / Regulations / Oslo Børs / Home - Oslo Børs (oslobors.no). OKEA reports in accordance with the Norwegian Code of Practice for Corporate Governance (the “Code”). The Code is available on www.nues.no.

OKEA has an established corporate governance policy, code of conduct and various corporate governance instructions and guidelines that addresses the framework of guidelines and principles regulating the interaction between the company’s shareholders, the board of directors (the “board”), the Chief Executive Officer (the “CEO”) and the company’s executive management team. The corporate governance policy and relevant instructions and guidelines are available at https://www.okea.no/investor/corporate-governance-principles/. The board of OKEA is responsible for adherence to sound corporate governance standards and follow up the company’s objectives and strategies.

The principles and implementation of corporate governance are subject to annual reviews and discussions by the company’s board of directors. This report discusses OKEA’s main corporate governance policies and practices and how OKEA has complied with the Code in the preceding year.

OKEA complies with the current edition of the Code, unless otherwise specifically stated. The following statement on corporate governance 2020 is organised in line with the structure of the Norwegian Code of Practice for Corporate Governance, most recently revised 17 October 2018.

Deviations from the code: One deviation:

- In 2020, OKEA did not require all board members to be present at the general meeting. See further details in section 6.
- Pursuant to the articles of association the nomination committee elects their own committee chair. The board intends to propose to the annual general meeting in 2021 to amend the articles of association to align with the code. See further details in section 7.

2. Business

OKEA is a pure Norwegian development and production company, which shall contribute to the value creation on the Norwegian continental shelf ("NCS") by ensuring safe and cost-effective management in all phases of the value chain including exploration, drilling, development and operations.

The company's operations comply with the business objective set forth in its articles of association:

"The objective of the company is petroleum activities on the Norwegian continental shelf, including development and production of oil and gas, and all other business activities as are associated with the above objectives, and share subscription or participation by other means in such operations alone or in cooperation with others".

OKEA aims to become the leading company and preferred operator delivering safe and cost-effective operation of medium and smaller sized oil and gas discoveries (i.e. Less than 100 mmboe), and in extending production from mature fields (i.e. late-life field production) on the NCS.

Pursuant to section 3-3a and 3-3c of the Norwegian Accounting Act and requirements from Oslo Stock Exchange, OKEA has prepared an ESG Report for 2020, which describes how the company addresses ESG matters. The report is available at www.okea.no/investor/reports/.

Deviations from the code: None

3. Equity and dividends

Capital adequacy

As of 31 December 2020, OKEA's total equity was NOK 1,083 million. The board of directors considers the capital structure to be satisfactory and in accordance with OKEA's risk profile in order to enable the company to pursue its goals and strategy. The board of directors continuously monitors the company's capital situation, to be prepared to take immediate and adequate steps if the company's equity or liquidity is considered less than adequate.

Dividends and dividend policy

Dividend payments will depend on the performance and profitability of the company, which will be reviewed from time to time by the board of directors.

Currently, restrictions in OKEA's outstanding debt prevent the company from paying dividends. OKEA is focusing on growing its business and surplus cash will, in the near term, be used to fund ongoing and planned projects. Consequently, the board does not expect to propose any payment of dividends in the near future. No dividends were distributed to shareholders in 2020.

Board authorisations

At the ordinary general meeting on 24 April 2020, the board was granted the authorisation to increase the share capital by a maximum amount of NOK 1 025 025 in one or more share capital increases through issuance of new shares. At the date of this report, the board had resolved to issue 502,700 shares under this authorisation to key employees pursuant to company's long term incentive share program.

The authorisation is valid from registration with the Register of Business Enterprises until the annual general meeting in 2021, however no longer than until 30 June 2021.

For supplementary information, reference is made to the minutes of the ordinary general meeting held on 24 April 2020, available from https://www.okea.no/investor/reports and www.newsweb.no.

Deviations from the code: None

4. Equal treatment of shareholders and transactions with close associates

Basic principles

The company has one class of shares with equal rights for all shareholders.

As of the date of this report BCPR PTE. LTD. (BCPR) owned 46.32% of OKEA. BPCR is a wholly owned subsidiary within Bangchak Corporation Plc. Group (BCP). The second largest shareholder is OKEA HOLDINGS LTD. At the date of publication of this report, OKEA HOLDINGS LTD owned 19.17% of OKEA.

OKEA is committed to equal treatment of all shareholders. The board is of the view that it is positive for OKEA that BCP and OKEA HOLDINGS LTD. assume the role of active owners and are actively involved in matters of major importance to OKEA and to all shareholders. The cooperation with BCP and OKEA HOLDINGS LTD. offers OKEA access to expertise and resources within upstream business activities, technology, strategy, transactions and funding. It may be necessary to offer BCP and OKEA HOLDINGS LTD. special access to commercial information in connection with such cooperation. Any information disclosed to BCP and OKEA HOLDINGS LTD.'s representatives in such a context will be disclosed in compliance with the laws and regulations governing the stock exchange and the securities market.

BCPR and OKEA HOLDINGS LTD. account for OKEA in accordance with the equity method in their financial statements. Applicable accounting standards and regulations require BCP and OKEA HOLDINGS LTD. to prepare their consolidated financial statements to include accounting information of OKEA. OKEA is considered an associate of BCPR and OKEA HOLDINGS LTD. under the applicable accounting standard. In order to comply with accounting standards and regulations in the Securities Trading Act with regards to equal treatment of shareholders, OKEA publishes its financial statements in due time to allow the major shareholders to incorporate relevant information.

Approval of agreements with shareholders and close associates

Any agreements between the company and any of the shareholders or other close associates shall be made in writing and entered into on arm's length terms. If applicable, the agreements will be presented for approval by the general meeting in accordance with the Norwegian Public Limited Liability Companies Act section 3-8. Related party transactions are disclosed in the company's financial statements.

Deviations from the code: None

5. Shares and negotiability

OKEA's shares are freely negotiable securities and the company's articles of association do not impose any form of restriction on their negotiability. The company's shares are listed on Oslo Stock Exchange and the company works actively to attract the interest of Norwegian and foreign shareholders.

Deviations from the code: None

6. General meetings

The general meeting of shareholders is the company's highest decision-making body. The general meeting is an effective forum for communication between the shareholders and the board and OKEA encourage shareholders to participate in the general meetings. Shareholders who cannot attend a general meeting in person will be given the opportunity to vote via proxies, including options to vote on each individual matter.

The ordinary general meeting is normally held no later than the end of June, which is the latest date permitted by the Public Limited Liability Companies Act. The date of the next ordinary general meeting is included in the company's financial calendar, which is available at https://www.okea.no/investor/share-information/. Extraordinary general meetings can be called by the board of directors at any time, or by shareholders representing at least 1/10 of share capital.

According to the company's articles of association section 7, the documents pertaining to matters to be handled at a general meeting shall be made available to the shareholders on the company's webpage. This rule also applies for documents which according to statutory law shall be included in or attached to the notice of the general meeting.

Further, according to the company's articles of association section 7, the right to participate and vote at general meetings of the company can only be exercised for shares which have been acquired and registered in the shareholders register in the shareholders on the fifth business day prior to the general meeting.

Resolutions of the general meeting shall be by simple majority, unless a qualified majority is required by law.

The board proposes the agenda for the ordinary general meeting. The main agenda items are determined by the requirements of the Norwegian Public Liability Companies Act.

The company's general meetings are normally chaired by the chairman of the board, or a person appointed by the chairman of the board. If the chairman of the board is conflicted in respect of any matters on the agenda, another person will be appointed to chair the meeting.

Minutes from the general meetings, including voting results, are published on www.okea.no.

Deviations from the code: The code recommends that all members of the board are present at the general meeting and that the chair of the nomination committee should attend the ordinary general meeting. For the 2020 general meeting, and due to the travel and meeting restrictions caused by the Covid-19 pandemic, OKEA considered it unreasonable and undesirable to require all board members to be present. Board members residing in Norway participated to the extent possible under the restrictions prevailing at the time of the meeting.

7. Nomination committee

At the general meeting in 2020, a nomination committee was elected and a set of guidelines for the committee's work was adopted. The nomination committee and procedures around the organisation of the nomination committee is also laid down in the company's articles of association.

The nomination committee's main purpose is to propose candidates for election to the board and their respective remuneration.

Deviations from the code: Pursuant to the company's articles of association the committee elect their own committee chair. The board intends to propose an amendment of the articles of association to the annual general meeting in 2021 to align with the code.

8. The board of directors; composition and independence

In accordance with the company's articles of association, the board of directors shall consist of three to eleven board members. Board members and the chairman are elected by the general meeting for a term of two years. Members of the board of directors may be re-elected.

In addition to the board members elected by the general meeting, and pursuant to the public limited liabilities act section 6-4, the employees of the company have as of 21 March 2019 elected three board members and four deputy board members. The employee elected members are elected for terms of two years.

OKEA has an agreement with the employees of OKEA not to have a corporate assembly, in accordance with the Norwegian Public Limited Liability Companies Act section 6-35 (2) and has expanded employee representation in the board of directors as detailed above.

At 31 December 2020, the board of directors consisted of eleven board members, whereof five women, and four deputy board members, whereof one woman.

The composition of the shareholder elected board members is based on broad representation of the company’s shareholders. The board shall have the adequate competency to independently evaluate the cases presented by the senior management team as well as the company's operation. It is also considered important that the board can function well as a collegiate body. The board shall comply with all applicable requirements as set out in the Norwegian Public Limited Liability Companies Act, the listing rules of Oslo Stock Exchange and the recommendations set out in the Norwegian Code of Practice for Corporate Governance.

The composition of the board of directors is in compliance with the independence requirements of the Code, meaning that (i) the majority of the members of the board of directors elected by the company’s shareholders are independent of the company’s executive management and material business contacts, (ii) at least two board members elected are independent of the company’s main shareholders (shareholders holding more than 10% of the shares in the company), and (iii) no member of the company’s senior management team serves on the board of directors.

Members of the board of directors are encouraged to own shares in the company. The individual shareholdings for each board member are specified in note 10 to the financial statements.

In 2020, the board held a total of 8 board meetings. The attendance was at 98%. The table below shows attendance on meetings in period the person was part of and available for the board in 2020.

Name	Position	# BoD meetings	# meetings attended	Attendance in %
Chaiwat Kovavisarach	Chairman	8	8	100 %
Henrik Schröder	Member	3	3	100 %
Paul Murray	Member	5	5	100 %
Michael William Fischer	Member	8	8	100 %
Prisana Praharnkhasuk	Member	8	8	100 %
Finn Haugan	Member	8	8	100 %
Liv Monica Stubholt	Member	8	7	88 %
Rune Olav Pedersen	Member	8	8	100 %
Nicola Gordon	Member	8	7	88 %
Ida Ianssen Lundh	Member (ee)	4	4	100 %
Anne Lene Rømuld	Member (ee)	8	8	100 %
Jan Atle Johansen	Member (ee)	8	8	100 %
Frank Stensland	Deputy member (ee)	0	0	N/A
Bengt Morten Sangolt	Deputy member (ee)	0	0	N/A
Bjørn Ingar Pettersen	Deputy member (ee)	0	0	N/A
Ragnhild Aas	Deputy member (ee)	4	4	100 %
Average		**8,0**	**7,8**	**98 %**

Employee elected (ee).

Deviations from the code: None

9. The work of the board of directors

The Board of directors is responsible for the overall management of the company and shall supervise the company’s day-to-day management and the company’s activities in general.

The Board has prepared instructions to allocate duties and responsibilities between the CEO and the board. The instructions are based on applicable laws and well-established practices.

The board of directors is responsible for determining the company’s overall goals and strategic direction, principles, risk management, and financial reporting. The board of directors is also responsible for ensuring the company has a competent management with clear internal distribution of responsibilities, as well as ongoing performance evaluation of the work of the CEO. Guidelines for the CEO, including clarification of duties, authorities and responsibilities, have been adopted.

In accordance with the company’s guidelines, members of the board of directors and senior management are expected to notify the board if they have any material direct or indirect interest in any transaction entered into by the company. The board has routines for handling of conflict of interest and disclosure. If a conflict occurs, the relevant member of the board will abstain from participating in the board’s discussion and decision making.

The board holds a yearly training session on governance and stock exchange related topics, as per requirements from Oslo Stock Exchange. Senior management contributes through the board meetings with developing the board’s collective knowledge on topics and issues relevant to the company’s business.

The board establishes its own committees based on legal requirements and the board’s needs. The board will assess competence and interest when selecting members for its committees. As of the date of this report, the board has established the sub-committees of the board as outlined below.

Evaluation of the board
The board evaluates its performance and expertise annually. Identified areas of improvement are implemented immediately if required or incorporated in the plan for next years’ meetings.

Board committees

In 2020, the board had the following sub committees:

Audit committee
OKEA has established an audit committee in accordance with the rules of the Norwegian Public Limited Liability Companies Act chapter 6 V and listing rules of Oslo Stock Exchange. The audit committee is a preparatory and advisory working committee for the board of directors. The principal task of the audit committee is to prepare the board of directors’ supervision of the company’s financial reporting process, including informing the board of directors about the results of the audit and explain how the audit contributed to the integrity of the financial reporting and the audit committee’s role in this process. The audit committee shall further provide its recommendation to the board of directors to ensure the integrity of the financial reporting. The audit committee shall also monitor the systems for internal control and risk management with relation to financial risk, in cooperation with the risk committee.

The board has established a charter for the audit committee, stating its tasks and duties.

Remuneration and compensation committee
The company has established a Renumeration and compensation committee as a sub-committee to the board. The remuneration and compensation committee shall evaluate and propose compensation of the company’s CEO, administer the company’s bonus incentive program, provide general advice to the board on compensation, propose guidelines for remuneration and other benefits to leading persons, and produce an annual report on remuneration and benefits for leading persons pursuant to applicable rules and regulations. In 2020 the remuneration and compensation committee has also worked as a preparatory and advisory committee for the board in the process of recruiting a new CEO.

The board has established a charter for the remuneration and compensation committee, stating its tasks and duties.

Risk committee
The company has established a risk committee as a sub-committee to the board. The risk committee shall follow up the company's risk management and internal control topics, and regularly report to the board. The risk committee shall further contribute to the board's review of the company's most important areas of exposure to risk and its internal control arrangements.

The board has established a charter for the risk committee, stating its tasks and duties.

In addition to the above-mentioned committees, the board may establish various sub-committees with limited duration and mandate as deemed necessary.

Deviations from the code: None

10. Risk management and internal control

The board shall ensure that the company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the company's activities. The internal control and the systems shall encompass the company's corporate values and ethical guidelines. OKEA applies a risk-based management approach in planning, execution and monitoring activities as reflected throughout OKEA's management system.

