



2021

Q3 Quarterly
report



Photo by: Repsol

okea.no

Third quarter 2021 summary

Highlights

- No serious injuries
- Production of 16,315 (13,210) boepd
- Operating income of NOK 1,026 (607) million
- EBITDA of NOK 797 (311) million
- Profit / loss (-) before tax of NOK 526 (863) million
- Net profit / loss (-) of NOK 97 (200) million
- Cash flow from operations of NOK 470 (643) million
- APA 2021 applications submitted

Important subsequent events:

- Announcement of Yme in operation on 25 October
- Execution of transfer of ownership of Mærsk Inspirer completed in October
- Decision to halt further development of Vette and Grevling/Storskrynten discoveries

(Amounts in parentheses refer to previous quarter)

Financial and operational summary

| | Unit | Q3 2021 | Q2 2021 | Q3 2020 | Full year 2020 |
|---|----------------------------|---------------|---------------|--------------------|----------------------|
| Total operating income | MNOK | 1,026 | 607 | 321 | 1,730 |
| EBITDA ¹⁾ | MNOK | 797 | 311 | 116 | 867 |
| EBITDAX ¹⁾ | MNOK | 834 | 420 | 132 | 964 |
| Profit/loss (-) before income tax | MNOK | 526 | 863 | -527 | -1,231 |
| Net profit / loss (-) | MNOK | 97 | 200 | -19 | -603 |
| Net cash flow from operations | MNOK | 470 | 634 | 374 ³⁾ | 621 ³⁾ |
| Net cash flow from investments | MNOK | -166 | -197 | -327 ³⁾ | -1,044 ³⁾ |
| Net cash flow from financing activities | MNOK | -141 | -77 | -81 | -390 |
| Net interest-bearing debt ¹⁾ | MNOK | 874 | 1,070 | 1,805 | 1,529 |
| | | | | | |
| Net production | Boepd ²⁾ | 16,315 | 13,210 | 13,303 | 16,147 |
| Third-party volumes available for sale ⁴⁾ | Boepd ²⁾ | 165 | 0 | 0 | 0 |
| Over/underlift/inventory adjustments | Boepd ²⁾ | 499 | -162 | 929 | -276 |
| Net sold volume | Boepd ²⁾ | 16,979 | 13,048 | 14,232 | 15,871 |
| Production expense per boe ¹⁾ | NOK/boe | 108.2 | 158.9 | 112.6 | 104.8 |
| Realised liquids price | USD/boe | 67.4 | 63.8 | 32.3 | 36.3 |
| Realised gas price | USD/scm | 0.57 | 0.32 | 0.08 | 0.11 |

¹⁾ Definitions of alternative performance measures are available on page 29 of this report

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

³⁾ Reclassified – reference is made to statement of cash flow for further details

⁴⁾ Compensation volumes received from Duva (tie-in to GjØa) included in Net sold volumes

Financial review

Statement of comprehensive income

Total operating income in the third quarter amounted to NOK 1,026 (607) million, whereof NOK 1,017 (594) million related to revenue from oil and gas sales. Total sold volumes of 1,562 thousand boe were 375 thousand boe higher than previous quarter, mainly due to 31 days of planned shutdown at Gjøa in the previous quarter. Market prices have continued to improve, which resulted in an average realised price for liquids of USD 67.4 (63.8) per boe and an average realised gas price of USD 0.57 (0.32) per standard cubic meter (scm).

Other operating income / loss (-) amounted to NOK 9 (12) million consisting of tariff income at Gjøa of NOK 13 (11) million and income from joint utilisation of logistics resources of NOK 1 (2) million, partly offset by unrealised loss from hedging activities of NOK -5 (-1) million.

Production expenses amounted to NOK 181 (213) million, corresponding to NOK 108.2 (158.9) per boe. The reduction in production expenses compared to previous quarter was mainly due to the planned well intervention campaign at Draugen in May. In addition, the lower production expense per boe was also due to an increase in produced volumes to 16,315 (13,210) boepd due to the above mentioned Q2 shutdown.

Changes in over-/underlift positions and production inventory amounted to NOK 9 (38) million. Sold own produced volumes in the quarter exceeded produced volumes by 449 (-162) boepd. Sold volumes from third-party compensations received from Duva (tie-in to Gjøa) was 165 (0) boepd.

Exploration and evaluation expenses amounted to NOK 37 (109) million, mainly relating to the APA 2021 application process of NOK 9 million, various field evaluation activities of NOK 16 (17) million and expensed previously exploration and evaluation asset related to Grevling/Vette of NOK 5 million following the decision to halt further development of these projects. Exploration and evaluation expenses in the second quarter include cost for the exploration well Ilder in PL973 of NOK 78 million.

Impairment/reversal of impairment amounted to NOK 0 (730) million in the quarter. Second quarter included a full reversal of previous impairments at Yme.

General and administrative expenses amounted to NOK 21 (12) million and represent OKEA's share of costs after allocation to licence activities. The high activity level on operated licences as well as in the project portfolio continued during the quarter, which resulted in a relatively high allocation to licences. Sole OKEA cost increased the net expensed amount compared to previous quarter partly due to ongoing strategy work and similar activities.

Net financial items amounted to NOK -91 (-34) million and mainly consist of NOK -18 (-18) million in interest expense, premium relating to the buy-back of USD 12 million in nominal amount of OKEA02 of NOK 3 (0) million and net foreign exchange loss of NOK -68 (-12) million, mainly related to the bond loans, due to a somewhat weakened NOK compared to USD in the quarter.

Profit / loss (-) before tax amounted to NOK 526 (863) million for the quarter.

Tax expenses (-) / tax income (+) amounted to NOK -429 (-663) million representing an effective tax rate of 82% (77%). The deviation from the expected 78% was mainly due to lower tax rate on onshore and net financial expenses, partly offset by the positive effect of uplift.

Net profit / loss (-) for the third quarter was NOK 97 (200) million. Earnings per share were NOK 0.94 (1.95).

Statement of financial position

Goodwill amounted to NOK 769 (769) million consisting of NOK 606 (606) million in technical goodwill and NOK 163 (163) million in ordinary goodwill.

Oil and gas properties amounted to NOK 4,585 (4,558) million at the end of the quarter. The increase mainly relates to investments in the Yme New Development, Draugen modifications and the Hasselmus project, partly offset by depreciation from producing assets.

Right-of-use assets amounted to NOK 162 (168) million which mainly relates to logistical resources on operated assets and lease of offices.

Other non-current assets amounted to NOK 3,088 (3,069) million which relate to Shell's obligation to cover the decommissioning costs for Draugen and Gjøa.

Total tax refund amounted to NOK 9 (9) million and is the net amount of 2020 tax value of exploration expenditures receivable of NOK 84 million and 2020 residual tax of NOK -75 million.

Cash and cash equivalents amounted to NOK 1,504 (1,346) million. The increase from previous quarter was mainly due to net cash flow from operating activities exceeding cash used in investment activities, interest and bond buy-back payments and payment to Shell as outlined in the section *trade and other payables* below.

Spare parts, equipment and inventory amounted to NOK 227 (231) million whereof NOK 103 (112) million related to oil inventory at Draugen.

Equity amounted to NOK 1,411 (1,313) million, corresponding to an equity ratio of 13% (12%). The increase from previous quarter was due to net profit in the period.

Provisions for asset retirement obligations amounted to NOK 4,253 (4,232) million. The obligation is partly offset by the 3,088 (3,069) million in asset retirement receivable as described in the section "non-current assets".

Interest-bearing loans and borrowings amounted to NOK 2,379 (2,416) million, consisting of the remaining outstanding amounts on the OKEA02 and OKEA03 bonds. The decrease from previous quarter was mainly due to a partial buy-back of a nominal amount equivalent to NOK 105 million of OKEA02, partly offset by unrealised foreign currency loss of NOK 63 million due to a somewhat weakened NOK compared to USD in the quarter.

The lease liability relating to IFRS 16 is split into a non-current liability of NOK 126 (132) million and a current liability of NOK 36 (36) million and represents the liability of the right-of-use assets as described above.

Trade and other payables amounted to NOK 804 (948) million and mainly relate to working capital from joint venture licences, prepayments, and accrued expenses. NOK 159 million of the decrease relate to settlement of a payable to Shell for the unusually large norm price adjustment for the Draugen lifting in May 2020.

Income tax payable was NOK 418 (28) million whereof NOK 392 million relates to accrued tax payable for 2021. Transfer of ownership of Mærsk Inspirer which was effectuated in October will reduce the 2021 tax payable in the fourth quarter.

Statement of cash flows

Net cash flows from operating activities amounted to NOK 470 (634) million, whereof NOK 18 (194) million was net taxes received. Cash received from sales of oil and gas increased by NOK 271 million compared to previous quarter due to the higher petroleum prices and higher sold volumes. The positive effect of increased cash from sales was partly offset by the Shell payment as outlined in section trade and other payables above.

Net cash flows used in investment activities amounted to NOK -166 (-197) million of which investment in oil and gas properties amounted to NOK -166 (-126) million, mainly relating to the Yme New Development, Draugen modifications, and the Hasselmus project. In previous quarter, cash flows used in investment activities included NOK -66 million relating to drilling campaigns in licence PL973.

Net cash flows used in financing activities amounted to NOK -141 (-77) million, of which interest paid amounted to NOK -23 (-68) million. In addition, NOK -108 (0) million was used for a partial buy-back of the OKEA02 bond loan.

Financial risk management

OKEA uses derivative financial instruments to manage exposures to fluctuations in commodity prices. At the date of this report, OKEA has sold forward 10-20% of the net after tax exposure for natural gas prices from October 2021 to January 2022 at terms indicated in the table below.

| Month and year | Volume (therms) | Avg. fixed price (GBp/th) | Share of production (after tax) |
|----------------|-----------------|---------------------------|---------------------------------|
| October 2021 | 300 000 | 182 | 10% |
| November 2022 | 490 000 | 215 | 20% |
| December 2022 | 500 000 | 224 | 20% |
| January 2022 | 230 000 | 265 | 10% |

Operational review

Net production to OKEA in the third quarter was 16,315 (13,210) boepd. The increase from previous quarter was mainly driven by high reliability at both Draugen and Gjøa without any major planned maintenance work in the current quarter compared to 31 days of planned maintenance at Gjøa in the previous quarter.

| | Unit | Q3 2021 | Q2 2021 | Q3 2020 | Full year 2020 |
|---|--------------|---------------|---------------|---------------|----------------|
| Draugen – production reliability ⁵⁾ | % | 97 | 99 | 99 | 99 |
| Draugen – production availability ⁶⁾ | % | 87 | 93 | 76 | 90 |
| Gjøa – production reliability | % | 97 | 100 | 99 | 99 |
| Gjøa – production availability | % | 92 | 66 | 75 | 86 |
| Ivar Aasen – production availability | % | 98 | 95 | 82 | 94 |
| | | | | | |
| Draugen – production | Boepd | 6,735 | 7,128 | 6,654 | 7,774 |
| Gjøa – production | Boepd | 9,348 | 5,828 | 6,390 | 8,059 |
| Ivar Aasen – production | Boepd | 233 | 254 | 259 | 314 |
| Total net production | Boepd | 16,315 | 13,210 | 13,303 | 16,147 |
| Draugen – sold volume | Boepd | 6,548 | 7,030 | 7,450 | 7,923 |
| Gjøa – sold volume | Boepd | 10,214 | 5,984 | 6,728 | 7,610 |
| Ivar Aasen – sold volume | Boepd | 52 | 34 | 54 | 338 |
| Third-party volumes available for sale* | Boepd | 165 | 0 | 0 | 0 |
| Total net sold volume | Boepd | 16,979 | 13,048 | 14,232 | 15,871 |
| Total over/underlift/inventory adj. | Boepd | 499 | -162 | 929 | -276 |

*Compensation volumes from Duva received (tie-in to Gjøa)

Draugen (Operator, 44.56%)

Net production to OKEA from Draugen was 6,735 (7,128) boepd. Production availability was 87% (93%) and production reliability was 97% (99%). The lower production compared to previous quarter was due to installation of the refurbished subsea booster pump, a well maintenance campaign and general field decline. The lower reliability compared to previous quarter was due to challenges with the sea water pump and well integrity challenges related to the A6 platform. Both issues were resolved in the quarter.

A successful well maintenance campaign to change out the X-mas tree on platform well A4 was completed in the beginning of September. Following the well maintenance campaign and the subsea scale squeeze in

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

⁶⁾ **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.

September, all wells are back in production, including the subsea well E1 that has been shut-in due to scaling issues since end of March 2021.

Managing the Covid-19 situation remained a high priority also in the third quarter. OKEA had mitigating measures in place to manage the situation, including multiple testing prior to departure for all offshore personnel.

Gjøa (Partner, 12.00%)

Net production to OKEA from Gjøa in the quarter was 9,348 (5,828) boepd and production reliability was 97% (100%). The Gjøa P1 wells, which came onstream in February 2021, have continued to produce more than initially expected. The Gjøa operator continued applying strict offshore and onshore measures to prevent and limit any consequences in case of Covid-19 contamination.

The Duva field has been successfully tied-in to Gjøa and started producing in August. Duva will contribute with additional volumes over the Gjøa topside and will reduce the production expense per boe due to processing tariff revenues. Gjøa is compensated for the deferred production relating to past shutdown for completing tie-in of Duva, parts of which was received and sold in the third quarter. The remaining balance due from Duva is expected to be settled in Q4 this year. Development of the Nova tie-in is progressing as planned with production start expected in 2022. Once Nova has commenced production Gjøa will be compensated for the deferred production caused by shutdowns for tie-in scope.

Ivar Aasen (Partner, 0.554%)

Net production to OKEA from Ivar Aasen was 233 (254) boepd and production availability was 98% (95%). Despite high availability, production in third quarter was reduced due to a transformer failure at the processing unit Edvard Grieg and less voidage replacement. The transformer failed in September and will reduce production until it is repaired, expected by end of the fourth quarter. The increased oil recovery campaign for 2021 was completed during the quarter and the water injector D-04 was put in operation to increase reservoir pressure.

Development projects

Yme (Partner, 15.00%)

Activities on Yme in the third quarter mainly related to final commissioning and preparation for the production start-up which was announced on 25 October.

Following the successful production startup, the Yme field is expected to produce around 56,000 boepd per day at plateau, with OKEA's share of around 8,400 boepd. Average production over the next 12 months net to OKEA is estimated to 5,600 boepd.

Earlier this year, the Yme licence entered into an agreement to acquire Mærsk Inspirer through a bareboat charter agreement with Havila Sirius AS whereby operator Repsol is taking over the day-to-day operations of the jack-up rig from Maersk Drilling. The transaction was effectuated in October and the re-organisation of operations and ownership of the Mærsk Inspirer is expected to provide significant cost improvement and cash flow benefits in the area of NOK 300 million net after tax to OKEA over the next nine months.

Draugen - Hasselmus (Operator, 44.56%)

As operator of Draugen, OKEA is currently developing the Hasselmus field as a single subsea gas well with direct tie-back to the Draugen platform for further processing and export.

The Final Investment Decision (FID) was made in the Draugen licence in May 2021. Production start-up is planned for Q4 2023 with gross plateau gas production of more than 4,400 barrels of oil equivalents per day.

During the quarter, OKEA entered into several key project contracts. Aker Solutions was awarded the topside scope, SIA (OneSubsea and Subsea 7) the overall Subsea scope and Schlumberger the well design and services. Critical long lead procurement items have been secured by these contracts and will enable planned drilling activities in 2022 and offshore installation activities in 2023.

The Hasselmus project is the first field development project for OKEA as operator and demonstrates OKEA's ability to deliver on its organic growth potential. Hasselmus is an important enabler for the long-term development of Draugen and also supports the potential for Draugen to be an important hub in the area.

Draugen - power from shore (Operator, 44.56%)

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

Concept selection (DG2) was passed in September 2021 in the Draugen licence and in October 2021 in the Njord licence. The concept comprises a 135 km subsea cable from Straum in Trøndelag to the platform.

The power from shore project is scheduled to be ready for operation in 2025 and will reduce the annual CO₂ emissions from Draugen alone by approximately 200,000 tonnes corresponding to a reduction of 95%.

Aurora (Operator, 65.00%)

An appraisal well is currently considered for 2022 to ascertain the commerciality of the Aurora discovery and to test an additional prospect in the licence. The project is working towards a potential FID in 2023 with production start in 2025.

Exploration licences

Licence applications in the Awards in Predefined Areas 2021 round were submitted in September.

The Equinor-operated Ginny exploration well in PL1060 (WI 40%) is expected to be spudded at the end of 2021. Work continues on other exploration licences towards several drill-or-drop decisions in Q1 2022 for wells in the coming years.

Health, safety, and environment (HSE)

OKEA had no personnel injuries, and no accidental spills to environment in our activities in the third quarter. In August, OKEA experienced one serious *potential* incident related a loose rail on a topside deck at Draugen. A thorough investigation is ongoing to identify causes and to gain insights and learning to ensure that such incident or potential incident will not recur.

The strict Covid-19 regime has been maintained in all OKEA's activities and operations until the Norwegian society opened back up late September. OKEA has now adapted its policies to the new regulations.