Risk management is of paramount importance for OKEA's ability to achieve its goals and deliverables. The following governing principles apply for risk management in OKEA:

- Uncertainty is managed through continuous risk management processes by the executive management, as well as in departments and projects
- Risk management shall be reflected throughout the company management system framework
- Risk management shall be integrated in all major decision-making processes
- An updated enterprise risk picture shall be maintained
- Risk shall be managed at the lowest possible level in the organisation
- Risk management shall address both threats and opportunities, and the processes shall be transparent and dynamic

OKEA's overall governing principles for risk management are incorporated in the management system manual. Risk management activities are further integrated in processes and documents in the management system. The company's operational activities are limited to Norway and are subject to Norwegian regulations. All activities taking place in a production license are subject to supervision and audits from governmental bodies (e.g. the Petroleum Safety Authority Norway and the Norwegian Environment Agency), and license partners. OKEA's risk management shall be in accordance with the Norwegian regulations relating to health, safety and the environment in the petroleum activities in addition to certain onshore facilities (the Framework Regulations) section 11.

The CEO is the overall responsible for risk management in OKEA. Responsibility for managing risk on department or project/activity level belongs to the appointed manager. The senior vice president Business Performance is responsible for coordinating enterprise risk management across the company and provide the board with a status of the internal control, most important risks and mitigation measures on a monthly basis. The board and the risk committee regularly review major risks. The audit committee and risk committee meet at least once a year to ensure a holistic view of the exposure to and management of all risks in the company.

The internal control of the financial reporting system shall ensure reliable and timely financial information and reporting. The company has implemented a framework for risk management and internal control of financial reporting based on the framework published by the committee of

Sponsoring Organisations of the Treadway Commission (COSO). The framework has the following five components:

1. Control Environment
2. Risk Assessment and objective setting
3. Control Activities
4. Information and Communication
5. Monitoring Activities

The established framework and established processes are integrated in the company's management system and enable:

- Appropriate and effective identification of risks and events
- Establishment of relevant controls
- Information and communication of risks
- Monitoring of process compliance
- Provision of relevant, timely and reliable financial reporting that provides a fair view of the company's business
- Prevention of manipulation/fraud of reported figures
- Compliance with relevant requirements of IFRS

OKEA makes use of external professional accounting expertise to support its internal and external financial reporting. Meetings are held regularly to ensure alignment and proper assessment of new events, risks and issues, to provide updates of status of operations and projects, and to provide additional capacity if required.

The company's internal control environment is characterised by clearly defined responsibilities and roles between the board of directors, audit committee, management, the finance department and the accounting service providers.

OKEA has formalised and implemented processes in the management system for all areas deemed to have high risk of errors in the financial reporting, which comprise:

- Impairment of goodwill and tangible and intangible assets
- Estimates for asset retirement obligations
- Tax assessment and tax calculation
- The financial statement closing process
- Revenue recognition
- Financial modelling and forecasting

The company has implemented a combination of manual and automatic controls, both preventive and detective. In 2020, OKEA has formalised documentation and monitoring of internal controls in several areas. The processes established and the controls implemented are deemed to be appropriate for a company of OKEA's size and complexity. The internal control of financial reporting is continuously improved and adapted to the company's growth and complexity.

Deviations from the code: None

11. Remuneration of the board of directors

The ordinary general meeting in 2020 approved the following remuneration:

Of the board of directors:

- For the chairman: NOK 42,500/month with an additional NOK 10,000/meeting
- For other members of the board: NOK 28,000/month with an additional NOK 7,000/meeting

Additional committee fees:

- For the committee chair: NOK 35,000/meeting
- For other members of the committee: NOK 25,000/meeting

The committee fees are capped at 140,000/per year and 100,000 NOK/per year for the committee chair/members respectively, based on a maximum of 4 committee meetings.

The board shall approve any consultancy work by a member of the board, including the remuneration of such work.

Total remuneration of the board of directors for 2020 was NOK 5.2 million. The individual remuneration of the board members is specified in note 10 to the annual financial statements.

Nomination committee fees:

- For the committee chair: NOK 10,000/meeting
- For members of the committee: NOK 8,000/meeting

The nomination committee fees are capped at NOK 40,000 per year and NOK 32,000 per year for the nomination committee chair and members respectively, based on a maximum of 4 committee meetings.

Deviations from the code: None

12. Remuneration of the senior management

Combined remuneration of senior management was NOK 30.0 million for 2020, with executive management defined as CEO, CFO, senior vice president level and selected vice presidents.

The individual remuneration of senior management is specified in note 10 to the financial statements.

Revised guidelines for salaries and other benefits to leading persons will be presented for voting to the annual general meeting in 2021 and subsequently published on www.okea.no, pursuant to appliable rules and regulations.

Deviations from the code: None

13. Information and communications

The board places great emphasis on open, honest and timely dialogue with shareholders and other participants of the capital markets to build trust and credibility, and to support access to capital and a fair valuation of the company's listed shares and debt. The board seeks to present the information factually, transparently, and accurately. All information is published in English, which is OKEA's corporate language.

OKEA's investor relations (IR) team comprises the CEO, CFO, and vice president investor relations. The main responsibility for the company's IR work rests with the vice president investor relations.

The primary channel for communication is OKEA's web page, www.okea.no.

OKEA provides interim and annual financial statements and issues other notices when appropriate, in accordance with the Oslo Stock Exchange's Continuous Rules for Bond and quarterly financial statements as required under the company's bond agreements. The information is made available on the company's website and at www.newsweb.no.

Deviations from the code: None

14. Takeovers

The board has established procedures for how to act should a take-over bid be made.

In a take-over process, the board and the executive management team each have an individual responsibility to ensure that the company's shareholders are treated equally and that there are no unnecessary interruptions to the company's business activities. The board has a particular responsibility to ensure that the shareholders have sufficient information and time to assess the offer.

In the event of a take-over process, the board shall ensure that:

1. the board will not seek to hinder or obstruct any takeover bid for the company's operations or shares unless there are particular reasons for doing so;
2. the board shall not undertake any actions intended to give shareholders or others an unreasonable advantage at the expense of other shareholders or the company;
3. the board shall not institute measures with the intention of protecting the personal interests of its members at the expense of the interests of the shareholders; and
4. the board must be aware of the particular duty it has for ensuring that the values and interests of the shareholders are protected.

In the event of a take-over bid, the board will, in addition to complying with relevant legislation and regulations, comply with the recommendations in the Norwegian Code of Practice for Corporate Governance. This includes obtaining a valuation from an independent expert. On this basis, the board will make a recommendation as to whether or not the shareholders should accept the bid.

Any transaction that is in effect a disposal of the company's activities should be decided by a general meeting.

Deviations from the code: None

15. Auditor

The company's external auditor is PwC.

The board of directors requires the company's auditor to annually present a review of the company's internal control procedures, including identified weaknesses and proposals for improvement, as well as the main features of the plan for the audit of the company.

Furthermore, the board of directors requires the auditor to participate in meetings of the board of directors that deal with the annual financial statements. At these meetings the auditor reports on any material changes in the company's accounting principles and key aspects of the audit, comments on estimated accounting figures and reports all material matters on which there has been disagreement between the auditor and the executive management of the company. The board of directors will meet with the auditor annually without representatives of company management being present.

The auditor normally participates in all meetings with the audit committee, except those parts discussing possible changes of auditor. The auditor meets the audit committee without the company's management being present at least once a year.

The auditor's independence in relation to the company is evaluated at least annually. The auditor submits a written confirmation that the auditor satisfies established requirements as to independence and objectivity. The auditor may carry out certain audit related or non-audit services for the company, providing these are not in conflict with its duties as auditor. If the value of such services exceeds NOK 500,000, pre-approval by the audit committee is required. Otherwise, such services can be approved by vice president accounting & controlling or the CFO.

The remuneration of the auditor is approved by the ordinary general meeting. The board of directors will report to the general meeting details of fees for audit work and any fees for other specific assignments. The auditor attends the general meeting if the business which is to be transacted is of such a nature that attendance is considered necessary.

Deviations from the code: None

Reporting on payments to governments

Annual report **2020**

Reporting on payments to governments

This report is prepared in accordance with the Norwegian Accounting Act Section § 3-3 d and the Securities Trading Act § 5-5a which stipulates that companies engaged in activities within the extractive industries shall annually prepare and publish a report containing information about their payments to governments at country and project level. The Ministry of Finance has issued a regulation (F20.12.2013 no. 1682) stipulating that the reporting obligation only applies to reporting entities above a certain size and to payments above certain threshold amounts. In addition, the regulation stipulates that the report shall include other information than payments to governments, as included in section 6 of this report, and it provides more detailed rules applicable to definitions, publication and group reporting.

The reportable payments are defined in the regulation (F20.12.2013 nr 1682) §3. Management has applied judgment in the interpretation of the regulation regarding the type of payments to be included in the reporting and on what level it should be reported. When payments are required to be reported on a project-by-project basis, OKEA reports by field. Management interprets the regulations as such that only gross amounts on operated licences are reportable, and only for the period when OKEA formally has been acting as operator. This is due to payments in each licence generally being cash calls transferred to the operator. Tax is reported on a corporate basis. All activities in OKEA within the extractive industries are located on the Norwegian continental shelf and all the reported payments below have been made to the Norwegian government.

1. Area fee

OKEA, as operator, has paid area fees for the following licences in 2020:

Licence	**Area fee paid in 2020 (NOK)**
Draugen	16 002 295
Grevling	1 258 792
PL158	918 000
PL195	6 885 000
Total area fee paid	**25 064 087**

2. Income tax

Income taxes are calculated for OKEA ASA. The tax payments of NOK 292 543 293 in 2020 relate to tax instalments and tax settlement for the income year 2019. Tax received in 2020 amounted to NOK 461 595 588 and relate to three of six tax instalments for the income year 2020 and follows from the temporary changes in the tax regulations.

3. CO_2 tax

The CO_2 tax paid in 2020 amounted to NOK 73 160 750 and relates to the Draugen field.

4. NOx

OKEA is a member of the NOx fund and all NOx payments are made to this fund rather than to the government. The total amount paid to the NOx fund in 2020 amounted to NOK 17 294 987.

5. Petroleum Safety Authority Norway (PSA)

In 2020 the company paid NOK 2 906 876 to the PSA mainly in relation to sector fees and supervisory activities on operated licences.

6. Other information

OKEA is also required to report on investments, operating income, production volumes and purchases of goods and services. All reported information relates to OKEAs activities within the extractive industries on the Norwegian continental shelf:

- Total net investments amounted to NOK 1,043 million as specified in the statement of cash flows.
- Revenues from crude oil and gas sales amounted to NOK 1,652 million as reported in the statement of comprehensive income.
- OKEA's net production in 2020 was 5,909,921 barrels of oil equivalents as reported in note 6 to the financial statements.

Reference is made to the statement of comprehensive income and related disclosures notes for information about purchases of goods and services.

Financial statement with notes

Annual report **2020**

Financial statements with notes

Overview of the financial statements with notes

Statement of comprehensive income

Amounts in NOK `000	Note	**2020**	**2019**
Revenues from crude oil and gas sales	4, 5	1 652 311	2 935 635
YME compensation contract breach	5	-	22 098
Other operating income / loss (-)	5	77 911	61 833
Total operating income		**1 730 222**	**3 019 566**
Production expenses	6	-695 877	-708 649
Changes in over/underlift positions and production inventory	6	16 690	-272 472
Exploration and evaluation expenses	7	-97 036	-299 446
Depreciation, depletion and amortization	8	-699 403	-703 883
Impairment (-) / reversal of impairment	9	-1 387 018	-105 394
General and administrative expenses	10, 11	-86 713	-102 562
Total operating expenses		**-2 949 358**	**-2 192 406**
Profit / loss (-) from operating activities		**-1 219 136**	**827 160**
Finance income	12	105 559	103 893
Finance costs	12	-268 907	-444 880
Net exchange rate gain/loss (-)	12	151 744	-66 777
Net financial items		**-11 604**	**-407 764**
Profit / loss (-) before income tax		**-1 230 740**	**419 396**
Taxes (-) / tax income (+)	13	628 014	-490 527
Net profit / loss (-)		**-602 726**	**-71 131**
Other comprehensive income, net of tax:			
Items that will not be reclassified to profit or loss in subsequent periods:			
Remeasurements pensions, actuarial gain/loss (-)	14	-509	418
Total other comprehensive income, net of tax		**-509**	**418**
Total comprehensive income / loss (-)		**-603 235**	**-70 712**
Earnings per share (NOK per share)			
- Basic	15	-5.89	-0.77
- Diluted	15	-5.89	-0.77

Statement of financial position

Amounts in NOK `000	Note	**31.12.2020**	**31.12.2019**
ASSETS			
Non-current assets			
Goodwill	16	768 946	1 425 568
Exploration and evaluation assets	16	38 349	15 927
Oil and gas properties	8	3 757 546	3 885 889
Buildings	8	83 250	87 875
Furniture, fixtures and office equipment	8	10 236	11 250
Right-of-use assets	17	179 235	163 398
Other non-current assets	18, 29	3 029 367	2 968 502
Total non-current assets		**7 866 930**	**8 558 409**
Current assets			
Trade and other receivables	19, 26	513 601	621 913
Spareparts, equipment and inventory	20	228 790	142 291
Tax refund, current	13	295 932	-
Cash and cash equivalents	21, 26	871 210	1 663 478
Total current assets		**1 909 534**	**2 427 682**
TOTAL ASSETS		**9 776 464**	**10 986 091**

Amounts in NOK `000	Note	**31.12.2020**	**31.12.2019**
EQUITY AND LIABILITIES			
Equity			
Share capital	22	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	23	4 199 866	4 024 420
Pension liabilities	14	31 988	26 857
Lease liability	17	143 978	117 996
Deferred tax liabilities	13	940 558	830 417
Interest-bearing loans and borrowings	24, 26	2 400 297	2 556 570
Total non-current liabilities		**7 716 687**	**7 556 259**
Current liabilities			
Trade and other payables	25, 26	890 362	1 371 587
Income tax payable	13	14 207	294 704
Lease liability - current	17	35 257	45 544
Public dues 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**

Trondheim, 24 March 2021

Chaiwat Kovavisarach
Chairman of the Board

Paul Anthony Murray
Board member

Michael William Fischer
Board member

Rune Olav Pedersen
Board member

Nicola Carol Gordon
Board member

Prisana Praharnkhasuk
Board member

Finn Haugan
Board member

Anne Lene Rømuld
Board member

Jan Atle Johansen
Board member

Liv Monica Bargem Stubholt
Board member

Ida Ianssen Lundh
Board member

Erik Haugane
CEO

Statement of changes in equity

Amounts in NOK `000	Note	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 year		-	-	-	-70 712	-70 712
Share issues, cash	22	1 986	288 358	-	-	290 344
Share based payment	10	-	-	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 year		-	-	-	-603 235	-603 235
Share issues, cash	22	44	-	-	-	44
Share based payment	10	-	-	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