OKEA always strive to achieve continuous improvement in our activities including good HSE solutions with focus on value creation and reduction of environmental footprint. The most important project in that respect is the Draugen power from shore that expected to reduce the annual CO₂ emissions from Draugen alone by approximately 200,000 tonnes corresponding to a reduction of 95%. Another example is a project to install a battery package for hybrid energy generation at the multipurpose vessel for the Draugen operations (Siem Pride). The new battery package will reduce climate gas emissions from the vessel by 650 tons CO₂ equivalents per year and will also reduce the fuel costs of the vessel by NOK 1.5-2 million per year. Siem Pride, has already been prepared for receiving power when at quay resulting in reduced consumption of fuel, reduced emissions of CO₂, as well as improved air quality and less noise at the quay.

Subsequent events

Decision to halt further development of Vette and Grevling/Storskrynten discoveries

In October, OKEA decided to halt further development of Vette discovery due to insufficient financial robustness in the project. OKEA has also worked to improve the economics of the Grevling/Storskrynten discoveries along with the license partners over the last few years. Although significant reductions in break-even cost have been achieved, it is deemed insufficient to warrant a stand-alone field development. As OKEA was targeting a joint serial development of the Vette discovery together with the Grevling/Storskrynten discoveries, the decision to halt further development of Vette also implies that OKEA is likely to halt further development of Grevling/Storskrynten.

Commencement of production from the Yme field

On 25 October, OKEA announced that the operator Repsol confirmed that production from the Yme field had commenced. Expected recoverable reserves at Yme are estimated to approximately 10 million standard cubic meters of oil - or 63 million barrels - with OKEA's share at 9.4 million barrels of oil. At plateau, the Yme field will produce around 56,000 boepd, with OKEA's share around 8,400 boepd. Average production the next 12 months net to OKEA from the Yme field is estimated to 5,600 boepd.

Earlier this year, the Yme licence entered into an agreement to acquire Mærsk Inspirer through a bareboat charter agreement with Havila Sirius AS and take over the day-to-day operations of the jack-up rig from Maersk Drilling. The transaction was effectuated in October and the re-organisation of operations and ownership of the Mærsk Inspirer is expected to provide significant cost improvement and cash flow benefits in the area of NOK 300 million net after tax to OKEA over the next nine months.

Outlook

Oil prices have continued to strengthen during the third quarter with Brent crude prices trading around USD 85/bbl at the date of this report. This follows the rollout of Covid-vaccines and reopening of economies in North America and Europe, continued strong demand in China, and producer discipline from OPEC+ and US shale which have reduced OECD commercial stock levels below average 2015-2019 levels.

European gas prices have climbed to record high levels and is currently trading above 200 GBp/th. European storage levels are seasonally record low following the cold winter in the Northern Hemisphere 2020/21, high gas demand in Europe and Asia and limited gas supply response from Russia prior to start-up of the Nord Stream 2 pipeline.

Production guiding net to OKEA for 2021 remains unchanged at 15,500-16,500 boepd and is expected to increase to 17,000-18,000 boepd in 2022 following commencement of production from Yme. Capex guiding for 2021 remains unchanged at NOK 600-700 million. The current cash position is strong and the expected increase in volumes combined with higher oil and gas prices and the reorganisation of operations at the Yme field is expected to strengthen OKEA's financial position further.

OKEA has firm plans to participate in drilling of one more exploration well in 2021. The Ginny prospect in PL1060 near Draugen is expected to be drilled at the end of 2021.

In the first half of October, OKEA lifted 632,000 bbl of oil from Draugen. Oil liftings are also expected from Yme in the fourth quarter, but due to uncertainty on timing and volume, further guidance on Yme is not provided for fourth quarter. Quality price differentials to Brent Dated may also be higher for the initial liftings from Yme due to a dated assay, which is expected to narrow as the Yme assay is updated and guide the pricing on future liftings. There are no further liftings from Draugen and have not been informed of any oil liftings from GjØa or Ivar Aasen in the fourth quarter.

OKEA's strategy will be centred around three growth levers:

- actively pursue further value creation in current portfolio,
- pursuing mergers and acquisitions to add new legs to the portfolio, and
- considering organic projects either adjacent to existing hubs or pursuing new hubs, dependent on financial headroom and attractive risk-reward.

OKEA has a clear ambition to deliver competitive shareholder returns driven by solid growth, value creation and capital discipline.

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

Financial statements with notes Q3 2021

Statement of comprehensive income

01.01-30.09 01.01-31.12

| | | Q3 2021 | Q2 2021 | Q3 2020 | 2021 | 2020 | 2020 |
|---|------------|------------------|----------------|-----------------|------------------|-------------------|-------------------|
| | Note | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (audited) |
| Amounts in NOK `000 | | | | | | | |
| Revenues from crude oil and gas sales | 6 | 1 016 933 | 594 468 | 308 438 | 2 147 579 | 1 071 094 | 1 652 311 |
| Other operating income / loss (-) | 6, 24 | 9 463 | 12 252 | 12 648 | 9 602 | 75 346 | 77 911 |
| Total operating income | | 1 026 396 | 606 720 | 321 086 | 2 157 181 | 1 146 440 | 1 730 222 |
| Production expenses | 7 | -180 677 | -212 653 | -153 895 | -569 665 | -506 547 | -695 877 |
| Changes in over/underlift positions and production inventory | 7 | 8 650 | 38 041 | -30 995 | 63 669 | 90 911 | 16 690 |
| Exploration and evaluation expenses | 8 | -36 677 | -108 897 | -16 050 | -254 310 | -53 942 | -97 036 |
| Depreciation, depletion and amortisation | 10 | -179 335 | -143 870 | -146 854 | -495 450 | -520 509 | -699 403 |
| Impairment (-) / reversal of impairment | 10, 11, 12 | - | 730 397 | -572 181 | 730 397 | -1 503 870 | -1 387 018 |
| General and administrative expenses | 13 | -20 745 | -12 039 | -4 195 | -48 796 | -38 342 | -86 713 |
| Total operating expenses | | -408 784 | 290 979 | -924 171 | -574 156 | -2 532 300 | -2 949 358 |
| Profit / loss (-) from operating activities | | 617 612 | 897 698 | -603 085 | 1 583 025 | -1 385 860 | -1 219 136 |
| Finance income | 14 | 19 751 | 19 691 | 26 200 | 59 136 | 82 918 | 105 559 |
| Finance costs | 14 | -43 348 | -41 707 | -39 085 | -119 933 | -221 007 | -268 907 |
| Net exchange rate gain/loss (-) | 14 | -67 754 | -12 480 | 88 769 | -69 821 | -116 660 | 151 744 |
| Net financial items | | -91 350 | -34 496 | 75 884 | -130 619 | -254 748 | -11 604 |
| Profit / loss (-) before income tax | | 526 262 | 863 203 | -527 201 | 1 452 406 | -1 640 608 | -1 230 740 |
| Taxes (-) / tax income (+) | 9 | -429 214 | -662 735 | 508 415 | -1 132 251 | 855 418 | 628 014 |
| Net profit / loss (-) | | 97 048 | 200 468 | -18 786 | 320 154 | -785 190 | -602 726 |
| Other comprehensive income, net of tax: | | | | | | | |
| <i>Items that will not be reclassified to profit or loss in subsequent periods:</i> | | | | | | | |
| Remeasurements pensions, actuarial gain/loss (-) | | - | - | - | - | - | -509 |
| Total other comprehensive income, net of tax | | - | - | - | - | - | -509 |
| Total comprehensive income / loss (-) | | 97 048 | 200 468 | -18 786 | 320 154 | -785 190 | -603 235 |
| Weighted average no. of shares outstanding basic | | 103 005 350 | 102 972 205 | 102 502 650 | 102 828 576 | 102 358 584 | 102 394 798 |
| Weighted average no. of shares outstanding diluted | | 103 005 350 | 102 972 205 | 102 502 650 | 102 828 576 | 102 358 584 | 102 394 798 |
| Earnings per share (NOK per share) - Basic | | 0.94 | 1.95 | -0.18 | 3.11 | -7.67 | -5.89 |
| Earnings per share (NOK per share) - Diluted | | 0.94 | 1.95 | -0.18 | 3.11 | -7.67 | -5.89 |

Statement of financial position

| Amounts in NOK '000 | Note | 30.09.2021 (unaudited) | 30.06.2021 (unaudited) | 31.12.2020 (audited) | 30.09.2020 (unaudited) |
|--|--------|---------------------------|---------------------------|-------------------------|---------------------------|
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Goodwill | 11, 12 | 768 946 | 768 946 | 768 946 | 768 946 |
| Exploration and evaluation assets | 11 | 19 794 | 22 037 | 38 349 | 22 150 |
| Oil and gas properties | 10 | 4 585 287 | 4 558 398 | 3 757 546 | 3 508 702 |
| Buildings | 10 | 79 782 | 80 938 | 83 250 | 84 407 |
| Furniture, fixtures and office equipment | 10 | 11 831 | 12 879 | 10 236 | 9 953 |
| Right-of-use assets | 10 | 161 824 | 168 075 | 179 235 | 126 200 |
| Tax refund, non-current | 9 | - | - | - | 39 704 |
| Other non-current assets | 15 | 3 088 440 | 3 068 749 | 3 029 367 | 3 030 764 |
| Total non-current assets | | 8 715 904 | 8 680 022 | 7 866 930 | 7 590 826 |
| Current assets | | | | | |
| Trade and other receivables | 17, 24 | 714 455 | 533 652 | 513 601 | 451 949 |
| Spareparts, equipment and inventory | 20 | 227 327 | 231 199 | 228 790 | 235 555 |
| Tax refund, current | 9 | 9 368 | 9 368 | 295 932 | 573 268 |
| Cash and cash equivalents | 18 | 1 504 336 | 1 346 099 | 871 210 | 883 238 |
| Total current assets | | 2 455 487 | 2 120 319 | 1 909 534 | 2 144 010 |
| TOTAL ASSETS | | 11 171 391 | 10 800 341 | 9 776 464 | 9 734 836 |
| EQUITY AND LIABILITIES | | | | | |
| Equity | | | | | |
| Share capital | 16 | 10 301 | 10 301 | 10 250 | 10 250 |
| Share premium | | 1 912 462 | 1 912 462 | 1 912 462 | 1 912 462 |
| Other paid in capital | | 19 249 | 18 846 | 11 342 | 10 939 |
| Accumulated loss | | -531 174 | -628 222 | -851 329 | -1 033 284 |
| Total equity | | 1 410 837 | 1 313 386 | 1 082 725 | 900 368 |
| Non-current liabilities | | | | | |
| Asset retirement obligations | 19 | 4 252 714 | 4 231 765 | 4 199 866 | 4 089 385 |
| Pension liabilities | | 34 478 | 33 648 | 31 988 | 29 061 |
| Lease liability | 23 | 125 604 | 131 855 | 143 978 | 99 429 |
| Deferred tax liabilities | 9 | 1 685 649 | 1 627 947 | 940 558 | 741 836 |
| Interest-bearing loans and borrowings | 22, 25 | 2 378 676 | 2 416 204 | 2 400 297 | 2 688 287 |
| Total non-current liabilities | | 8 477 122 | 8 441 419 | 7 716 687 | 7 647 998 |
| Current liabilities | | | | | |
| Trade and other payables | 21, 24 | 803 824 | 947 903 | 890 362 | 988 473 |
| Income tax payable | 9 | 417 971 | 28 213 | 14 207 | 145 704 |
| Lease liabilities - current | 23 | 36 220 | 36 220 | 35 257 | 26 752 |
| Public duties payable | | 25 417 | 33 199 | 37 227 | 25 541 |
| Total current liabilities | | 1 283 433 | 1 045 536 | 977 052 | 1 186 470 |
| Total liabilities | | 9 760 554 | 9 486 954 | 8 693 739 | 8 834 468 |
| TOTAL EQUITY AND LIABILITIES | | 11 171 391 | 10 800 341 | 9 776 464 | 9 734 836 |

Statement of changes in equity

| Amounts in NOK '000 | Share capital | Share premium | Other paid in capital | Accumulated loss | Total equity |
|--|---------------|------------------|-----------------------|-------------------|------------------|
| Equity at 1 January 2020 | 10 206 | 1 912 462 | 6 855 | -248 094 | 1 681 430 |
| Total comprehensive income/loss (-) for the period | - | - | - | -785 190 | -785 190 |
| Share issues, cash | 44 | - | - | - | 44 |
| Share based payment | - | - | 4 085 | - | 4 085 |
| Equity at 30 September 2020 | 10 250 | 1 912 462 | 10 939 | -1 033 284 | 900 368 |
| Equity at 1 October 2020 | 10 250 | 1 912 462 | 10 939 | -1 033 284 | 900 368 |
| Total comprehensive income/loss (-) for the period | - | - | - | 181 955 | 181 955 |
| Share issues, cash | - | - | - | - | - |
| Share based payment | - | - | 402 | - | 402 |
| Equity at 31 December 2020 | 10 250 | 1 912 462 | 11 342 | -851 329 | 1 082 725 |
| Equity at 1 January 2021 | 10 250 | 1 912 462 | 11 342 | -851 329 | 1 082 725 |
| Total comprehensive income/loss (-) for the period | - | - | - | 320 154 | 320 154 |
| Share issues, cash | 50 | - | - | - | 50 |
| Share based payment | - | - | 7 907 | - | 7 907 |
| Equity at 30 September 2021 | 10 301 | 1 912 462 | 19 249 | -531 174 | 1 410 837 |

Statement of cash flows

| | | 01.01-30.09 | | 01.01-31.12 | | | |
|---|------------|------------------|------------------|-----------------|------------------|-----------------|-------------------|
| | | Q3 2021 | Q2 2021 | Q3 2020 | 2021 | 2020 | 2020 |
| | | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (audited) |
| Amounts in NOK `000 | Note | | | | | | |
| Cash flow from operating activities | | | | | | | |
| Profit / loss (-) before income tax | | 526 262 | 863 203 | -527 201 | 1 452 406 | -1 640 608 | -1 230 740 |
| Income tax paid/received | 9 | 18 247 | 194 214 | 153 865 | 309 568 | 4 865 | 169 052 |
| Depreciation, depletion and amortization | 10 | 179 335 | 143 870 | 146 854 | 495 450 | 520 509 | 699 403 |
| Impairment / reversal of impairment | 10, 11, 12 | - | -730 397 | 572 181 | -730 397 | 1 503 870 | 1 387 018 |
| Expensed exploration expenditures temporary capitalised** | 8, 11 | 1 328 | 78 495 | 4 009 | 168 015 | 348 | 335 |
| Accretion asset retirement obligations/receivable | 14, 15, 19 | 1 258 | 1 258 | 774 | 3 775 | 2 331 | 3 106 |
| Interest expense | 14 | 17 886 | 18 493 | 17 463 | 47 900 | 144 377 | 166 950 |
| Loss on financial assets | | - | - | - | - | 10 615 | 10 615 |
| Change in trade and other receivables, and inventory | | -176 931 | -15 074 | 36 479 | -199 749 | 40 189 | -15 710 |
| Change in trade and other payables | | -174 619 | 71 279 | 55 188 | -123 086 | -413 803 | -475 024 |
| Change in foreign exchange bond loans and other non-current items | | 77 606 | 8 579 | -85 871 | 88 429 | 126 794 | -93 596 |
| Net cash flow from / used in (-) operating activities | | 470 373 | 633 921 | 373 742 | 1 512 311 | 299 487 | 621 410 |
| Cash flow from investment activities | | | | | | | |
| Investment in exploration and evaluation assets** | | 915 | -66 345 | -5 313 | -158 867 | -6 571 | -28 280 |
| Investment in oil and gas properties | 10, 14 | -166 002 | -125 751 | -320 536 | -466 779 | -836 085 | -1 000 516 |
| Investment in furniture, fixtures and office machines | 10 | -1 055 | -4 474 | -815 | -7 217 | -2 607 | -4 377 |
| Investment in financial assets | | - | - | - | - | -10 615 | -10 615 |
| Net cash flow from / used in (-) investment activities | | -166 142 | -196 570 | -326 664 | -632 863 | -855 877 | -1 043 788 |
| Cash flow from financing activities | | | | | | | |
| Repayment/buy-back of borrowings, bond loan | 22 | -108 005 | - | -52 826 | -108 005 | -104 516 | -120 955 |
| Interest paid | | -23 442 | -67 567 | -28 331 | -114 827 | -151 786 | -222 715 |
| Payments of lease debt | 23 | -9 090 | -9 090 | -52 | -27 269 | -37 461 | -46 380 |
| Net proceeds from share issues | | 0 | -0 | -0 | 50 | 44 | 44 |
| Net cash flow from / used in (-) financing activities | | -140 536 | -76 657 | -81 209 | -250 051 | -293 720 | -390 006 |
| Net increase/ decrease (-) in cash and cash equivalents | | | | | | | |
| | | 163 695 | 360 694 | -34 131 | 629 397 | -850 109 | -812 383 |
| Cash and cash equivalents at the beginning of the period | | 1 346 099 | 977 925 | 916 958 | 871 210 | 1 663 478 | 1 663 478 |
| Effect of exchange rate fluctuation on cash held* | | -5 458 | 7 480 | 411 | 3 729 | 69 870 | 20 116 |
| Cash and cash equivalents at the end of the period | | 1 504 336 | 1 346 099 | 883 238 | 1 504 336 | 883 238 | 871 210 |

* Effect of exchange rate fluctuation on cash held has in previous periods before Q2-21 been classified under operating activities. From Q2-21 onwards, this has been reclassified to conform presentation to the current quarters classification.

** Expenditure relating to drilling of dry/non-commercial wells has in previous periods before Q2-21 been classified under operating activities. From Q2-21 onwards, the company has classified such expenditure under investment activities. Cash flow from previous periods are reclassified accordingly.