Amounts in NOK `000	Note	2020	2019
Cash flow from operating activities			
Profit / loss (-) before income tax		-1 230 740	419 396
Net income tax paid/received	13	169 052	-171 671
Depreciation, depletion and amortization	8	699 403	703 883
Impairment	9	1 387 018	105 394
Accretion asset retirement obligations	18, 23	3 106	16 088
Gain from sales of licences	5	-	-19 063
Interest expense	12	166 950	297 998
Loss on financial assets		10 615	-
Change in trade and other receivables, and inventory		-15 710	434 004
Change in trade and other payables		-475 024	335 354
Change in foreign exchange bond loans and other non-current items		-73 480	35 233
Net cash flow from / used in (-) operating activities		**641 191**	**2 156 616**
Cash flow from investing activities			
Investment in exploration and evaluation assets	16	-27 945	-10 195
Business combination, cash paid		-	-40 000
Investment in oil and gas properties	8, 12	-1 000 516	-852 611
Investment in furniture, fixtures and office machines	8	-4 377	-11 628
Net investment in (-)/release of restricted cash		-	48 327
Investment in financial assets		-10 615	-
Proceeds from sales of licences	5	-	18 716
Net cash flow from / used in (-) investing activities		**-1 043 452**	**-847 391**
Cash flow from financing activities			
Net proceeds from borrowings, bond loan	24	-	1 062 157
Repayment/buy-back of borrowings, bond loan	24	-120 955	-1 107 839
Interest paid		-222 715	-232 412
Payments of lease debt*	17	-46 380	-45 500
Net proceeds from share issues	22	44	283 177
Net cash flow from / used in (-) financing activities		**-390 006**	**-40 417**
Net increase/ decrease (-) in cash and cash equivalents		**-792 268**	**1 268 807**
Cash and cash equivalents at the beginning of the period		1 663 478	394 670
Cash and cash equivalents at the end of the period	21	**871 210**	**1 663 478**

* Payments of lease debt has been reclassified from cash flow from operating activites, refer to note 17

Notes to the Financial Statements

Note 1. Corporate information

OKEA ASA ("OKEA" or "the company") is a public limited liability company incorporated and domiciled in Norway. The company's registered business address is Kongens gate 8, 7011 Trondheim, Norway. OKEA's shares are listed on the Oslo Stock Exchange under the ticker "OKEA".

OKEA is a fast-growing oil and gas producer operating on the Norwegian continental shelf (NCS) aiming to bring undeveloped discoveries with less than 100 million barrels of oil equivalents in reserves to production. OKEA is a trusted partner on local, regional and national level with an ambition to create value for owners, employees and society as a whole. The company's vision is to be the leading company on the NCS in terms of delivering safe and cost-effective field developments and operational excellence. OKEA is the operator and holds a 44.56% interest in the producing field Draugen (PL093). The company also holds a 12% interest in the producing field Gjøa (PL153) and 0.554% in the producing field Ivar Aasen. In addition, the company holds a 15% interest in the Yme field (PL316/316B) which is currently under development and expected to commence production in the second half of 2021. Furthermore, the company has interest in two licences that are in the evaluation phase and seven licences that are in the exploration phase.

The financial statements of OKEA for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the board of directors on 24 March 2021.

Note 2. Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and in accordance with the additional requirements following the Norwegian Accounting Act.

The financial statements have been prepared under the assumption of going concern and on a historical cost basis, with some exceptions as detailed in the accounting policies set out below.

Balance sheet classification

Current assets and current liabilities include items due less than a year from the balance sheet date, and items related to the operating cycle, if longer. Other assets and liabilities are classified as non-current.

Interest in oil and gas licences

The company accounts for its interest in oil and gas licenses based on its ownership interest in the licence. The company recognises its share of each licence's income, expenses, assets, liabilities and cash flows, on a line-by-line basis in the company's financial statements.

Acquisitions of interests in oil and gas licences

Acquisitions of interests in oil and gas licences or similar joint operations where the joint operation constitutes a business, are accounted for in accordance with the principles in IFRS 3 Business Combinations (acquisition method).

Identifiable assets acquired and liabilities and contingent liabilities assumed are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred over the fair value of the net identifiable assets acquired is recorded as goodwill. If, following careful consideration, the consideration transferred is less than the fair value of the net identifiable assets of the joint operation acquired, such difference is recognised directly in profit or loss.

Acquisitions of interests in oil and gas licences or similar joint operations where the joint operation is not considered to be a business, are accounted for as acquisitions of assets. The consideration for the interest is allocated to individual assets and liabilities acquired.

Foreign currency translation and transactions

The functional currency and the reporting currency of the company is NOK.

Foreign currency transactions are translated into NOK using the exchange rates prevailing at transaction date. Monetary assets and liabilities in foreign currencies are translated at prevailing exchange rates on each balance sheet date. Non-monetary items in foreign currencies are translated at the historical exchange rate on the transaction date. Non-monetary items that are measured at fair value are translated at the exchange rate on the date when the fair value was determined. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Revenue recognition

Revenue from the sale of petroleum products is recognised when the company’s contractual performance obligation has been fulfilled (at delivery). The lifting schedule and allocation of lifts to OKEA will vary with the production profiles and commercial arrangements for the various petroleum products and assets. Dry gas from all assets is lifted on a daily basis. Crude oil from Draugen is lifted approximately once a quarter, crude oil from Gjøa more frequently, and for Ivar Aasen liftings are infrequent due to our relatively low working interest. Sale of petroleum products is mostly to large international oil companies with investment grade credit rating. The pricing of the sales of petroleum products is determined based on current market terms for each product.

Revenues from sales of services are recorded when the service has been performed.

There is no significant judgement related to applying IFRS 15 to the company’s contracts.

Overlift and underlift of petroleum products

Over/underlift balances are measured at the lower of production cost including depreciation and net realisable value. Changes in over/underlift balances are presented as an adjustment to cost in the statement of income.

Overlift and underlift is calculated as the difference between the company’s share of production and its actual sales and are classified as current assets and current liabilities respectively. If accumulated production exceeds accumulated sales, there is an underlift (asset) and if accumulated sales exceeds accumulated production there is an overlift (liability).

Spare parts, equipment and inventory

Inventories of petroleum products are stated at the lower of cost and net realisable value. Cost is determined by the first-in first-out method and comprises direct purchase costs, cost of production, transportation and processing expenses. Inventories of spare parts and consumables are valued at the lower of cost price (based on weighted average cost) and net realisable value. Capital spare parts are accounted for under the same principles as property, plant and equipment.

Property, plant and equipment, including oil and gas properties

General

Property, plant and equipment acquired by the company are stated at historical cost, less accumulated depreciation and impairment charges. Depreciation of other assets than oil and gas properties are calculated on a straight-line basis and adjusted for residual values and impairment charges.

Ordinary repairs and maintenance costs, defined as day-to-day servicing costs, are charged to the income statement during the financial period in which they are incurred. The cost of major overhauls is included in the asset’s carrying amount when it is probable that the company will derive future economic benefits in excess of the originally assessed standard of performance of the existing asset.

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in operating profit.

Right-of-use assets represent the right to use the underlying leased asset during the lease term according to IFRS 16. Reference is made to section “Leases” below for further details.

Depreciation of oil and gas properties

Capitalised costs for oil and gas fields in production are depreciated individually for each field using the unit-of-production method. The depreciation is calculated based on proved and probable reserves. The rate of depreciation is equal to the ratio of oil and gas production for the period over the estimated remaining proved and probable reserves expected to be recovered at the beginning of the period. The rate of depreciation is multiplied with the carrying value plus estimated future capital expenditure necessary to develop any undeveloped reserves included in the reserve basis. Any changes in the reserves estimate that affect unit-of-production calculations, are accounted for prospectively over the revised remaining reserves.

Development costs for oil and gas properties

For accounting purposes, a project is considered to enter the development phase when the technical feasibility and commercial viability of extracting hydrocarbons from the field are demonstrable, normally at the time of concept selection (Decision gate 2). Costs of developing commercial oil and/or gas fields are capitalised together with borrowing costs incurred in the period of development. Capitalised development costs and acquisition cost of fields in development are classified as tangible assets (oil and gas properties). Pre-operational costs are expensed when incurred.

Intangible assets

Goodwill

Goodwill arising from acquisitions of interests in oil and gas licences accounted for in accordance with the principles in IFRS 3 Business Combinations is classified as intangible assets. Goodwill is not amortised, but it is tested for impairment at each balance date, or more frequently if an impairment indicator exists, for example by events or changes in circumstances. Goodwill is carried at cost less accumulated impairment losses.

Goodwill is allocated to the Cash Generating Units (CGU) that are expected to benefit from synergy effects of the acquisition. The allocation of goodwill may vary depending on the basis for its initial recognition. The main part of the company's goodwill relates to the requirement to recognise deferred tax for the difference between the assigned fair values and the related tax base ("technical goodwill"). The fair value of the company’s licences, all of which are located on the Norwegian continental shelf, are based on cash flows after tax. This is because these licences are only sold in an after-tax market as stipulated in the Petroleum Taxation Act Section 10. The purchaser is therefore not entitled to a tax deduction for the consideration paid over and above the seller’s tax values. In accordance with IAS 12 paragraphs 15 and 24, a provision is made for deferred tax corresponding to the difference between the acquisition cost and the transferred tax depreciation basis. The offsetting entry is goodwill. Hence, goodwill arises as a technical effect of deferred tax. Technical goodwill is tested for impairment separately for each CGU which give rise to the technical goodwill. A CGU may be individual oil fields, or a group of oil fields that are connected to the same infrastructure/production facilities.

Exploration costs for oil and gas properties

The company uses the 'successful efforts' method to account for exploration costs. All exploration costs with the exception of acquisition costs of licences and drilling costs of exploration wells are expensed as incurred.

Drilling costs of exploration wells are temporarily capitalised pending the determination of oil and gas reserves. If reserves are not found, or if discoveries are assessed not to be technically and commercially recoverable, the drilling costs of exploration wells are expensed.

Costs of acquiring licences are capitalised and assessed for impairment at each reporting date.

Licence acquisition costs and capitalised exploration costs are classified as intangible assets (Exploration and evaluation assets) during the exploration phase.

Exploration and evaluation assets

Exploration and evaluation assets are assessed for impairment when circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount, and before reclassification as described below.

Intangible assets relating to expenditure on the exploration for, and evaluation of, oil and gas resources are reclassified from intangible assets (Exploration and evaluation assets) to tangible assets (Oil and gas properties under development) when technical feasibility and commercial viability of the assets are demonstrable, and the decision to develop a particular area is made. The assets are assessed for impairment, and any impairment loss recognised, before such reclassification.

Exploration and evaluation assets are subject to unit-of-production depreciations if and when production from the field commences.

Financial assets

The company's financial assets comprise derivatives, trade receivables and cash and cash equivalents. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the company's business model for managing them.

The company classifies its financial assets in two categories:

- Financial assets at amortised cost
- Financial assets at fair value through profit and loss

The company does not have any financial assets at fair value through OCI or designated at fair value through OCI.

<u>Financial assets at amortised cost</u>

The company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The company's financial assets at amortised cost includes trade receivables and other short-term deposits.

Trade receivables are initially recognised at fair value less impairment losses.

Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Impairment of assets

Property, plant and equipment and other non-current assets are subject to impairment testing when there is an indication that the assets may be impaired. The company makes such assessment on each reporting date. If an indications exist, an impairment test where the company estimates the recoverable amount of the asset is performed.

The recoverable amount is the higher of fair value less expected cost to sell and value in use. If the carrying amount of an asset is higher than the recoverable amount, an impairment loss is recognised in the income statement. The impairment loss is the amount by which the carrying amount of the asset exceeds the recoverable amount.

The value in use is determined as the discounted future net cash flows expected to be generated by the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows. An oil and gas field is considered as one cash generating unit. All other assets are assessed separately.

An impairment loss on assets will be reversed when the recoverable amount exceeds carrying amount.

Provisions

General

A provision is recognised when the company has a present obligation (legal or constructive) as a result of a past event, and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date.

The amount of the provision is the present value of the risk adjusted cost expected to be required to settle the obligation, and is discounted by the estimated risk-free interest rate. Where discounting is used, the carrying amount of provision increases in each period to reflect the unwinding of the discounting by the passage of time. This increase in the provision amount is recognised as finance cost.

Asset retirement obligations

The company recognises an asset retirement obligation when the oil and gas installations are installed or at the later date when the obligation is incurred. The obligation is measured at the present value of the estimated future expenditures determined in accordance with current technology, local conditions and requirements for the dismantlement or removal of oil and gas installations.

Applicable asset retirement costs are capitalised as part of the carrying value of the tangible fixed asset and are depreciated over the useful life of the asset (i.e. unit-of-production method). The liability is accreted for the change in its present value on each balance sheet date. The accretion effect is classified as financial expense.

The asset retirement provision and the discount rate are reviewed at each balance sheet date.

Contingent liabilities
Contingent liabilities are not recognised in the financial statements unless it is assessed to be probable. Significant contingent liabilities are disclosed, except for contingent liabilities where the probability of the liability occurring is considered to be remote.

Interest-bearing loans and borrowings
All loans and borrowings are initially recognised at cost as represented by the fair value of the consideration received net of issue costs and transaction costs associated with the borrowing.

Following initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method with the difference between net proceeds received and the redemption value being recognised in the income statement over the term of the loan. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

Borrowing costs
Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that take a substantial period of time to get ready for their intended use or sale. Any investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they incur.

Derecognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged. cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amount is recognised in the profit and loss statement.

Derivative financial instruments
The company uses derivative financial instruments to manage certain exposures to fluctuations in oil price and foreign currency exchange rates. Such derivative financial instruments are initially recognised at fair value on the date of which a derivative contract is entered into and are subsequently re-measured at fair value through profit and loss. Hedge accounting is not applied. For derivative financial instruments where the underlying is a commodity, changes in fair value are recognised as part of operating activities. Changes in fair values for other derivative financial instruments are classified as part of financial activities.

Income taxes
The income tax expense/credit consists of current income tax (taxes payable/receivable) and changes in deferred income taxes.

Current income taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the balance sheet date.

Companies operating on the Norwegian continental shelf under the offshore tax regime can claim 78% tax refund on exploration costs, limited to taxable losses for the year. The refund is receivable in November the following year and is classified as a current tax asset. Refer also to section “temporary change to tax regime for oil and gas companies”.