Notes to the interim financial statements

Note 1 General and corporate information

These financial statements are the unaudited interim condensed financial statements of OKEA ASA for the third quarter of 2021.

OKEA ASA ("OKEA" or the "company") is a public limited liability company incorporated and domiciled in Norway, with its main office located in Trondheim. The company's shares are listed on the Oslo Stock Exchange under the ticker OKEA.

OKEA targets to deliver shareholder value through profitable production growth within the current portfolio combined with mergers and acquisitions targeting mid to late-life assets with potential for unlocking upside value.

Note 2 Basis of preparation

The interim accounts have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim accounts do not include all the information required in the annual accounts and should therefore be read in conjunction with the annual accounts for 2020. The annual accounts for 2020 were prepared in accordance with EU's approved International Financial Reporting Standards (IFRS).

The interim financial statements were authorised for issue by the company's board of directors on 27 October 2021.

Note 3 Accounting policies

The accounting policies adopted in the preparation of the interim accounts are consistent with those followed in the preparation of the annual accounts for 2020. New standards, amendments and interpretations to existing standards effective from 1 January 2021 did not have any significant impact on the financial statements.

Note 4 Critical accounting estimates and judgements

The preparation of the interim accounts entails the use of judgements, estimates and assumptions that affect the application of accounting policies and the amounts recognised as assets and liabilities, income and expenses. The estimates, and associated assumptions, are based on historical experience and other factors that are considered as reasonable under the circumstances. The actual results may deviate from these estimates. The material assessments underlying the application of the company's accounting policies, and the main sources of uncertainty, are the same for the interim accounts as for the annual accounts for 2020.

Note 5 Business segments

The company's only business segment is development and production of oil and gas on the Norwegian continental shelf.

Note 6 Income

Breakdown of petroleum revenues

| Amounts in NOK `000 | Q3 2021 | Q2 2021 | Q3 2020 | 01.01-30.09 | | 01.01-31.12 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| | | | | 2021 | 2020 | 2020 |
| Sale of liquids | 650 511 | 445 134 | 261 811 | 1 484 280 | 910 470 | 1 373 994 |
| Sale of gas | 366 423 | 149 334 | 46 627 | 663 299 | 160 624 | 278 317 |
| Total petroleum revenues | 1 016 933 | 594 468 | 308 438 | 2 147 579 | 1 071 094 | 1 652 311 |
| Sale of liquids (boe*) | 1 100 827 | 844 835 | 935 273 | 2 865 568 | 2 789 752 | 4 079 188 |
| Sale of gas (boe*) | 461 233 | 342 549 | 374 099 | 1 251 672 | 1 290 014 | 1 729 642 |
| Total sale of petroleum in boe* | 1 562 060 | 1 187 384 | 1 309 372 | 4 117 240 | 4 079 766 | 5 808 830 |

*Barrels of oil equivalents

Other operating income

| Amounts in NOK `000 | Q3 2021 | Q2 2021 | Q3 2020 | 01.01-30.09 | | 01.01-31.12 |
|--|--------------|---------------|---------------|--------------|---------------|---------------|
| | | | | 2021 | 2020 | 2020 |
| Gain / loss (-) from put/call options, oil | - | -1 378 | -3 420 | -32 766 | 24 213 | 9 568 |
| Gain / loss (-) from forward contracts, gas | -5 312 | - | - | -5 312 | - | - |
| Tariff income Gjøl | 13 393 | 11 217 | 9 171 | 37 697 | 37 667 | 53 237 |
| Joint utilisation of logistics resources | 1 382 | 2 413 | 6 897 | 9 982 | 13 466 | 15 107 |
| Total other operating income/loss (-) | 9 463 | 12 252 | 12 648 | 9 602 | 75 346 | 77 911 |

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

Production expenses

| Amounts in NOK `000 | Q3 2021 | Q2 2021 | Q3 2020 | 01.01-30.09 | | 01.01-31.12 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| | | | | 2021 | 2020 | 2020 |
| From licence billings - producing assets | 167 767 | 184 300 | 129 606 | 501 858 | 433 777 | 591 305 |
| From licence billings - assets under construction - various preparations for operation | 3 483 | 7 682 | - | 16 487 | - | 7 813 |
| Other production expenses (insurance, transport) | 9 426 | 20 671 | 24 289 | 51 320 | 72 770 | 96 759 |
| Total production expenses | 180 677 | 212 653 | 153 895 | 569 665 | 506 547 | 695 877 |

Changes in over/underlift positions and production inventory

| Amounts in NOK `000 | Q3 2021 | Q2 2021 | Q3 2020 | 01.01-30.09 | | 01.01-31.12 |
|--------------------------------------|--------------|---------------|----------------|---------------|---------------|---------------|
| | | | | 2021 | 2020 | 2020 |
| Changes in over/underlift positions | 17 761 | 39 554 | -1 679 | 77 707 | -22 672 | -77 423 |
| Changes in production inventory | -9 111 | -1 513 | -29 316 | -14 039 | 113 582 | 94 112 |
| Total changes income/loss (-) | 8 650 | 38 041 | -30 995 | 63 669 | 90 911 | 16 690 |

Note 8 Exploration and evaluation expenses

| Amounts in NOK '000 | Q3 2021 | Q2 2021 | Q3 2020 | 01.01-30.09 | | 01.01-31.12 |
|---|---------------|----------------|---------------|----------------|---------------|---------------|
| | | | | 2021 | 2020 | 2020 |
| Share of exploration and evaluation expenses from participation in licences excluding dry well impairment, from billing | 26 620 | 27 210 | 9 064 | 74 774 | 48 391 | 74 942 |
| Share of exploration expenses from participation in licences, dry well write off, from billing * | 1 328 | 78 495 | 4 009 | 168 015 | 348 | 335 |
| Seismic and other exploration and evaluation expenses, outside billing | 8 730 | 3 192 | 2 978 | 11 521 | 5 203 | 21 759 |
| Total exploration and evaluation expenses | 36 677 | 108 897 | 16 050 | 254 310 | 53 942 | 97 036 |

* The drilling of exploration well Jerv in licence PL973 was completed in Q1 2021 and concluded non-commercial discovery. The drilling of exploration well Ilder in licence PL973 was completed in Q2 2021 and the well was dry.

Note 9 Taxes

Income taxes recognised in the income statement

| Amounts in NOK '000 | Q3 2021 | Q2 2021 | Q3 2020 | 01.01-30.09 | | 01.01-31.12 |
|--|-----------------|-----------------|----------------|-------------------|----------------|----------------|
| | | | | 2021 | 2020 | 2020 |
| Change in deferred taxes current year | -57 703 | -629 219 | 259 494 | -745 092 | 88 581 | -111 946 |
| Taxes payable current year | -371 511 | -20 405 | - | -391 917 | - | - |
| Tax payable adjustment previous year | - | - | - | - | - | -12 046 |
| Tax refund current year | - | -17 867 | 248 921 | - | 766 837 | 752 006 |
| Tax refund adjustment previous year | - | 4 757 | - | 4 757 | - | - |
| Total taxes (-) / tax income (+) recognised in the income statement | -429 214 | -662 735 | 508 415 | -1 132 251 | 855 418 | 628 014 |

Reconciliation of income taxes

| Amounts in NOK '000 | Q3 2021 | Q2 2021 | Q3 2020 | 01.01-30.09 | | 01.01-31.12 |
|--|-----------------|-----------------|-----------------|-------------------|-------------------|-------------------|
| | | | | 2021 | 2020 | 2020 |
| Profit / loss (-) before income taxes | 526 262 | 863 203 | -527 201 | 1 452 406 | -1 640 608 | -1 230 740 |
| Expected income tax at nominal tax rate, 22% | -115 778 | -189 905 | 115 984 | -319 529 | 360 934 | 270 763 |
| Expected petroleum tax, 56% | -294 707 | -483 393 | 295 232 | -813 347 | 918 741 | 689 214 |
| Permanent differences, including impairment of goodwill | 2 437 | -2 259 | 8 754 | -4 136 | -502 622 | -504 605 |
| Effect of uplift | 33 666 | 28 611 | 55 413 | 96 992 | 157 713 | 180 613 |
| Financial and onshore items | -53 448 | -19 045 | 33 031 | -92 008 | -79 347 | 3 429 |
| Change valuation allowance | -1 384 | -2 637 | - | -6 116 | - | - |
| Adjustments previous year and other | - | 5 893 | - | 5 893 | - | -11 401 |
| Total income taxes recognised in the income statement | -429 214 | -662 735 | 508 415 | -1 132 251 | 855 418 | 628 014 |
| Effective income tax rate | 82 % | 77 % | 96 % | 78 % | 52 % | 51 % |

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

| Amounts in NOK '000 | 30.09.2021 | 30.06.2021 | 31.12.2020 | 30.09.2020 |
|---|-------------------|-------------------|-----------------|-----------------|
| Tangible and intangible non-current assets | -2 865 570 | -2 800 591 | -2 113 571 | -1 754 917 |
| Provisions (net ARO), lease liability, pensions and gain/loss account | 1 297 484 | 1 295 747 | 1 299 894 | 1 151 533 |
| Interest-bearing loans and borrowings | -4 849 | -5 268 | -7 240 | -6 370 |
| Current items (spareparts and inventory) | -113 102 | -118 609 | -122 180 | -137 409 |
| Tax losses carried forward, onshore 22% | 6 116 | 4 732 | 992 | 1 190 |
| Uplift, offshore 56% | 387 | 774 | 1 548 | 4 136 |
| Valuation allowance (uncapitalised deferred tax asset) | -6 116 | -4 732 | - | - |
| Total deferred tax assets / liabilities (-) recognised | -1 685 649 | -1 627 947 | -940 558 | -741 836 |

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

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

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

Specification of tax refund

| Amounts in NOK '000 | 30.09.2021 | 30.06.2021 | 31.12.2020 | 30.09.2020 |
|---------------------------------------|--------------|--------------|----------------|----------------|
| Tax value of exploration expenditures | 84 267 | 84 267 | 85 735 | 39 704 |
| Residual tax value of tax losses | -74 899 | -74 899 | 210 197 | 573 268 |
| Total tax refund | 9 368 | 9 368 | 295 932 | 612 972 |

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

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

Specification of tax payable

| Amounts in NOK '000 | Total |
|---|----------------|
| Tax payable at 1 January 2021 | 14 207 |
| Taxes payable current year | 391 917 |
| Taxes recognised on acquisition of licences | -6 399 |
| Tax refunded related to current year | 18 247 |
| Tax payable at 30 September 2021 | 417 971 |

Note 10 Tangible assets and right-of-use assets

| Amounts in NOK '000 | Oil and gas properties in production | Oil and gas properties under development | Buildings | Furniture, fixtures and office machines | Right-of-use assets | Total |
|--|--------------------------------------|--|----------------|---|---------------------|-------------------|
| Cost at 1 January 2021 | 3 918 980 | 2 037 626 | 92 501 | 19 434 | 249 439 | 6 317 979 |
| Additions | 152 337 | 217 536 | - | 6 162 | 1 340 | 377 375 |
| Reclassification from inventory | 358 | - | - | - | - | 358 |
| Reclassification from exploration | - | 3 008 | - | - | - | 3 008 |
| Removal and decommissioning asset | - | - | - | - | - | - |
| Disposals | - | - | - | -33 | - | -33 |
| Cost at 30 June 2021 | 4 071 675 | 2 258 170 | 92 501 | 25 563 | 250 779 | 6 698 688 |
| Accumulated depreciation and impairment at 1 January 2021 | -1 468 663 | -730 397 | -9 250 | -9 198 | -70 204 | -2 287 711 |
| Depreciation | -302 785 | - | -2 313 | -3 519 | -7 499 | -316 115 |
| Impairment (-) / reversal of impairment | - | 730 397 | - | - | - | 730 397 |
| Disposals | - | - | - | 33 | - | 33 |
| Additional depreciation of IFRS 16 Right-of-use assets presented gross related to leasing contracts entered into as licence operator | - | - | - | - | -5 001 | -5 001 |
| Accumulated depreciation and impairment at 30 June 2021 | -1 771 447 | - | -11 563 | -12 684 | -82 704 | -1 878 398 |
| Carrying amount at 30 June 2021 | 2 300 228 | 2 258 170 | 80 938 | 12 879 | 168 075 | 4 820 290 |
| Cost at 1 July 2021 | 4 071 675 | 2 258 170 | 92 501 | 25 563 | 250 779 | 6 698 688 |
| Additions | 84 271 | 114 944 | - | 1 055 | - | 200 270 |
| Reclassification from inventory | - | - | - | - | - | - |
| Reclassification from exploration | - | - | - | - | - | - |
| Removal and decommissioning asset | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - |
| Cost at 30 September 2021 | 4 155 946 | 2 373 115 | 92 501 | 26 618 | 250 779 | 6 898 958 |
| Accumulated depreciation and impairment at 1 July 2021 | -1 771 447 | - | -11 563 | -12 684 | -82 704 | -1 878 398 |
| Depreciation | -172 326 | - | -1 156 | -2 103 | -3 750 | -179 335 |
| Impairment (-) / reversal of impairment | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - |
| Additional depreciation of IFRS 16 Right-of-use assets presented gross related to leasing contracts entered into as licence operator | - | - | - | - | -2 501 | -2 501 |
| Accumulated depreciation and impairment at 30 September 2021 | -1 943 774 | - | -12 719 | -14 787 | -88 955 | -2 060 234 |
| Carrying amount at 30 September 2021 | 2 212 173 | 2 373 115 | 79 782 | 11 831 | 161 824 | 4 838 724 |

Note 11 Goodwill, exploration and evaluation assets

| Amounts in NOK '000 | Exploration and evaluation assets | Technical goodwill | Ordinary goodwill | Total goodwill |
|--|---|-----------------------|----------------------|-------------------|
| Cost at 1 January 2021 | 38 349 | 1 114 547 | 416 415 | 1 530 962 |
| Additions | 153 383 | - | - | - |
| Additions through business combination | - | - | - | - |
| Reclassification to oil and gas properties under development | -3 008 | - | - | - |
| Expensed exploration expenditures temporarily capitalised | -166 687 | - | - | - |
| Cost at 30 June 2021 | 22 037 | 1 114 547 | 416 415 | 1 530 962 |
| Accumulated impairment at 1 January 2021 | - | -508 818 | -253 198 | -762 016 |
| Impairment | - | - | - | - |
| Accumulated impairment at 30 June 2021 | - | -508 818 | -253 198 | -762 016 |
| Carrying amount at 30 June 2021 | 22 037 | 605 729 | 163 217 | 768 946 |
| Cost at 1 July 2021 | 22 037 | 1 114 547 | 416 415 | 1 530 962 |
| Additions | -915 | - | - | - |
| Additions through business combination | - | - | - | - |
| Reclassification to oil and gas properties under development | - | - | - | - |
| Expensed exploration expenditures temporarily capitalised | -1 328 | - | - | - |
| Cost at 30 September 2021 | 19 794 | 1 114 547 | 416 415 | 1 530 962 |
| Accumulated impairment at 1 July 2021 | - | -508 818 | -253 198 | -762 016 |
| Impairment | - | - | - | - |
| Accumulated impairment at 30 September 2021 | - | -508 818 | -253 198 | -762 016 |
| Carrying amount at 30 September 2021 | 19 794 | 605 729 | 163 217 | 768 946 |

Note 12 Impairment / reversal of impairment

Tangible and intangible assets are tested for impairment / reversal of impairment whenever 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 30 September 2021:

| Year | Oil USD/BOE* | Gas GBP/therm* | Currency rates USD/NOK |
|-----------|-----------------|-------------------|------------------------------|
| 2021 | 76.4 | 2.40 | 8.8 |
| 2022 | 73.0 | 1.48 | 8.8 |
| 2023 | 67.9 | 0.83 | 8.4 |
| From 2024 | 66.3 | 0.48 | 8.0 |

* Prices in real terms

Other assumptions

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

Future capex, opex and abandonment cost are calculated based on the expected production profiles and the best estimate of the related cost. For fair value testing the discount rate applied is 10.0% post tax, unchanged from 2020.

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

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

Based on the company's impairment assessments including calculation of net present value of assets, no impairment of assets, technical and ordinary goodwill or ROU assets was required in the three month period ending on 30 September 2021.