Current income tax relating to items recognised directly in equity is recognised directly in equity.

Deferred income taxes

Deferred tax/tax benefits are calculated on the basis of the differences between book value and tax basis values of assets and liabilities.

Deferred income tax assets are recognised for all deductible temporary differences (with the exception of temporary differences on acquisition of licences that is defined as an asset purchase), carry forward of unused tax credits and unused tax losses, to the extent that it is probable that the taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised. The carrying amount of deferred income tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered (onshore activity).

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 (including interest) from the tax authorities when operations cease. There is no time limit on the right to carry tax losses forward in Norway. Deferred tax assets that are based on offshore tax losses carry forward are therefore normally recognised in full.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority/tax regime. Timing differences are considered.

Deferred tax assets and liabilities are recognised for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities and their respective tax bases, subject to the initial recognition exemption for acquisition of assets. Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Uplift

Uplift is a special income deduction in the basis for calculation of the special tax relief. The uplift is calculated on the basis of the original capitalised cost of offshore production installations and generally amounts to 5.2% of the investment per year. The uplift may be deducted from taxable income for a period of four years (i.e. in total 20.8% over four years), starting in the year in which the capital expenditures incur. The tax effect on uplift is recognised when the deduction is included in the current year tax return and impacts taxes payable. Unused uplift may be carried forward indefinitely.

Temporary change to the tax regime for oil and gas companies

In June 2020, the Norwegian Parliament enacted a temporary change to the tax regime for oil and gas companies for the income years 2020 and 2021. The cost of offshore production installations can be deducted in the 56% special tax base in the investment year. Further, uplift of 24% on these investments can be deducted in the 56% special tax base in the investment year. The same treatment is applicable until planned production start for projects where a plan for development and operation

(PDO) is filed by the end of 2022 and approved prior to the end of 2023. The tax value of tax losses in 2020 and 2021, deducted for tax refund from exploration expenses, is received in six instalments, of which three in received in the tax year and three is received the following year.

Employee benefits

Pensions

According to Norwegian law, all employees are members of the company's mandatory pension scheme ("obligatorisk tjenestepensjon"). The company's pension scheme is a defined contribution plan where contributions are paid to the pension insurer and charged to the income statement in the period to which the contributions relate. Once the contributions have been paid, there are no further obligations to fund the scheme (as the case may be under a defined benefit plan).

To accommodate for employees working offshore at Draugen retiring at the age of 65 as required by Norwegian law for offshore personnel, the company has established an unfunded defined benefit scheme to cover pension for the 2 years between 65 and 67 which is recognised as pension liability in the balance sheet.

Defined benefit plans are valued at the present value of accrued future pension benefits at each balance sheet date.

The current service cost and interest costs are recognised immediately and is presented as part of the salary and personnel cost in the income statement. Interest cost is calculated by using the discount rate of the liability at the beginning of the period on the net liability. Changes in net pension liability as a result of pension payments have been taken into consideration. The pension costs are recognized as general and administrative expenses in the income statement. Actuarial gains and losses are recognised through other comprehensive income and are not reclassified over profit and loss.

Share-based payment

Warrants and other equity instruments granted to employees are measured by reference to the fair value of the warrants or other equity instruments at the date on which they are granted. The fair value of the warrants or other equity instruments is estimated on the grant date and expensed over the vesting period with a corresponding increase in equity. The vesting period is the period in which the performance conditions are fulfilled, ending on the date on which they become entitled to the award ('vesting date').

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Cash flow statement

The cash flow statement is prepared using the indirect method.

Leases (as lessee)

The company adopted IFRS 16 – Leases from 1 January 2019. IFRS 16 defines a lease as a contract that conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. For each contract that meets this definition, except for short-term leases and leases of low value assets, IFRS 16 requires lessees to recognise a right-of-use asset and a lease liability in the balance sheet with certain exemptions for short term and low value leases. Lease payments are recognised as interest expense and a reduction of lease liabilities, while the right-of-use assets are depreciated over the shorter of the lease term and the assets' useful life. Lease liabilities are measured at the present value of remaining lease payments, discounted using the interest rate implicit in the lease contract, or if this is not available, the company's calculated borrowing rate per lease object. Right-of-use assets are measured at an amount equal to the lease liability at initial recognition. Leasing contracts entered into as an operator of a licence are presented on a gross basis when the contract is signed by the company on behalf of the licence.

Cost of equity transactions

Transaction costs directly attributable to an equity transaction are recognised directly in equity, net of taxes.

Related parties

Parties are considered to be related if one party has the ability to, directly or indirectly, control the other party or exercise significant influence over the party in making financial or operational decisions. Parties are also considered to be related if they are subject to joint or common control.

Transactions between related parties comprise transfers of resources, services or obligations, regardless of whether a price is charged. All transactions between related parties are made based on the principle of 'arm's length', which is the estimated market price.

Events after the balance sheet date

The financial statements are adjusted to reflect events after the balance sheet date that provide evidence of conditions that existed at the balance sheet date (adjusting events). The financial statements are not adjusted to reflect events after the balance sheet date that are indicative of conditions that arose after the balance sheet date (non-adjusting events). Non-adjusting events are disclosed if significant.

New and amended standards and interpretations adopted by the company

New standards and amendments to standards and interpretations effective from 1 January 2020 did not have any significant impact on the financial statements.

New and amended standards and interpretations issued but not adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2021 and have not been applied in preparing these financial statements. None of these new standards and amendments to standards and interpretations are expected to have any significant impact on the company's financial statements.

Note 3. Critical accounting judgements and estimates

The preparation of financial statements requires management to make judgments, use estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenues and expenses.

Although these estimates are based on management's best knowledge of historical experience and current events, actual future results may differ from these estimates. The estimates and the underlying assumptions are reviewed on an ongoing basis.

Currently, the company's most important accounting estimates relate to the following items:

Impairment

The company reviews whether its non-financial assets have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset is written down to its recoverable amount when the recoverable amount is lower than the carrying value of the asset. The recoverable amount is the higher of fair value less expected cost to sell and value in use (present value based on the future use of the asset).

All impairment assessments require a high degree of estimation, including assessments of expected future cash flows from the cash generating unit and the estimation of applicable discount rates. Impairment testing requires long-term assumptions to be made concerning a number of economic factors such as future production levels, market conditions, production expense, discount rates and political risk among others, in order to establish relevant future cash flow estimates. There is a high degree of reasoned judgement involved in establishing these assumptions and in determining other relevant factors.

Goodwill is tested for impairment at each balance sheet date. The term “technical goodwill” is used to describe a category of goodwill arising as an offsetting account to deferred tax recognised in business combinations. There are no specific IFRS guidelines pertaining the allocation of technical goodwill, and management has therefore applied the general guidelines for allocating goodwill for the purpose of impairment testing. The appropriate allocation of goodwill requires management's judgment and may impact the subsequent impairment charge significantly. In general, technical goodwill is allocated to CGU level for impairment testing purposes, while residual goodwill may be allocated across all CGUs based on facts and circumstances in the business combination. When performing the impairment test for technical goodwill, deferred tax recognised in relation to the acquired licences reduces the net carrying value prior to the impairment charges in order to avoid an immediate impairment of all technical goodwill. When deferred tax from the initial recognition decreases, more goodwill is as such exposed for impairment. Going forward, depreciation of values calculated in the purchase price allocation will result in decreased deferred tax liability.

Fair value measurement

From time to time, the fair values of non-financial assets and liabilities are required to be determined. This may include situations when the entity acquires a business, determines allocation of purchase price in an asset deal or where an entity measures the recoverable amount of an asset or CGU at fair value less cost to sell. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value in order to maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The fair value of oil fields in production and development phase is normally based on discounted cash flow models, where the determination of the different input in the model requires significant judgment from management (ref. chapter regarding impairment above).

Asset retirement obligations

Production of oil and gas is subject to statutory requirements relating to decommissioning and removal. Provisions to cover such future asset retirement obligations is recognised at the time the statutory requirement arises, which is defined as when the equipment has been installed or a well has been drilled. The estimates are uncertain and may vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change, for example in response the changes in reserves or changes in laws and regulations or their interpretation. A premise in the estimation for the future obligations is current technology and market conditions. As such, there is also inherent risk related to future developments in technology and market prices. Furthermore, future price levels, market conditions and development in technology can impact the timing of the closing of production and thus the timing of abandonment. The company is reviewing the estimates and assumptions related to asset retirement obligations to ensure the financial statements reflect the company’s best estimate at any reporting date.

Note 4. Segment reporting

The company has identified its reportable segment based on the nature of the risk and return within its business. The company's only business segment is development and production of oil and gas on the Norwegian continental shelf.

Note 5. Operating income

Revenues from crude oil and gas sales:

Amounts in NOK `000	2020	2019
Sale of liquids	1 373 994	2 486 165
Sale of gas	278 317	449 470
Total revenues from crude oil and gas sales	**1 652 311**	**2 935 635**

Sales volumes in boe*	2020	2019
Sale of liquids	4 079 188	5 024 339
Sale of gas	1 729 642	2 086 178
Total sale of petroleum	**5 808 830**	**7 110 517**

Production volumes in boe*	2020	2019
Production of liquids	4 136 945	4 727 480
Production of gas	1 772 976	2 084 515
Total production	**5 909 921**	**6 811 995**

*Barrels of oil equivalents

YME compensation contract breach:

Amounts in NOK `000	2020	2019
YME compensation contract breach	-	22 098
Total	-	**22 098**

On 11 March 2013 Repsol Norge AS as operator for and on behalf of the Yme licence entered into a settlement agreement with Single Buoy Moorings Inc ("SBM") terminating the Yme MOPUstor project for a settlement contribution by SBM to the Yme licence, including termination of the existing agreements hereunder releasing SBM from its delivery obligation related to fabrication and lease of production facilities to be applied at the Yme field, terminating arbitration proceedings and decommissioning of the Yme MOPU. As part of this settlement the parties agreed in that if SBM were to receive any future claim recoveries under its CAR insurance relating to the Yme project, an amount equal to 50% of SBM's net recovery (after deductions for expenses and legal costs) shall be paid by SBM to the Yme partners.

On 10 September 2018 SBM announced full and final settlement of its insurance claim related to the Yme project, after partial settlements had previous been announced by SBM on 17 July 2017, 11 August 2017 and 9 August 2018. NOK 115 million represented OKEA's estimated share of this settlement and was recognized in 2018. In February 2019, the partners agreed on the expenses and legal costs to be deducted. The final amount received was NOK 22 million higher and was recognized in 2019.

Other operating income / loss (-):

Amounts in NOK `000	2020	2019
Gain / loss (-) from commodity derivatives	9 568	-14 819
Tariff income Gjøa	53 237	56 681
Sale of licences*	-	19 971
Joint utilisation of logistics resources at Draugen**	15 107	-
Total other operating income / loss (-)	**77 911**	**61 833**

* In 2019 OKEA completed the sale of 20% interest in PL038D Grevling and 18.57% interest in PL974 Storskrymten to Chrysaor. Effective date for the transactions were 1 January 2019 and 1 March 2019, respectively.

** Relates to joint utilisation of the offshore supply ship "Siem Pride".

Note 6. Production expenses and changes in over/underlift position and production inventory

Production expenses:

Amounts in NOK `000	2020	2019
From licence billings - producing assets	591 305	568 030
From licence billings - assets under construction - various preparations for operation	7 813	-
Other production expenses (insurance, transport)	96 759	140 619
Production expenses	**695 877**	**708 649**
Production expenses	**695 877**	**708 649**
Less: processing tariff income	-53 237	-56 681
Less: joint utilisation of logistics resources	-15 107	-
Less: preparation for operation asset under construction	-7 813	-
Net production expenses	619 721	651 968
Produced volumes (boe)	5 909 921	6 811 995
Production expense NOK per boe*	**104.9**	**95.7**

* Barrels of oil equivalents

Changes in over/underlift positions and production inventory:

Amounts in NOK `000	2020	2019
Changes in over/underlift positions	-77 423	-106 633
Changes in production inventory	94 112	-165 839
Total changes income/loss (-)	**16 690**	**-272 472**

Volumes in boe	2020	2019
Produced volumes	5 909 921	6 811 995
Sold volumes	-5 808 830	-7 110 517
Total changes in boe	**101 091**	**-298 522**

Note 7. Exploration and evaluation expenses

Specification of exploration expense

Amounts in NOK `000	**2020**	**2019**
Share of exploration and evaluation expenses from participation in licences, from billing	74 942	111 270
Share of exploration expenses from participation in licences, dry well write off, from billing	335	113 089
Seismic and other exploration and evaluation expenses, outside billing	21 759	75 087
Total exploration and evaluation expenses	**97 036**	**299 446**

Note 8. Oil and gas properties, buildings, furniture, fixtures and office machines, 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
2020						
Cost at 1 January 2020	3 176 835	1 505 913	92 501	15 056	199 051	4 989 357
Additions	586 539	538 321	-	4 377	59 133	1 188 370
Reclassification from inventory	37 522					37 522
Removal and decommissioning asset	118 084	-6 608				111 476
Disposals					-8 746	-8 746
Transfer of assets						-
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 January 2020	-796 860	-	-4 625	-3 806	-35 653	-840 944
Depreciation for the year	-671 803	-	-4 625	-5 392	-17 584	-699 403
Additional depreciation of IFRS 16 Right-of-use assets*					-18 949	-18 949
Impairment		-730 397				-730 397
Disposals					1 982	1 982
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**
2019						
Cost at 1 January 2019	2 972 297	923 081	92 501	3 428	-	3 991 307
Additions	325 257	527 354	-	11 628	199 051	1 063 290
Removal and decommissioning asset	-120 718	55 478				-65 241
Additions through business combination						-
Disposals						-
Transfer of assets						-
Cost at 31 December 2019	**3 176 835**	**1 505 913**	**92 501**	**15 056**	**199 051**	**4 989 357**
Accumulated depreciation and impairment at 1 January 2019	-118 249	-	-	-22	-	-118 270
Depreciation for the year	-678 611	-	-4 625	-3 785	-16 862	-703 883
Additional depreciation of IFRS 16 Right-of-use assets*					-18 791	-18 791
Impairment	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Accumulated depreciation and impairment at 31 December 2019	**-796 860**	**-**	**-4 625**	**-3 806**	**-35 653**	**-840 944**
Carrying amount at 31 December 2019	**2 379 976**	**1 505 913**	**87 875**	**11 250**	**163 398**	**4 148 413**
Depreciation plan	Unit of Production	**)	Linear	Linear	Linear	
Estimated useful life (years)	N/A		20	3 - 5	2 - 11	

*) Depreciation of IFRS 16 right-of-use assets are presented gross related to leasing contracts entered into as licence operator

**) Depreciation starts when the asset is in production.

Amounts in NOK `000	2021	2022	2023	2024
Planned capital expenditure for existing licences (Work Program and Budget)	585 427	277 772	218 276	90 494

Note 9. 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:

	Oil	**Gas**	**Currency rates**
Year	**USD/boe***	**GBP/therm***	**USD/NOK**
2021	50.9	0.46	8.55
2022	48.7	0.42	8.57
2023	52.8	0.42	8.42
2024	60.3	0.42	8.16
From 2025	65.0	0.43	8.00

Below is an overview of the key assumptions applied in the impairment test as of 31 December 2019:

	Oil	**Gas**	**Currency rates**
Year	**USD/boe***	**GBP/therm***	**USD/NOK**
2020	62.5	0.33	8.76
2021	57.3	0.41	8.74
2022	54.5	0.42	8.72
2023	53.0	0.42	8.68
From 2024	65.0	0.47	8.00

* 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% nominal post tax (2019: 10.0% nominal post tax).