Sensitivity analysis

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

| Assumptions | Change | Alternative calculations of pre-tax impairment/reversal (-) in Q3 2021 (NOK '000) | |
|-----------------------|--------------|---|------------------------|
| | | Increase in assumption | Decrease in assumption |
| Oil and gas price | +/- 10% | - | 296 507 |
| Currency rate USD/NOK | +/- 1.0 NOK | - | 120 897 |
| Discount rate | +/- 1% point | - | - |

Note 13 General and administrative expenses

| Amounts in NOK '000 | Q3 2021 | Q2 2021 | Q3 2020 | 01.01-30.09 | | 01.01-31.12 |
|--|---------------|---------------|--------------|---------------|---------------|---------------|
| | | | | 2021 | 2020 | 2020 |
| Salary and other employee benefits expenses | 111 867 | 116 133 | 95 864 | 348 276 | 298 848 | 438 868 |
| Consultants and other operating expenses | 50 685 | 45 361 | 26 918 | 133 406 | 107 176 | 160 498 |
| Allocated to operated licences | -140 853 | -148 126 | -114 877 | -429 927 | -360 699 | -502 367 |
| Reclassified to oil and gas properties under development | -954 | -1 329 | -3 710 | -2 959 | -6 983 | -10 286 |
| Total general and administrative expenses | 20 745 | 12 039 | 4 195 | 48 796 | 38 342 | 86 713 |

Note 14 Financial items

| Amounts in NOK '000 | Q3 2021 | Q2 2021 | Q3 2020 | 01.01-30.09 | | 01.01-31.12 |
|---|----------------|----------------|----------------|-----------------|-----------------|-----------------|
| | | | | 2021 | 2020 | 2020 |
| Interest income | 60 | - | 98 | 63 | 2 801 | 4 036 |
| Unwinding of discount asset retirement receivable (indemnification asset) | 19 691 | 19 691 | 19 376 | 59 073 | 58 074 | 77 450 |
| Gain on buy-back bond loan | - | - | 6 726 | - | 22 044 | 24 074 |
| Finance income | 19 751 | 19 691 | 26 200 | 59 136 | 82 918 | 105 559 |
| Interest expense and fees to bondholders | -51 100 | -49 560 | -57 248 | -150 209 | -240 620 | -291 237 |
| Capitalised borrowing cost, development projects | 33 214 | 31 067 | 39 784 | 102 309 | 96 243 | 124 344 |
| Interest expense shareholder loan | - | - | - | - | - | -57 |
| Other interest expense | -42 | -331 | -160 | -615 | -945 | -4 331 |
| Unwinding of discount asset retirement obligations | -20 949 | -20 949 | -20 150 | -62 848 | -60 405 | -80 555 |
| Loss on buy-back bond loan | -2 608 | - | - | -2 608 | - | - |
| Other financial expense | -1 862 | -1 933 | -1 311 | -5 962 | -15 280 | -17 071 |
| Finance costs | -43 348 | -41 707 | -39 085 | -119 933 | -221 007 | -268 907 |
| Exchange rate gain/loss (-), bond loans | -63 370 | -9 890 | 78 256 | -71 040 | -216 897 | 57 171 |
| Net exchange rate gain/loss (-), other | -4 383 | -2 590 | 10 513 | 1 219 | 100 237 | 94 573 |
| Net exchange rate gain/loss (-) | -67 754 | -12 480 | 88 769 | -69 821 | -116 660 | 151 744 |
| Net financial items | -91 350 | -34 496 | 75 884 | -130 619 | -254 748 | -11 604 |

Note 15 Other non-current assets

Amounts in NOK '000

| | |
|--|------------------|
| Other non-current assets at 1 January 2021 (Indemnification asset) | 3 029 367 |
| Changes in estimates | - |
| Effect of change in the discount rate | - |
| Unwinding of discount | 59 073 |
| Total other non-current assets at 30 September 2021 | 3 088 440 |

Other non-current assets consists of a receivable from the seller Shell from OKEA's acquisition of Draugen and Gjøa assets in 2018. The parties agreed that the seller Shell will cover 80% of the actual abandonment expenses for the Draugen and Gjøa fields up to a predefined after-tax cap amount of NOK 679 million (2020 value) subject to Consumer Price Index (CPI) adjustment. The present value of the expected payments is recognised as a pre-tax receivable from the seller.

In addition, the seller has agreed to pay OKEA an amount of NOK 399 million (2020 value) subject to a CPI adjustment according to a schedule based on the percentage of completion of the decommissioning of the Draugen and Gjøa fields.

The net present value of the receivable is calculated using a discount rate of 2.6%.

Note 16 Share capital

| Number of shares | Ordinary shares |
|--|--------------------|
| Outstanding shares at 1 January 2021 | 102 502 650 |
| New shares issued during 2021 | 502 700 |
| Number of outstanding shares at 30 September 2021 | 103 005 350 |
| Nominal value NOK per share at 30 September 2021 | 0.1 |
| Share capital NOK at 30 September 2021 | 10 300 535 |

As per 30 September 2021, 945,000 equity-settled warrants are still outstanding. Reference is made to note 10 in the 2020 annual financial statements for further details.

Note 17 Trade and other receivables

| Amounts in NOK '000 | 30.09.2021 | 30.06.2021 | 31.12.2020 | 30.09.2020 |
|---|----------------|----------------|----------------|----------------|
| Accounts receivable and receivables from operated licences* | 81 463 | 67 966 | 67 640 | 48 759 |
| Accrued revenue | 201 213 | 95 831 | 64 807 | 28 633 |
| Prepayments | 19 310 | 20 118 | 30 906 | 14 993 |
| Working capital and overcall, joint operations/licences | 130 316 | 102 191 | 161 392 | 116 577 |
| Underlift of petroleum products | 278 126 | 244 619 | 184 672 | 239 423 |
| VAT receivable | 3 967 | 2 928 | 4 184 | 1 334 |
| Accrued interest income | 60 | - | - | - |
| Fair value put/call options, oil | - | 0 | - | 2 230 |
| Total trade and other receivables | 714 455 | 533 652 | 513 601 | 451 949 |

* There are no accruals for potential losses on receivables.

Note 18 Cash and cash equivalents

Cash and cash equivalents:

| Amounts in NOK '000 | 30.09.2021 | 30.06.2021 | 31.12.2020 | 30.09.2020 |
|--|------------------|------------------|----------------|----------------|
| Bank deposits, unrestricted | 1 093 807 | 1 330 736 | 853 903 | 873 452 |
| Bank deposit, time deposit | 400 000 | - | - | - |
| Bank deposit, employee taxes | 10 529 | 15 363 | 17 307 | 9 786 |
| Total cash and cash equivalents | 1 504 336 | 1 346 099 | 871 210 | 883 238 |

Note 19 Asset retirement obligations

| Amounts in NOK '000 | Total non-current |
|--|-------------------|
| Provision at 1 January 2021 | 4 199 866 |
| Additions | - |
| Reclassified to current provision, see note 21 | -10 000 |
| Changes in estimates | - |
| Effects of change in the discount rate | - |
| Unwinding of discount | 62 848 |
| Total non-current provisions at 30 September 2021 | 4 252 714 |

Asset retirement obligations

Provisions for asset retirement obligations represent the future expected costs for close-down and removal of oil equipment and production facilities. The provision is based on the company's best estimate. The net present value of the estimated obligation is calculated using a discount rate of 2%, unchanged from year end 2020. The assumptions are based on the economic environment at balance sheet date. Actual asset retirement costs will ultimately depend upon future market prices for the necessary works which will reflect market conditions at the relevant time. Furthermore, the timing of the close-down is likely to depend on when the field ceases to produce at economically viable rates. This in turn will depend upon future oil and gas prices, which are inherently uncertain.

For recovery of costs of decommissioning related to assets acquired from Shell, reference is made to note 15.

Note 20 Spareparts, equipment and inventory

| Amounts in NOK '000 | 30.09.2021 | 30.06.2021 | 31.12.2020 | 30.09.2020 |
|--|----------------|----------------|----------------|----------------|
| Inventory of petroleum products | 102 983 | 112 094 | 117 022 | 136 492 |
| Spare parts and equipment | 124 344 | 119 105 | 111 768 | 99 063 |
| Total spareparts, equipment and inventory | 227 327 | 231 199 | 228 790 | 235 555 |

Note 21 Trade and other payables

| Amounts in NOK '000 | 30.09.2021 | 30.06.2021 | 31.12.2020 | 30.09.2020 |
|--|----------------|----------------|----------------|----------------|
| Trade creditors | 18 824 | 12 513 | 46 509 | 8 911 |
| Accrued holiday pay and other employee benefits | 77 600 | 66 204 | 89 595 | 47 850 |
| Working capital, joint operations/licences | 472 605 | 508 337 | 451 217 | 463 073 |
| Overlift of petroleum products | 15 747 | - | - | - |
| Accrued interest bond loans | 27 653 | 4 494 | 5 008 | 29 866 |
| Prepayments from customers | 111 160 | 263 682 | 199 001 | 284 688 |
| Fair value put/call options, oil | - | - | 7 169 | - |
| Fair value forward contracts, gas | 5 312 | - | - | - |
| Loan from shareholder OKEA Holdings Ltd | 1 314 | 1 314 | 1 314 | 1 257 |
| Accrued consideration from acquisitions of interests in licences | 10 000 | 10 000 | - | - |
| Other accrued expenses | 63 609 | 81 360 | 90 550 | 152 828 |
| Total trade and other payables | 803 824 | 947 903 | 890 362 | 988 473 |

Note 22 Interest-bearing loans and borrowings

| Amounts in NOK '000 | OKEA02 | OKEA03 | Total |
|--|------------------|------------------|------------------|
| Bond loans at 1 January 2021 | 1 395 997 | 1 004 299 | 2 400 297 |
| Amortisation of transaction costs | 8 225 | 4 511 | 12 736 |
| Bond buy-back | -105 397 | - | -105 397 |
| Foreign exchange movement | 41 201 | 29 839 | 71 040 |
| Bond loans at 30 September 2021 | 1 340 026 | 1 038 650 | 2 378 676 |

| Amounts in NOK '000 | OKEA02 | OKEA03 | Total |
|--|------------------|------------------|------------------|
| Bond loans at 1 January 2021 | 1 395 997 | 1 004 299 | 2 400 297 |
| Cash flows: | | | |
| Gross proceeds from borrowings | - | - | - |
| Transaction costs | - | - | - |
| Repayment/buy-back of borrowings | -108 005 | - | -108 005 |
| Total cash flows: | -108 005 | - | -108 005 |
| Non-cash changes: | | | |
| Amortisation of transaction costs | 8 225 | 4 511 | 12 736 |
| Foreign exchange movement | 41 201 | 29 839 | 71 040 |
| Loss / gain (-) on buy-back | 2 608 | - | 2 608 |
| Bond loans at 30 September 2021 | 1 340 026 | 1 038 650 | 2 378 676 |

During 2021 the company has been in full compliance with the covenants under the bond agreements.