The long-term inflation rate is assumed to be 2.0% (2019: 2.0%).

The valuation of oil and gas properties and goodwill are inherently uncertain due to the judgemental nature of the underlying estimates. This risk has increased due to the current market conditions with rapid fluctuation in supply and demand of oil and gas causing more volatility in prices.

Impairment testing of technical goodwill, ordinary goodwill, fixed assets and right-of-use assets as of 31 December 2020
Based on impairment testing, NOK 1 387 million in impairment charges were recognised in 2020. The impairment loss was recognised to reduce the carrying amount of Oil & Gas properties at Yme of NOK 730 million with an offsetting change in deferred tax of NOK 570 million, "technical" goodwill of the Draugen, Gjøa and Ivar Aasen CGUs of NOK 403 million, and ordinary goodwill of NOK 253 million. The key driver for the impairment of technical goodwill in 2020 was the significant adverse development in oil and gas prices following the Covid-19 pandemic. The key driver for the impairment of ordinary goodwill in 2020 was the drop in market price of the OKEA shares in relation to the market turmoil largely attributable to the Covid-19 pandemic. Note that impairment of goodwill may not be reversed even if the market situation subsequently improves. Impairment of Oil & Gas properties at Yme was primarily driven by increased capital expenditures as well as a revised estimate for start of production.

Impairment testing of technical goodwill, ordinary goodwill, fixed assets and right-of-use assets as of 31 December 2019
Based on impairment testing, NOK 105.4 million in impairment charge was recognised in 2019 for the CGU Gjøa. The impairment loss was driven by lower gas prices and reduced the carrying amount of "technical" goodwill related to the Gjøa acquisition in November 2018. For the CGUs Draugen, Ivar Aasen and Yme, no impairment was recognised in 2019.

Sensitivity analysis 2020
The table below shows what the impairment (pre-tax) would have been in 2020 under various alternative assumptions for key variables in the calculation (assuming all other assumptions remaining constant). The amounts represent the combined impairment for CGUs Gjøa, Draugen, Ivar Aasen and Yme, and ordinary goodwill.

		Alternative calculations of impairment in 2020 (NOK '000)	
Assumptions	**Change**	**Increase in assumption**	**Decrease in assumption**
Oil and gas price	+/- 10%	800 634	1 977 962
Currency rate USD/NOK	+/- 1.0 NOK	1 265 500	1 439 479
Discount rate	+/- 1% point	1 466 409	1 142 634
Inflation rate	+/- 1% point	1 159 071	1 452 144

Sensitivity analysis 2019
The table below shows what the impairment (pre-tax) would have been in 2019 under various alternative assumptions for key variables in the calculation (assuming all other assumptions remaining constant). The amounts represent the combined impairment for CGUs Gjøa, Draugen, Ivar Aasen and Yme, and ordinary goodwill.

		Alternative calculations of impairment in 2019 (NOK '000)	
Assumptions	**Change**	**Increase in assumption**	**Decrease in assumption**
Oil and gas price	+/- 10%	12 603	332 225
Currency rate USD/NOK	+/- 1.0 NOK	87 786	150 709
Discount rate	+/- 1% point	121 210	88 952
Inflation rate	+/- 1% point	85 181	125 033

Note 10. Employee benefit expenses

Specification of employee benefits expenses included in general and administrative expenses

Amounts in NOK `000	2020	2019
Salary expenses	343 400	321 390
Employer's payroll tax expenses	51 161	49 879
Pensions	34 314	31 923
Share based payment	4 487	5 494
Other personnel expenses	5 506	7 481
Gross employee benefits expenses	**438 868**	**416 168**
Number of man-years during the year	209	204
Gross other general and administrative expenses, see note 11	160 498	228 126
Gross general and administrative expenses	**599 366**	**644 294**
Allocated to operated licences	-502 367	-541 732
Reclassified to oil and gas properties under development	-10 286	-
Total general and administrative expenses	**86 713**	**102 562**

Pensions:

The company has a defined contribution pension scheme for all employees which satisfies the statutory requirements in the Norwegian law on required occupational pension (“lov om obligatorisk tjenestepensjon”). In addition, the company has a defined benefit pension plan to cover for the age 65-67 for offshore employees. Reference is made to note 14 for further details.

The company is part of the AFP ("avtalefestet pensjon") scheme and contributes to the AFP pension for all eligible employees in accordance with the AFP regulations.

Compensation to management in 2020: *

Amounts in NOK `000	Salary	Bonus	Pension	Other benefits
Erik Haugane (CEO)	3 916	863	160	20
Anton Tronstad (SVP projects & technology) [1)]	665	200	40	5
Dag Eggan (SVP business performance)	2 624	426	160	20
Tor Bjerkestrand (SVP operations) [3)]	2 940	1 360	160	14
Kjersti Hovdal (SVP controlling & accounting) [2)]	516	426	33	4
Espen Myhra (SVP business development)	2 421	184	160	21
Andrew McCann (SVP subsurface & wells)	2 519	495	160	20
Birte Norheim (CFO) [4)]	2 151	340	127	209
Knut Gjertsen (SVP projects & technology) [5)]	2 260	424	120	1 624
Marit Moen Vik-Langlie (VP legal) [6)]	1 619	407	160	20
Total compensation to management	**21 631**	**5 125**	**1 280**	**1 958**

* Compensation in the form of salaries and bonus is included in the year paid. Other compensation is included as incurred.

[1)] Anton Tronstad, SVP projects & technology and member of the senior management team until 31.03.20.

[2)] Kjersti Hovdal, SVP controlling & accounting and member of the senior management team until 15.03.20.

[3)] Tor Bjerkestrand, the amount in bonus includes NOK 700 000 related to an individual bonus settled by shares.

[4)] Birte Norheim, CFO from 16.03.20. Amount on other benefits include housing expenses.

[5)] Knut Gjertsen, SVP projects & technology from 01.04.20. Amount on other benefits include pension compensation and compensation related to expenses due to change of employer to OKEA.

[6)] Marit Moen Vik-Langlie, VP legal, entered the senior management team 01.01.20.

Erik Haugane (CEO) is entitled to remain an employee of OKEA and receive base salary and pension/insurance/other benefits until end of January 2023. Former employee Knut Evensen is entitled to two years severance pay from the termination of the employment agreement in July 2020. There are no other agreements regarding severance pay on termination of employment for the management or to members of the board of directors.

OKEA has a share bonus scheme for all employees, also including the senior management. The criteria for the share bonus are determined by the board of directors on a yearly basis. The board conducts an annual assessment of the arrangement, determines the achievement of the criteria and sets bonus criteria for the coming year.

OKEA has a long-term incentive scheme for senior management and key employees. In 2020 OKEA issued 438 600 incentive-shares with subscription price of NOK 0.1 per share. The shares are subject to a lock-up period of 12 months.

No loans have been granted and no guarantees have been issued to the management or any member of the board of directors.

Compensation to management in 2019: **

Amounts in NOK `000	Salary	Bonus	Pension	Other benefits
Erik Haugane (CEO)	3 554	742	162	16
Ola Borten Moe (SVP business development) [1)]	1 867	317	124	12
Knut Evensen (SVP finance and IR)[2)]	1 660	2 567	111	11
Anton Tronstad (SVP projects and technology)	2 528	492	168	16
Dag Eggan (SVP business performance)	2 489	598	166	16
Tor Bjerkestrand (SVP operations) [3)]	2 810	1 257	185	37
Kjersti Hovdal (SVP controlling & accounting)	2 428	280	166	16
Espen Myhra (SVP business development) [4)]	717	161	55	5
Andrew McCann (SVP subsurface) [5)]	2 147	160	165	15
Total compensation to management	**20 199**	**6 575**	**1 303**	**145**

** The table shows the compensation paid out to the management in 2019.

[1)] Ola Borten Moe, SVP business development until 01.10.19. Member of the senior management team until then.

[2)] Knut Evensen, SVP finance and IR until 01.09.19 and member of the senior management until then. The amount in bonus includes an amount of NOK 2250 thousand related to completion of the Initial Public Offering.

[3)] Tor Bjerkestrand, the amount in bonus includes NOK 700 thousand related to an individual bonus in shares applicable for 2019 and 2020.

[4)] Espen Myhra, SVP business development entered the senior management team 01.10.19

[5)] Andrew McCann, SVP subsurface from 01.02.2019

Compensation to Board of Directors in 2020: ***

Amounts in NOK `000	Board fees
Chaiwat Kovavisarach (chairman)	578
Henrik Schröder (board member) [1)]	125
Paul Anthony Murray (board member) [2)]	259
Michael William Fischer (board member)	459
Prisana Praharnkhasuk (board member)	459
Finn Haugan (board member)	489
Liv Monica Stubholt (board member)	452
Rune Olav Pedersen (board member)	489
Nicola Gordon (board member)	482
Ida Ianssen Lundh (board member)	145
Anne Lene Rømuld (board member)	459
Jan Atle Johansen (board member)	459
Frank Stensland (deputy board member)	-
Bengt Morten Sangolt (deputy board member)	-
Bjørn Ingar Pettersen (deputy board member)	-
Ragnhild Aas (deputy board member)	314
Total compensation to board of directors	**5 167**

*** The table shows the compensation paid out to the board of directors in 2020.

[1)] Board member until 24.04.2020.

[2)] Board member from 24.04.2020.

Compensation to board of directors in 2019: **

Amounts in NOK `000	Board fees	Incentive shares [2] Value of benefit	Number of shares
Chaiwat Kovavisarach (chairman)	567	557	30 000
Henrik Schröder (board member) [1]	464	-	-
Michael William Fischer (board member)	472	371	20 000
Prisana Praharnkhasuk (board member) [1]	504	371	20 000
Finn Haugan (board member) [5]	351	371	20 000
Liv Monica Stubholt (board member) [5]	314	371	20 000
Rune Olav Pedersen (board member) [5]	239	371	20 000
Nicola Gordon (board member) [5]	425	371	20 000
Ida Ianssen Lundh (board member) [4]	300	371	20 000
Anne Lene Rømuld (board member) [4]	300	371	20 000
Jan Atle Johansen (board member) [4]	300	371	20 000
Frank Stensland (deputy board member) [4]	-	-	-
Bengt Morten Sangolt (deputy board member) [4]	21	-	-
Bjørn Ingar Pettersen (deputy board member) [4]	-	-	-
Ragnhild Aas (deputy board member) [4]	21	-	-
Paul Anthony Murray (board member) [3]	50	-	-
Kaare Gisvold (board member) [3]	50	-	-
Knud Hans Nørve (board member) [3]	50	-	-
Arild Christian Selvig (board member) [3]	50	-	-
Total compensation to board of directors	**4 479**	**3 898**	**210 000**

**** The table shows the compensation paid out to the board of directors in 2019.

[1] Board fee for 2019 was paid in 2020.

[2] In 2019 OKEA issued 210 000 incentive-shares to board members with subscription price of NOK 0.1 per share. The shares were subject to a lock-up period of 12 months.

[3] Board member until 09.05.2019.

[4] Board member from 21.03.2019.

[5] Board member from 05.04.2019.

Share based payment

Amounts in NOK `000	2020	2019
Warrants to employees	1 601	1 597
Incentive-shares to board members	-	3 898
Incentive-shares to management	2 886	
Total share based payment expense	**4 487**	**5 494**

Warrants to employees:
In February 2018, OKEA granted 1 250 000 (125 000 before share split 1:10) equity-settled warrants to employees, each warrant with a exercise price of NOK 17.9 (NOK 179 before share split 1:10) 15 000 of the warrants were exercised in 2019.

Expiry date for the warrants is 1 October 2022. It is a requirement that the employees are still employed by OKEA when exercising the warrants. The assessed fair value at grant date of warrants granted was NOK 5.88 (58.8 before share split 1:10) per warrant. The fair value at grant date was determined using a Black Scholes Model. The most significant inputs and assumptions in determining fair value at grant date was:
- Exercise price NOK 17.9
- Share price at grant date NOK 17.9
- Expected volatility 34.7%
- Risk free interest rate 1.5%
- Term of options 4.5 years

Warrants granted in connection with share based payment owned by management:

	Number of warrants[1)]	Expense recognised
Erik Haugane (CEO)	250 000	320
Ola Borten Moe (prior SVP business development)	250 000	320
Knut Evensen (prior SVP finance and IR)*	250 000	320
Anton Tronstad (prior SVP projects & technology)	250 000	320
Dag Eggan (SVP business performance)	40 000	51
Tor Bjerkestrand (SVP operations)	40 000	51
Other employees*	170 000	218
Total	**1 250 000**	**1 601**

[1)] Warrants owned directly or indirectly by employee.

Overview of outstanding warrants in connection with share based payment:

	2020	2019
Outstanding warrants at 1 January	1 235 000	1 250 000
Warrants granted	-	-
Warrants forfeited	-250 000	-
Warrants exercised	-	-15 000
Warrants expired	-	-
Outstanding warrants at 31 December	**985 000**	**1 235 000**
Of which exercisable	**985 000**	**1 235 000**

Adherence on senior management remuneration policy 2020
The compensation and other benefits in 2020 were in accordance with the guideline on compensation and benefits of senior management in OKEA ASA as adopted by the annual general meeting on 24 April 2020. The general meeting in 2020 passed the following resolutions with regards to the advisor vote of the company's guidelines and the approval of company's guidelines for award of shares as part of the compensation of senior management, respectively:
- *"The general meeting endorses the guidelines for salary and other remuneration for senior management"*
- *"The general meeting approves the Company's guidelines for share based remuneration to senior management, applicable for the members of senior management who participates in the long-term share incentive scheme"*

Note 11. Other operating expenses

Specification of other operating expenses included in general and administrative expenses

Amounts in NOK `000	2020	2019
Technical and IT consultants	89 943	118 595
Administrative consultants	13 109	21 302
Travel expenses	9 021	15 757
Office rentals and other office expenses	11 236	12 189
IT software, hardware and other expenses	37 189	60 283
Gross other general and administrative expenses	**160 498**	**228 126**
Gross employee benefits expenses, see note 10	438 868	416 168
Gross general and administrative expenses	**599 366**	**644 294**
Allocated to operated licences	-502 367	-541 732
Reclassified to oil and gas properties under development	-10 286	-
Total general and administrative expenses	**86 713**	**102 562**

Auditor's fees (ex. VAT)

Amounts in NOK `000	2020	2019
Auditor's fee	1 200	2 579
Other attestation services	721	2 185
Tax advisory	-	-
Other services	23	-
Total auditor's fees	**1 944**	**4 764**

Note 12. Financial items

Amounts in NOK `000	2020	2019
Interest income	4 036	5 037
Unwinding of discount asset retirement receivable	77 450	98 856
Gain on buy-back bond loan	24 074	-
Total finance income	**105 559**	**103 893**
Interest expense and fees to bondholders*	-291 237	-297 882
Capitalised borrowing cost, development projects	124 344	-
Interest expense shareholder loan	-57	-116
Other interest expense	-4 331	-12 300
Unwinding of discount asset retirement obligations	-80 555	-114 944
Other financial expense	-17 071	-19 639
Total finance costs	**-268 907**	**-444 880**
Put/call options, foreign exchange	-	-42 171
Exchange rate gain/loss (-), bond loans	57 171	-3 396
Net exchange rate gain/loss (-), other	94 573	-21 210
Net exchange rate gain/loss (-)	**151 744**	**-66 777**
Net financial items	**-11 604**	**-407 764**

*Interest expense and fees to bondholders in 2020 includes waiver fees and costs relating to reaching agreement with the bondholders in OKEA02 and OKEA03 to amend the bond terms in June of NOK 53.5 million. Reference is made to note 24 for further details.

Interest expense and fees to bondholders in 2019 includes expensed deferred loan costs of NOK 42.5 million in relation to the debt extinguishment of OKEA01. Reference is made to note 24 for further information.

Note 13. Taxes

Income taxes recognised in the income statement

Amounts in NOK `000	2020	2019
Change in deferred taxes current year	-111 946	-72 117
Taxes payable current year	-	-430 778
Tax payable adjustment previous year *	-12 046	117 251
Tax refund current year	752 006	-
Change in deferred taxes previous year *	-	-106 476
Tax refund adjustment previous year	-	1 592
Total income taxes recognised in the income statement	**628 014**	**-490 527**

* The adjustments to current and deferred taxes previous year in 2019 mainly related to underlift and physical inventory balances acquired in the Shell transaction in 2018.

Reconciliation of income taxes

Amounts in NOK `000	2020	2019
Profit / loss (-) before income taxes	**-1 230 740**	**419 396**
Expected income tax at nominal tax rate, 22%	270 763	-92 267
Expected petroleum tax, 56%	689 214	-234 862
Permanent differences, including impairment of goodwill	-504 605	-61 583
Effect of uplift	180 613	47 993
Financial and onshore items	3 429	-162 177
Adjustments previous year and other	-11 401	12 368
Total income taxes recognised in the income statement	**628 014**	**-490 527**
Effective income tax rate	**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 (deferred capital gain)	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
Uplift, offshore 56%	1 548	11 898
Total deferred tax assets / liabilities (-)	-940 558	-830 417
Total deferred tax assets / liabilities (-) recognised	**-940 558**	**-830 417**

Change in deferred taxes

Amounts in NOK `000	2020	2019
Deferred tax income / expense (-)	-111 946	-178 593
Deferred taxes charged to equity	1 805	-1 483
Total change in deferred tax assets	**-110 141**	**-180 076**

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%, providing 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	2020	2019
Tax refund recognised in the income statement	752 006	-
Tax refund recognised on acquisitions of licences	5 522	-
Tax refund received	-461 596	-
Total tax refund	**295 932**	**-**

Amounts in NOK `000	2020	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 occuring every two months with three installments receivable in the second half of 2020 and three installments is receivable in the first half of 2021. This reimbursing of tax losses is a part of the temporary change to the tax regime for oil and gas companies as enacted by the Norwegian Parliament in June 2020 and applies to the income years 2020 and 2021.

Specification of income tax payable

Amounts in NOK `000	2020	2019
Tax payable from business combination	-	-6 479
Tax payable (-) / credit recognised in the income statement	-	-430 778
Tax payable from previous year not settled	-14 207	-14 207
Tax payable from acquisition licence	-	593
Tax payable from equity issues	-	7 167
Advance tax paid	-	149 000
Total income tax payable (-)	**-14 207**	**-294 704**

Amounts in NOK `000	2020	2019
Tax payable year 2018	-14 207	-14 207
Tax payable year 2019	-	-429 498
Advance tax paid for year 2019	-	149 000
Total income tax payable (-)	**-14 207**	**-294 704**

Note 14. Pensions

The company has a defined contribution and a defined benefit pension plans for its employees which satisfies the statutory requirements in the Norwegian law on required occupational pension ("lov om obligatorisk tjenestepensjon").

The defined contribution plan covers all employees. The defined benefit plan covers offshore employees and has 89 active members at year end 2020. The defined benefit plan is to cover for the age 65-67 for offshore employees, as they are required by Norwegian law to retire at the age of 65 offshore. There are no defined funds to meet the liability related to the defined benefit plan.

The details in the tables below pertain to the defined benefit plan.

Pension cost:

Amounts in NOK `000	2020	2019
Service cost - employee benefit	2 322	2 386
Service cost - interest expense	616	672
Total pension related costs	2 938	3 058
Remeasurements pensions, actuarial loss/gain (-) recorded to OCI	2 314	-1 902
Taxes, 78%	-1 805	1 483
Remeasurements pensions, actuarial loss/gain (-), net after tax to OCI	**509**	**-418**

Movement in pension obligations during the year:

Amounts in NOK `000	31.12.2020	31.12.2019
Pension obligations January 1	26 857	25 701
Service cost - employee benefit	2 322	2 386
Service cost - interest expense	616	672
Remeasurements pensions, actuarial loss/gain (-)	2 314	-1 902
Pensions paid	-120	-
Total current provisions	**31 988**	**26 857**

Assumptions:	31.12.2020	31.12.2019
Discount interest rate	1.70 %	2.30 %
Annual projected increase in salary	2.25 %	2.25 %
Annual projected G- regulation	2.00 %	2.00 %
Annual projected regulation of pension	2.00 %	2.00 %

Note 15. Earnings per share

	2020	2019
Net profit / loss (-) attributable to ordinary shares, in NOK `000	-602 726	-71 131
Weighted average number of ordinary shares outstanding basic	102 394 798	92 848 011
Earnings per share (NOK per share)		
- Basic	-5.89	-0.77
- Diluted	-5.89	-0.77

The dilution effect of potentially shares from warrants is not presented in the income statement, as the potentially shares would have reduced loss per share.

Note 16. Goodwill, exploration and evaluation assets

Amounts in NOK `000	Exploration and evaluation assets	Technical goodwill	Ordinary goodwill	Total goodwill
2020				
Cost at 1 January 2020	15 927	1 114 547	416 415	1 530 962
Additions	22 422	-	-	-
Additions through business combination	-	-	-	-
Disposals	-	-	-	-
Expensed exploration expenditures previously capitalised	-	-	-	-
Cost at 31 December 2020	**38 349**	**1 114 547**	**416 415**	**1 530 962**
Accumulated amortisation and impairment at 1 January 2020	-	-105 394	-	-105 394
Amortisation for the year	-	-	-	-
Impairment	-	-403 423	-253 198	-656 621
Disposals	-	-	-	-
Accumulated amortisation and impairment at 31 December 2020	**-**	**-508 818**	**-253 198**	**-762 016**
Carrying amount at 31 December 2020	**38 349**	**605 729**	**163 217**	**768 946**
2019				
Cost at 1 January 2019	6 324	1 114 547	416 415	1 530 962
Additions	9 602	-	-	-
Additions through business combination	-	-	-	-
Disposals	-	-	-	-
Expensed exploration expenditures previously capitalised	-	-	-	-
Cost at 31 December 2019	**15 927**	**1 114 547**	**416 415**	**1 530 962**
Accumulated amortisation and impairment at 1 January 2019	-	-	-	-
Amortisation for the year	-	-	-	-
Impairment	-	-105 394		-105 394
Disposals	-	-	-	-
Accumulated amortisation and impairment at 31 December 2019	**-**	**-105 394**	**-**	**-105 394**
Carrying amount at 31 December 2019	**15 927**	**1 009 152**	**416 415**	**1 425 568**

Note 17. Leasing

The company has entered into operating leases for office facilities. In addition, as operator of the Draugen field, the company has on behalf of the licence entered into operating leases for logistic resources such as supply vessel with associated Remote Operated Vehicle (ROV), base and warehouse for spare parts and hence gross basis of these lease debts are recognised.

Amounts in NOK `000	2020	2019
Lease debt 1 January	163 540	198 400
Additions/disposals lease contracts	52 370	652
Accretion lease liability	9 706	9 988
Payments of lease debt *	-46 380	-45 500
Total lease debt at 31 December	**179 235**	**163 540**

* In 2019, payments of lease debt were classified under under operating activities in the statement of cash flows. This has been reclassified for 2019 to conform presentation to the classification in 2020 as financing activities.

Breakdown of lease debt		
Short-term (within 1 year)	35 257	45 544
Long-term	143 978	117 996
Total lease debt	**179 235**	**163 540**

Future minimum lease payments under non-cancellable lease agreements (undiscounted)

Amounts in NOK `000	31.12.2020	31.12.2019
Within 1 year	35 257	46 030
1 to 5 years	138 727	114 527
After 5 years	94 316	78 838
Total	**268 300**	**239 395**

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

Note 18. Other non-current assets

Amounts in NOK `000	31.12.2020	31.12.2019
Other financial non-current assets at 1 January	2 968 502	2 754 237
Changes in estimates	-16 585	-327 243
Effect of change in the discount rate	-	442 651
Unwinding of discount	77 450	98 856
Total Other non-current assets	**3 029 367**	**2 968 502**

Other non-current assets consist of a receivable from Shell as seller in OKEA's acquisition of Draugen and Gjøa assets in 2018 where the parties agreed that 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 (indemnification asset) 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% (2019: 2.6%).

Note 19. 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 losses on receivables. The receivables mature within 12 months. Approximately 99% of the company's sales revenue recognised in 2020 is from sale to oil companies which are subsidiaries of an international oil company with Standard & Poor's long-term credit rating A+.

** The balance at 31.12.2020 consists of Draugen (MNOK 138), Ivar Aasen (MNOK 45) and Gjøa (MNOK 2).

Note 20. Spare parts, equipment and inventory

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

Note 21. 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 22. Share capital and shareholder information

Number of shares	Ordinary shares	A ordinary shares	Total shares
Outstanding shares at 1.1.2019	7 319 389	901 061	8 220 450
Conversion	901 061	-901 061	-
Share split (1:10)	73 984 050		73 984 050
New shares issued in exchange for cash	19 859 550		19 859 550
Number of outstanding shares at 31 December 2019	**102 064 050**	**-**	**102 064 050**
New shares issued in exchange for cash	438 600		438 600
Number of outstanding shares at 31 December 2020	**102 502 650**	**-**	**102 502 650**
Nominal value NOK per share at 31 December 2020			0.10
Share capital NOK at 31 December 2020			10 250 265

2020:
In 2020 OKEA issued 438 600 incentive-shares to certain members of management at a subscription price of NOK 0.1 per share. The shares are subject to a lock-up period of 12 months. Reference is made to note 10 for further details.

At 31 December 2020, 985 000 equity-settled warrants are still outstanding. Reference is made to note 10 for further details.

2019:
All A ordinary shares were converted to ordinary shares prior to the initial public offering (IPO) and listing on Oslo Stock Exchange in June 2019. The total number of new shares issued in June 2019 was 19 634 550 and consisted of 15 000 000 new shares and 4 634 550 warrants converted to shares in connection with the IPO.

In addition, 225 000 new shares were issued in October 2019 in connection with issue of 210 000 incentive-shares to board members and exercise of 15 000 warrants. At 31 December 2019, 1 235 000 equity-settled warrants were outstanding. Reference is made to note 10 for further details.

Shareholders at 31 December 2020:

Shareholder	Ordinary shares	% Share
BCPR PTE. LTD.	47 477 563	46.32 %
OKEA Holdings Ltd.	20 592 975	20.09 %
Church Bay Trust Co. ltd	6 113 079	5.96 %
SPAREBANK 1 SMN INVEST AS	1 679 760	1.64 %
SJÆKERHATTEN AS	1 473 409	1.44 %
GH HOLDING AS	1 131 495	1.10 %
KØRVEN AS	1 120 344	1.09 %
SALT VALUE AS	1 084 329	1.06 %
JENSSEN & CO AS	1 030 860	1.01 %
LIGNA AS	675 640	0.66 %
SKJEFSTAD VESTRE AS	562 761	0.55 %
TVENGE	500 000	0.49 %
B FINANS AS	499 983	0.49 %
MUST INVEST AS	366 296	0.36 %
JOHAN VINJE AS	353 625	0.34 %
BERGEN KOMMUNALE PENSJONSKASSE	308 600	0.30 %
ESPEDAL & CO AS	304 586	0.30 %
LAPAS AS	285 238	0.28 %
Bernhd. Brekke A/S	253 370	0.25 %
TRIPPEL-L AS	253 270	0.25 %
Other shareholders	16 435 467	16.03 %
Total	**102 502 650**	**100.00 %**

Shares owned directly or indirectly by senior management and board of directors:

	At 31 December 2020		*At 31 December 2019*	
Shareholder	**Ordinary shares**	**% Share**	**Ordinary shares**	**% Share**
Erik Haugane (CEO)	1 271 344	1.24 %	1 050 344	1.03 %
Dag Eggan (SVP business performance)	134 226	0.13 %	93 944	0.09 %
Espen Myhra (SVP business development)	120 124	0.12 %	114 853	0.11 %
Andrew McCann (SVP subsurface & wells)	94 595	0.09 %	34 920	0.03 %
Tor Bjerkestrand (SVP operations)	92 662	0.09 %	28 662	0.03 %
Knut Gjertsen (SVP projects & technology	64 500	0.06 %	-	0.00 %
Birte Norheim (CFO)	58 600	0.06 %	-	0.00 %
Marit Moen Vik-Langlie (VP legal)	55 884	0.05 %	9 184	0.01 %
Chaiwat Kovavisarach (chariman of the board)	30 000	0.03 %	30 000	0.03 %
Ragnhild Aas (deputy board member)	70 752	0.07 %	67 137	0.07 %
Ida Ianssen Lundh (board member)	52 890	0.05 %	48 964	0.05 %
Finn Haugan (board member)	43 535	0.04 %	43 535	0.04 %
Jan Atle Johansen (board member)	36 229	0.04 %	33 121	0.03 %
Anne Lene Rømuld (board member)	35 323	0.03 %	29 573	0.03 %
Prisana Praharnkhasuk (board member)	20 000	0.02 %	20 000	0.02 %
Michael William Fischer (board member)	20 000	0.02 %	20 000	0.02 %
Nicola Carol Gordon (board member)	20 000	0.02 %	20 000	0.02 %
Liv Monica Bargem Stubholt (board member)	20 000	0.02 %	20 000	0.02 %
Rune Olav Pedersen (board member)	20 000	0.02 %	20 000	0.02 %
Frank Stensland (deputy board member)	19 792	0.02 %	11 792	0.01 %
Bengt Morten Sangolt (deputy board member)	10 185	0.01 %	1 219	0.00 %
Bjørn Ingar Pettersen (deputy board member)	6 464	0.01 %	2 209	0.00 %
Total	**2 297 105**	**2.24 %**	**1 699 457**	**1.67 %**

Warrants:

Overview of outstanding warrants:

	2020	2019
Outstanding warrants at 1 January	1 235 000	9 350 160
Warrants exercised (trigger 1 warrants)	-	-4 634 550
Warrants forfeited/cancelled (trigger 2 warrants)	-250 000	-3 465 610
Warrants exercised (ref. note 10)	-	-15 000
Outstanding warrants at 31 December	**985 000**	**1 235 000**

Reference is made to note 10 for information about 1 250 000 warrants granted to employees in connection with share based payment.