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

Leverage Ratio covenant:

Shall not exceed:

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

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

The following changes are permanent:

Capital Employment Ratio covenant:

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

Other terms:

- Alignment of the definition of permitted hedging in the OKEA02 bond terms with OKEA03 bond terms
- All call prices are increased by 1%
- Outstanding bonds shall be redeemed at 101% of the nominal amount at the maturity date
- All put prices are increased by 1%
- The company shall not declare or make any dividends or grant any loans or other transfer of value to its shareholders
- Security in any additional tax refund claims if at any time Norwegian law permits this
- Extraordinary put option event on 30 June 2021 for up to 15% of outstanding bonds at 100% of the nominal amount. The exercise period for the put options expired on 4 August 2021 and was not exercised.

Note 23 Leasing

The company has entered into operating leases for office facilities. In addition, the company has entered into operating leases as an operator of the Draugen field for logistic resources such as platform supply vessel with associated remote operated vehicle (ROV), base and warehouse for spare parts.

Amounts in NOK '000

| | |
|--|----------------|
| Lease liability 1 January 2021 | 179 235 |
| Additions/disposals lease contracts | 1 340 |
| Accretion lease liability | 8 518 |
| Payments of lease debt | -27 269 |
| Total lease debt at 30 September 2021 | 161 824 |

Break down of lease liability

| | |
|------------------------------|----------------|
| Short-term (within 1 year) | 36 220 |
| Long-term | 125 604 |
| Total lease liability | 161 824 |

Future minimum lease payments under non-cancellable lease agreements:

| Amounts in NOK '000 | 30.09.2021 |
|---------------------|----------------|
| Within 1 year | 35 804 |
| 1 to 5 years | 128 413 |
| After 5 years | 78 232 |
| Total | 242 449 |

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

Note 24 Derivatives

| Amounts in NOK '000 | 30.09.2021 | 30.06.2021 | 31.12.2020 | 30.09.2020 |
|---|------------|------------|------------|------------|
| Premium commodity contracts | - | 12 585 | 6 653 | 2 825 |
| Unrealised gain/loss (-) commodity contracts included in other operating income / loss(-) | -5 312 | -12 585 | -13 821 | -595 |
| Short-term derivatives included in assets/liabilities (-) | -5 312 | - | -7 169 | 2 230 |

OKEA uses derivative financial instruments to manage exposures to fluctuations in commodity prices. At the end of third quarter 2021, OKEA had outstanding forward contracts for;

- 300 000 therms of gas at a fixed price of GBP 1.82 per therm with expiration in October 2021,
- 270 000 therms of gas at a fixed price of GBP 1.86 per therm with expiration in November 2021, and
- 250 000 therms of gas at a fixed price of GBP 1.88 per therm with expiration in December 2021.

Additional gas forward contracts have been entered after 30 September 2021. At the date of this report, OKEA has sold forward 10-20% of the net after tax exposure for natural gas prices from October 2021 to January 2022.

Note 25 Fair value of financial instruments

It is assessed that the carrying amounts of financial assets and liabilities, except for interest-bearing loans and borrowings, is approximately equal to its fair values. For interest-bearing loans and borrowings, the fair value is estimated to be NOK 2 503 297 thousand at 30 September 2021. The OKEA02 and OKEA03 bond loans are listed on the Oslo Stock Exchange and the fair value is based on the latest quoted market prices (level 1 in the fair value hierarchy according to IFRS 13) as per balance sheet date.

Note 26 Events after the balance sheet date

OKEA has announced that further development of Vette/Grevling is halted. The entire amount from the acquisition of these licences of NOK 5 million previously included in "exploration and evaluation assets" have been expensed in Q3 2021.

On 25 October, an important milestone for OKEA was met as the operator Repsol confirmed having started producing from the Yme field. Expected recoverable reserves in Yme are estimated to approximately 10 million standard cubic meters of oil - or 63 million barrels – with OKEA's share at 9.4 million barrels of oil. Average production the next 12 months net to OKEA from the Yme field is estimated to 5,600 boepd.

Earlier this year, the Yme licence entered into an agreement to acquire Mærsk Inspirer through a bareboat charter agreement with Havila Sirius AS and take over the day-to-day operations of the jack-up rig from Maersk Drilling. The transaction was effectuated in October and the re-organisation of operations and ownership of the Mærsk Inspirer is expected to provide significant cost improvement and cash flow benefits in the area of NOK 300 million net after tax to OKEA over the next nine months.

Alternative performance measures

Reconciliations

| EBITDA | Q3 2021 | Q2 2021 | Q3 2020 | 2021 | 2020 | 2020 |
|---|-----------------|-----------------|-----------------|------------------|-----------------|------------------|
| Amounts in NOK `000 | 3 months | 3 months | 3 months | 9 months | 9 months | 12 months |
| Profit / loss (-) from operating activities | 617 612 | 897 698 | -603 085 | 1 583 025 | -1 385 860 | -1 219 136 |
| Add: depreciation, depletion and amortisation | 179 335 | 143 870 | 146 854 | 495 450 | 520 509 | 699 403 |
| Add: impairment | - | -730 397 | 572 181 | -730 397 | 1 503 870 | 1 387 018 |
| EBITDA | 796 947 | 311 172 | 115 951 | 1 348 078 | 638 519 | 867 286 |

| EBITDAX | Q3 2021 | Q2 2021 | Q3 2020 | 2021 | 2020 | 2020 |
|---|-----------------|-----------------|-----------------|------------------|-----------------|------------------|
| Amounts in NOK `000 | 3 months | 3 months | 3 months | 9 months | 9 months | 12 months |
| Profit / loss (-) from operating activities | 617 612 | 897 698 | -603 085 | 1 583 025 | -1 385 860 | -1 219 136 |
| Add: depreciation, depletion and amortisation | 179 335 | 143 870 | 146 854 | 495 450 | 520 509 | 699 403 |
| Add: impairment / reversal of impairment | - | -730 397 | 572 181 | -730 397 | 1 503 870 | 1 387 018 |
| Add: exploration and evaluation expenses | 36 677 | 108 897 | 16 050 | 254 310 | 53 942 | 97 036 |
| EBITDAX | 833 625 | 420 069 | 132 001 | 1 602 388 | 692 461 | 964 322 |

| Production expense per boe | Q3 2021 | Q2 2021 | Q3 2020 | 2021 | 2020 | 2020 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| Amounts in NOK `000 | 3 months | 3 months | 3 months | 9 months | 9 months | 12 months |
| Productions expense | 180 677 | 212 653 | 153 895 | 569 665 | 506 547 | 695 877 |
| Less: processing tariff income | -13 393 | -11 217 | -9 171 | -37 697 | -37 667 | -53 237 |
| Less: joint utilisation of resources | -1 382 | -2 413 | -6 897 | -9 982 | -13 466 | -15 107 |
| Less: preparation for operation asset under construction | -3 483 | -7 682 | - | -16 487 | - | -7 813 |
| Divided by: produced volumes (boe) | 1 500 961 | 1 202 100 | 1 223 878 | 4 193 131 | 4 422 159 | 5 909 921 |
| Production expense NOK per boe | 108.2 | 158.9 | 112.6 | 120.6 | 103.0 | 104.9 |

| Net interest-bearing debt | 30.09.2021 | 30.06.2021 | 31.12.2020 | 30.09.2020 |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Amounts in NOK `000 | | | | |
| Interest-bearing loans and borrowings | 2 378 676 | 2 416 204 | 2 400 297 | 2 688 287 |
| Less: Cash and cash equivalents | 1 504 336 | 1 346 099 | 871 210 | 883 238 |
| Net interest-bearing debt | 874 340 | 1 070 105 | 1 529 086 | 1 805 048 |

Definitions

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 and evaluation 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.



OKEA targets to deliver shareholder value through profitable production growth within the current portfolio combined with mergers and acquisitions targeting mid to late-life assets with potential for unlocking upside value

OKEA ASA

Kongens gate 8
7011 Trondheim

www.okea.no