Note 23. Asset retirement obligations

Amounts in NOK `000	**2020**	**2019**
Provision at 1 January	4 024 420	3 859 308
Additions	-	-
Changes in estimates	94 891	-536 803
Effects of change in the discount rate	-	586 971
Unwinding of discount	80 555	114 944
Total non-current provisions at 31 December	**4 199 866**	**4 024 420**
Of this:		
Asset retirement obligations	4 189 866	4 014 420
Accrued consideration from acquisitions of interests in licences	10 000	10 000

Asset retirement obligations

Provisions for asset retirement obligations represents 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% (2019: 2%). 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. The reduction compared to 2019 on "Unwinding of discount" is due to asset retirement obligations at year end 2018 was discounted at 3% as opposed to 2% applied at year end 2019 and 2020.

For recovery of costs of decommissioning related to assets acquired from Shell, reference is made to note 18.

Note 24. Interest-bearing loans and borrowings

Amounts in NOK `000	31.12.2020	31.12.2019
Bond loan OKEA02	1 496 934	1 580 454
Bond loan OKEA03	963 331	1 053 636
Capitalised transaction costs bond loan OKEA02	-30 116	-40 301
Capitalised transaction costs bond loan OKEA03	-29 852	-37 219
Total Interest-bearing loans and borrowings	**2 400 297**	**2 556 570**

Changes in 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
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	2020	2019
Bond loans at 1 January	2 556 570	2 528 589
Cash flows:		
Gross proceeds from borrowings	-	1 099 716
Transaction costs	-	-37 559
Repayment/buy-back of borrowings	-120 955	-1 075 572
Total cash flows:	**-120 955**	**-13 415**
Non-cash changes:		
Amortisation of transaction costs	16 127	37 999
Foreign exchange movement	-57 171	3 396
Increased redemption price at maturity to 101%	28 374	-
Gain on buy-back	-24 074	-
Capitalised transaction costs, adjustment previous year	1 425	-
Bond loans at 31 December 2020	**2 400 297**	**2 556 570**

Bond loan OKEA03:
In December 2019, the company completed a refinancing of the USD 120 million bond loan OKEA01 which carried a fixed interest rate of 7.5% p.a. and had a maturity date in November 2020. At the same time, the company issued a USD 120 million secured bond loan OKEA03 which matures in full in December 2024. The loan was issued at a price of 99% of the nominal value and carries a fixed interest rate of 8.75% p.a. with semi-annual interest payments. OKEA01 was settled at a price of 103% of the nominal value.

Bond loan OKEA02:
In June 2018, the company issued a USD 180 million secured bond loan OKEA02 which matures in full in June 2023. The loan carries an interest rate of 3 month LIBOR plus 650 bps p.a. which is payable quarterly. The net proceeds from the bond issue was used to finance the acquisition of interests in the Draugen and Gjøa fields from A/S Norske Shell.

During 2020, the company executed partial buy-back of OKEA02 amounting to a nominal value of USD 14.6 million, of which USD 6.3 million has been cancelled. The buy back was executed at a weighted average discount of 16%.

Financial covenants
During 2020 and 2019, and at 31 December 2020 and 2019, the company was in compliance with the covenants under the bond agreements.

The amended 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 amendments to the bond terms 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 the 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

Security granted
The obligations under OKEA02 and OKEA03 are secured with the following security granted in favour of the Nordic Trustee AS acting on behalf of the bondholders on OKEA02 and OKEA03:

(i) Pledge in the escrow accounts under the bonds and certain other bank accounts of the company;
(ii) Pledge in production licences;
(iii) Pledge in insurances;
(iv) the assignment of claims under the share and purchase agreement for participating interests in the Yme field; and
(v) Pledge in factoring charge.

Note 25. 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	-
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**

The payables all mature within 12 months.

* Reference is made to note 27 for more information about the company's financial risk management.

Note 26. Financial instruments

Financial instruments by category

Year ended 31 December 2020

Financial assets

Amounts in NOK `000	Amortised cost	Fair value through profit or loss	Total carrying amount
Trade and other receivables *	212 423	-	212 423
Cash and cash equivalents	871 210	-	871 210
Total	**1 083 633**	-	**1 083 633**

Financial liabilities

Amounts in NOK `000	Amortised cost	Fair value through profit or loss	Total carrying amount
Trade and other payables *	461 132	7 169	468 301
Interest-bearing loans and borrowings	2 400 297	-	2 400 297
Total	**2 861 429**	**7 169**	**2 868 598**

* Prepaid expenses, VAT receivable, accrued receivables and accrued expenses are not included. Option derivatives are included (at fair value through profit or loss).

Year ended 31 December 2019

Financial assets

Amounts in NOK `000	Amortised cost	Fair value through profit or loss	Total carrying amount
Trade and other receivables *	258 210	786	258 996
Cash and cash equivalents	1 663 478	-	1 663 478
Total	**1 921 688**	**786**	**1 922 473**

Financial liabilities

Amounts in NOK `000	Amortised cost	Fair value through profit or loss	Total carrying amount
Trade and other payables *	844 964	-	844 964
Interest-bearing loans and borrowings	2 556 570	-	2 556 570
Total	**3 401 534**	-	**3 401 534**

* Prepaid expenses, VAT receivable, accrued receivables and accrued expenses are not included. Option derivatives are included (at fair value through profit or loss).

Fair value of financial instruments

It is Management's assessement 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 million at 31 December 2020 (2019: NOK 2,672 million). 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.

Fair values of put/call 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/call options are equal to their carrying amounts.

Note 27. Financial risk management

Overview

The company is exposed to a variety of risks, including credit risk, liquidity risk, interest rate risk, oil and gas price risk and currency risk. This note presents information about the company's exposure to each of the above mentioned risks, and the company's objectives, policies and processes for managing such risks. The note also presents the company's objectives, policies and processes for managing capital.

Credit risk

The company has no significant credit risk. The company's exposure to credit risk for counterparties to default on their payment obligations is considered limited, as sales agreements are only entered into with solid customers and derivative contracts are entered into with reputable counterparties. Cash and cash equivalents at year end are deposits with banks.

Liquidity risk

Liquidity risk is the risk of being unable to settle financial liabilities as they fall due. The company's has taken mitigating actions to ensure that sufficient liquidity is secured under normal as well as extraordinary circumstances. The company conducts detailed cash flow forecasting, including sensitivity analyses on key variables, to meet financial liabilities as they fall due without incurring unacceptable losses or risking damage to the company's reputation.

The table below shows a maturity analysis for financial liabilities:

The cash flow forecast below assumes repayment on the latest date available, even if expected repayment may be earlier.

31.12.2020

Amounts in NOK `000	Carrying amount	Cash Flow	< 1 year	1-5 Year
Trade and other payables	468 301	468 301	468 301	-
Interest-bearing loans and borrowings	2 400 297	2 460 264	-	2 460 264
Interest-bearing loans and borrowings, interest	-	613 399	191 604	421 795
Total financial liabilities	**2 868 598**	**3 541 965**	**659 906**	**2 882 059**

31.12.2019

Amounts in NOK `000	Carrying amount	Cash Flow	< 1 year	1-5 Year
Trade and other payables	844 964	844 964	844 964	-
Interest-bearing loans and borrowings	2 556 570	2 634 090	-	2 634 090
Interest-bearing loans and borrowings, interest	-	942 213	229 692	712 521
Total financial liabilities	**3 401 534**	**4 421 267**	**1 074 657**	**3 346 611**

The table below shows a maturity analysis for financial assets:

31.12.2020

Amounts in NOK `000	Carrying amount	Cash Flow	< 1 year	1-5 Year
Trade and other receivables	212 423	212 423	212 423	-
Cash and cash equivalents	871 210	871 210	871 210	-
Total financial assets	**1 083 633**	**1 083 633**	**1 083 633**	-

31.12.2019

Amounts in NOK `000	Carrying amount	Cash Flow	< 1 year	1-5 Year
Trade and other receivables	258 996	258 996	258 996	-
Cash and cash equivalents	1 663 478	1 663 478	1 663 478	-
Total financial assets	**1 922 473**	**1 922 473**	**1 922 473**	-

Interest rate risk

The company's exposure to interest rate risk relates to the bond loan OKEA02 which carries a floating interest rate of 3 month LIBOR plus 650 bps p.a. The company has no other interest-bearing borrowings with floating interest rate conditions. The bond loan OKEA03 carries a fixed interest rate of 8.75% p.a.

Sensitivity analysis:

Interest rate sensitivity is calculated based on the exposure to interest-bearing debt with floating interest rate conditions at balance sheet date.

2020: If 3 month LIBOR had been 50 basis points higher/lower, the company's profit after tax would have been NOK 5.8 million lower/higher.

2019: If 3 month LIBOR had been 50 basis points higher/lower, the company's profit after tax would have been NOK 6.2 million lower/higher.

Currency risk

The company is exposed to foreign exchange rate risk relating to the value of NOK relative to other currencies, mainly due to product sales in USD and GBP, operational costs in USD, development costs in USD and bond loans in USD.

At 31 December 2020, the company's exposure to exchange rate risk mainly relate to bank deposits and bond loans in USD.

Sensitivity analysis at 31 December 2020:

If NOK was 5% stronger against the USD on 31 December 2020, the company's profit after tax would have been NOK 81.8 million higher.

If NOK was 5% weaker against the USD on 31 December 2020, the company's profit after tax would have been NOK 81.8 million lower.

Sensitivity analysis at 31 December 2019:

If NOK was 5% stronger against the USD on 31 December 2019, the company's profit after tax would have been NOK 67.1 million higher.

If NOK was 5% weaker against the USD on 31 December 2019, the company's profit after tax would have been NOK 67.1 million lower.

Oil and gas price risk

The company's revenue comes from oil and gas sales, which are exposed to fluctuations in the oil and gas price level.

The company 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 is 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 expired in January and April 2021.

Capital management

The overall objective of the company is to ensure that it maintains a strong financial position and healthy capital ratios in order to support its business and maximise shareholder value.

The company manages its capital structure, and makes adjustments to it, in light of changes in economic conditions.

Note 28. Asset acqusitions and sales

During 2020 and 2019, the company completed the following acquisitions and sales in interests in licences on the Norwegian Continental Shelf, accounted for as acquisitions and sales of assets:

Acquisitions:

Year	Licence	Interest	Seller	Effective date	Completion
2020	PL195, PL195B	40 %	Equinor Energy AS	01.01.2020	31.10.2020
2020	PL938	30 %	Neptune Energy Norge AS	01.01.2020	30.11.2020
2019	PL958	50 %	A/S Norske Shell	22.06.2018	28.01.2019

Sales:

Year	Licence	Interest	Buyer	Effective date	Completion
2019	PL038D	20.00 %	Chrysaor Norge AS	01.01.2019	30.11.2019
2019	PL974	18.57 %	Chrysaor Norge AS	01.03.2019	30.11.2019

Note 29. Covid-19

In March 2020, the petroleum industry was faced with an unprecedented combination of a global pandemic coupled with a dramatic fall in oil prices. The pandemic had a significant negative effect on many important industries during 2020, including by travel restrictions and local lockdowns imposed by most countries. These restrictions adversely impacted the world economy and reduced energy consumption and petroleum prices.

At the first signs of this development in the beginning of the year, OKEA management and board commenced a program to assess the implications for the business and to identify and execute mitigating actions. The company put in place a series of strict measures designed to protect employees and ensure full continuity on OKEA operated projects, particularly at the Draugen field. The company has kept most of these measures in place throughout the year, and production at Draugen as well as at the non-operated assets have to a large extent been uninterrupted by the pandemic. There were no Covid-19 infection cases in OKEA's operations or offices in 2020 and the organisation is well prepared to manage the situation if such cases should occur in the future.

At the date of this report, vaccination programs are in progress in Norway and most other countries, and the general outlook appears more optimistic. The business continuity efforts which were put in place during 2020 have resulted in a number of long-term business improvement measures throughout the company's business areas, targeted to make OKEA more resilient to possible future market disruptions.

In response to the pandemic, the Norwegian authorities have implemented a series of relief packages designed to help companies and industries hit particularly hard. One such measure was resolved by the Norwegian Parliament in June 2020, and comprise temporary changes to the petroleum tax regime in order to stimulate increased activity and secure employment and competence in the Norwegian oil services industry. The temporary changes were highly favourable for OKEA's cash position as well as for the financial parameters for qualifying projects. The changes comprise direct expensing of capital expenditure with effect for the 56% special tax basis, an increase in the uplift-rate to 24%, and refund of tax value of losses for the tax years 2020 and 2021. The accelerated depreciation and increase in uplift apply to all investments made in 2020 and 2021 and until planned production start for projects where a plan for development and operation (PDO) is filed by the end of 2022 and approved prior to the end of 2023. The temporary tax regime significantly improves the short- to mid-term cash position of OKEA and is an important contributor in the further development of the company's project portfolio.

The Covid-19 pandemic had a significant effect on OKEA's financial statements in 2020. Below is a summary of these effects, and a reference to the relevant note disclosure with more information:

•Revenues from crude oil and gas sales; the market impact from Covid-19 and the unbalanced supply-demand situation for petroleum products have significantly impacted the market prices for gas and liquids in 2020 compared to prior years. See note 5 for more details regarding the revenue from sale of petroleum products.

•Production expenses; production expenses directly attributable to Covid-19 is estimated to be in the range of NOK 5-10 million for 2020 and mainly comprise overtime cost for offshore personnel. See note 6 for more information regarding production expenses.

•Impairment; OKEA has recognised impairment of goodwill in 2020 mainly due to the fall in petroleum prices. Prices decreased due to Covid-19 and the OPEC price war. See note 9 for a description of the impairment parameters and sensitivities.

•Taxes; the temporary change in the tax regime for oil and gas companies for the income years 2020 and 2021 enacted by the Norwegian Parliament in June 2020 is contributing a positive cash effect for the company as the tax value of tax losses and unused uplift is refunded throughout the year. See note 13 for more information.

•Interest bearing loans and borrowings; The company does not face any bond maturities until 2023 or other refinancing requirements in the short term and has sufficient cash available to withstand a sustained period of low oil prices. The company has complied with all loan covenants through 2020 and does not foresee any issues regarding these covenants during the next year. See note 24 for a description of covenants.

Note 30. Commitments and contingencies

During the normal course of its business, the company may be involved in disputes, including tax disputes. The company has made accruals for probable liabilities related to litigation and claims based on management's best judgment and in line with IAS 37 and IAS 12. Estimated exposures are not significant and no material provision has been recognised or similar.

Minimum work programs

The company is required to participate in the approved work programmes for the licences. Reference is made to note 8 for a specification of future committed capital expenditure.

Liability for damages/insurance

The company's operations involves risk for damages to property, equipment and the environment, including pollution. Installations and operations are covered by an operations insurance policy, including loss of production income insurance, and construction all risk insurance covering assets under development.

Note 31. Related party transactions

Transactions with related parties:

Amounts in NOK `000	2020	2019
Seacrest Capital Group Ltd *	-	-773
BCPR Pte Ltd **	1 020	891
Interest on loan from shareholder OKEA Holdings Ltd	57	116

* Seacrest Capital Group Ltd is the controlling party of OKEA’s shareholder OKEA Holdings Ltd (former majority shareholder).

** BCPR Pte Ltd (Bangchak) is the majority shareholder of OKEA.

Trade and other payables, related parties:

Amounts in NOK `000	31.12.2020	31.12.2019
Seacrest Capital Group Ltd	-	331
BCPR Pte Ltd	-	140
Loan from shareholder OKEA Holdings Ltd	1 314	1 257

Reference is made note 10 for information about compensation to CEO and board of directors.

Note 32. Reserves (unaudited)

Proven and probable reserves

Mill barrels oil equivalents (mmboe)	**2020**	**2019**
Balance at 1 January	49.5	52.4
Production	-5.7	-6.9
Acquisition of reserves	-	-
New developments	-	4.0
Revisions of previous estimates and other changes	-2.2	-0.1
Total reserves at 31 December	**41.6**	**49.5**

Expected reserves represent the company's share of reserves according to the SPE/ WPC/ AAPG/ SPEE Petroleum Resources Management system (SPE - PRMS) published in 2007 and with Oslo Stock Exchange's requirements for the disclosure of hydrocarbon reserves and contingent resources; circular 9/ 2009. The figures represent the best estimate of proven and probable reserves (2P/P50 Base estimate).

Referece is made to the Annual Statement of Reserves (ASR) Report per 31 December 2020 available at www.okea.no/investor/reports/

Note 33. Events after the balance 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.

In February 2021, the board of directors of OKEA announced the appointment of Svein J. Liknes (48) as new CEO of OKEA with effect from 1 June 2021. The founder and current CEO of OKEA, Erik Haugane (68), will retire from the CEO position the same date. Haugane will continue to be associated with the company as advisor to the board. Mr. Liknes comes from the position as VP Special Projects & Due Diligence in Aker BP.

19 February 2021 the acquisition of PL972, containing the Vette discovery, from Repsol Norge AS was approved by the Ministry of Oil & Energy. Completion of the transaction and transfer of operatorship was completed 26 February 2021.

Drilling operations on the Chrysaor-operated Jerv exploration well 15/12-25 commenced in February 2021, targeting a prospect close to the UK border in the southern North Sea in production licence PL973. A 40 meter gas condensate column was discovered in the target reservoir but it was concluded that the remaining resources were insufficient for development due to high pressure depletion. The licence is located directly south of the OKEA-operated Grevling and Storskrymten discoveries. OKEA holds a 30% working interest in the licence.

In March 2021, and pursuant to an authorisation granted by the annual general meeting of 2020, the board of directors resolved to issue a total of 502,700 shares under the long-term retention incentive program to key employees. The shares are subject to a 12-month lock-up period, with an exemption for sales necessary to cover any directly related tax liabilities limited to up to 50% of the shares allocated. The subscription price is NOK 0.10 per share. Total number of outstanding shares in the company following this share issue is 103,005,350.

Confirmation from the board of directors and CEO

Pursuant to the Norwegian Securities Trading Act section 5-5 with pertaining regulations, we confirm that, to the best of our knowledge, the financial statements for the period from 1 January to 31 December 2020 have been prepared in accordance with IFRS as adopted by EU, with such additional information as required by the Norwegian Accounting Act, and give a true and fair view of the company's assets, liabilities, financial position and results of operations.

We confirm that the board of directors' report provides a true and fair view of the development and performance of the business and the position of the company, together with a description of the key risks and uncertainty factors that the company is facing.

Trondheim, 24 March 2021

Chaiwat Kovavisarach Chairman of the board	Paul Anthony Murray Board member
Michael William Fischer Board member	Rune Olav Pedersen Board member
Nicola Carol Gordon Board member	Prisana Praharnkhasuk Board member
Finn Haugan Board member	Anne Lene Rømuld Board member
Jan Atle Johansen Board member	Liv Monica Bargem Stubholt Board member
Ida Ianssen Lundh Board member	Erik Haugane CEO

Reconciliations of alternative performance measures

EBITDA	**2020**	**2019**
Amounts in NOK `000	**12 months**	**12 months**
Profit / loss (-) from operating activities	-1 219 136	827 160
Add: depreciation, depletion and amortisation	699 403	703 883
Add: impairment	1 387 018	105 394
EBITDA	**867 286**	**1 636 437**

EBITDAX	**2020**	**2019**
Amounts in NOK `000	**12 months**	**12 months**
Profit / loss (-) from operating activities	-1 219 136	827 160
Add: depreciation, depletion and amortisation	699 403	703 883
Add: impairment	1 387 018	105 394
Add: exploration expenses	97 036	299 446
EBITDAX	**964 322**	**1 935 883**

Production expense per boe	**2020**	**2019**
Amounts in NOK `000	**12 months**	**12 months**
Production expenses	695 877	708 649
Less: processing tariff income	-53 237	-56 681
Less: joint utilisation of logistics resources	-15 107	-
Less: preparation for operation asset under construction	-7 813	-
Net production expenses	619 721	651 968
Divided by: produced volumes (boe)	5 909 921	6 811 995
Production expense NOK per boe	**104.9**	**95.7**

Profit/loss (-) before tax per share	**2020**	**2019**
Amounts in NOK `000	**12 months**	**12 months**
Profit / loss (-) before income tax	-1 230 740	419 396
Divided by: weigh. average no. of shares	102 394 798	92 848 011
Result before tax per share (NOK per share)	**-12.02**	**4.52**

Earnings per share	**2020**	**2019**
Amounts in NOK `000	**12 months**	**12 months**
Net profit / loss (-) attributable to ordinary shares	-602 726	-71 131
Divided by: weigh. ave. no. of shares - Basic	102 394 798	92 848 011
or. Div. by: weigh. average no. of shares - Diluted	102 394 798	92 848 011
Earnings per share (NOK per share) - Basic	**-5.89**	**-0.77**
Earnings per share (NOK per share) - Diluted	**-5.89**	**-0.77**

Net interest-bearing debt	**2020**	**2019**
Amounts in NOK `000	**12 months**	**12 months**
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 of alternative performance measures

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

EBITDAX is defined as earnings before interest and other financial items, taxes, depreciation, depletion, amortisation, 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.

To the General Meeting of OKEA ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of OKEA ASA, which comprise the statement of financial position as at 31 December 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Company's business activities are largely unchanged compared to last year. We have not identified regulatory changes, transactions or other events that qualified as new key audit matters. As a result of price volatility in the hydrocarbon commodity markets during 2020 and a reduction in the long-term forecasted prices, our audit in 2020 has focussed on the critical estimates assessment of *Impairment of Goodwill and Oil & Gas Properties*, and *Estimation of Asset Retirement Obligations*.

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State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the Key Audit Matter</th></tr>
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Impairment of Goodwill and Oil & Gas properties

OKEA ASA has oil and gas properties with a carrying amount of NOK 3 758 million at 31 December 2020. In addition, the carrying value of goodwill (including technical goodwill) was NOK 769 million at 31 December 2020.

In line with OKEA's accounting policies for impairment of non-financial assets, management has assessed whether there are impairment indicators. Based on identified impairment indicators, an impairment calculation was prepared.

Management's assessment of recoverable amounts of goodwill and oil & gas properties requires estimates and assumptions relating to operational and market factors and involves a significant amount of judgement.

In addition, the calculation of recoverable amounts requires financial modelling of the cash flows related to the cash generating units, which can be inherently complex, and may require use of additional judgement.

Based on the results of the assessment of impairment triggers and the corresponding calculation of recoverable amounts, a total impairment charge of NOK 1 387 million was recognized in 2020. The impairment charges relate to the Yme asset of NOK 730,4 million, technical goodwill on the Draugen, Gjøa and Ivar Aasen fields of NOK 403,4 million, and ordinary goodwill of NOK 253,2 million.

We focussed on this area because goodwill and oil & gas properties constitute a significant share of total assets in the balance sheet, and because the assessment of recoverable amount is complex and involves significant management judgement which may have a direct impact on net profit.

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We assessed management's identification of impairment indicators and agreed that indicators were present. We obtained management impairment calculation as of 31 December 2020. Management's identification of cash generating units were in line with our expectations. For each cash generating unit, including allocated technical goodwill, we assessed the key inputs into the calculation of recoverable amount by:

- comparison of management´s short-term price assumptions against external price forward curves;
- comparison of long-term oil price assumptions against long-term price assumptions communicated by peers and other publicly available sources;
- comparison of hydrocarbon production profiles, proved and probable reserves to updated reserve reports prepared by the external reserves appraiser, AGR Petroleum Services AS (AGR) for 2020;
- comparison of estimated future operating costs and capital expenditures towards information reported by the field operator in the 2020 RNB (reporting to Revised National Budget) numbers;
- benchmarking of inflation and discount rates applied against external market data

The valuation of Oil & Gas properties and goodwill are inherently uncertain due to the judgemental nature of the underlying estimates. This risk has increased due to the current market conditions.

We further assessed the mathematical and methodological integrity of management's impairment models.

For ordinary goodwill, management determined that ordinary goodwill on 31 December 2020 was not impaired. We obtained and considered management's assessment supporting the carrying value of goodwill at 31 December 2020. We also calculated the market capitalization at 31 December 2020 based on the quoted share price and

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Please refer to note 9 for a description of management's assessment of impairment.

considered share price movements since year-end. We found support for the carrying value of oil and properties and ordinary goodwill at 31 December 2020.

We evaluated the appropriateness of the related note disclosures and found that they satisfied IFRS requirements.

Estimation of asset retirement obligations

Asset retirement obligations as of 31 December 2020 was calculated for the operated asset Draugen, and the non-operated assets Gjøa, Yme and Ivar Aasen. As of 31 December 2020, asset retirement obligations represent NOK 4 200 million in the balance sheet and is accounted for as a non-current provision.

The estimation and measurement of asset retirement obligations requires a number of estimates and judgments to be applied. This includes timing of actual cash flows, amount of abandonment costs and discount rate. The timing of removal is also dependent on the reserves estimation and is impacted by the commodity price outlook. The calculation of the asset retirement obligation requires financial modelling of cash flows related to the removal and decommissioning cost. Such modeling can be complex and may require use of additional judgement.

We focused on this area due to the significant value the provision for asset retirement obligations represent in the balance sheet, and the level of management judgement used in determining the provision for asset retirement obligations.

Please refer to note 23 for a description of how management has accounted for the asset retirement obligations.

We obtained management's assessment and model for calculation of asset retirement obligations at 31 December 2020 and held meetings with management to understand the nature and details of the calculation. We found the methodology to be in line with requirements in IFRS.

The decommissioning cost estimates for the non-operated assets are based on the respective Operators cost estimate. We obtained the cost estimate prepared by the external Operators of the non-operated fields from management. We checked that the external cost estimates were included as input in the calculation of the asset retirement obligation for the non-operated fields and challenged assumptions applied.

For the Draugen field, the cost estimate is based on OKEA's internal calculation and assessment. OKEA has involved a multi-discipline project team with professionals from various technical areas. We obtained the internal report "Draugen Annual Asset Retirement Obligations Estimate Report 2020" from management, which documents OKEA's assessment of the cost estimate for Draugen. We tested that the report has been internally reviewed, and quality checked.

OKEA has engaged a third party, to prepare a separate report that enables OKEA to benchmark their internal estimates. We held several meetings with management and obtained an understanding of the different assumptions applied. Further, we benchmarked OKEA's cost estimate towards the cost estimate prepared by the third party.

The calculation of the Draugen cost estimate is based on several cost inputs. We assessed the Draugen cost estimate assumptions applied for reasonableness.

This included, but were not limited to, number of wells to be plugged, rig rates per day, contingency level and level of management cost. We also tested the cash flows model used for calculating the asset retirement obligation and found that the model makes calculations as expected. We received management's assessment of the timing of decommissioning and removal activities for each field. We compared this to the operators estimate as included in the government filing to the Revised National budget for 2020.We benchmarked the inflation rate and the discount rate used in calculation of the asset retirement obligation. Our testing substantiated that management assumptions were fair.

We evaluated and found that the related note disclosures in note 23 to the financial statements were reasonable.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditors Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Stavanger, 24 March 2021
PricewaterhouseCoopers AS

Gunnar Slettebø
State Authorised Public Accountant

OKEA is an oil and gas company contributing to the value creation on the Norwegian continental shelf delivering safe and cost-effective field developments and operational excellence.

OKEA ASA

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