Annual report OKEA ASA

2021




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Notice from the chairman

2021 was a year of significant transition for OKEA. The industry saw a gradual recovery during 2021, driven principally by access to vaccines for the Covid-19 virus, which led to an increase in oil and gas prices during the year as governmental policies of lock-down and containment were lifted. The speed of recovery surprised many people and saw Brent crude trading in the 70-80/bbl range for much of the second half of the year. The renewed need for energy, coupled with seasonal impacts on demand, also resulted in a rapid increase in gas prices in the second half of 2021 peaking at approximately 400 pence/therm. The rapid increase in resource prices had a very positive effect on OKEA's financial position.

The company has also had a very strong year operationally. OKEA management established and implemented effective protocols during the year that meant the Draugen field was able to maintain full operations. This, together with the continued excellent operational performance, has been reflected in consistently high levels of uptime at the Draugen field. A final investment decision (FID) was also taken in May to develop the OKEA operated Hasselmus gas discovery, which will be tied back to the Draugen platform. This is consistent with the company's focus on adding value to existing production hubs. Hasselmus will be OKEA's first operated development project and will deliver a gross plateau production of more than 4,400 boepd (2,000 boepd net to OKEA) when production commences in Q4 2023. OKEA is also currently working to mature a concept to deliver power to the Draugen platform from onshore green energy sources, which will have a significant impact on the company's CO2 emissions. The Gjøa field has also delivered consistently high production during the year. The two new wells in the Gjøa P1 segment which came onstream in February have contributed to increased reserves at the field compared to year end 2020 by 2.1 million boe. It was an important milestone for the company when first oil was announced from the Yme field in October. When fully commissioned, Yme is anticipated to produce at a plateau rate of 56 kboepd (8.4 kboepd net to OKEA). The start-up of Yme gives OKEA an additional material production hub and consequently improves the underlying robustness of the company's production base.

The combination of high production volumes and high market prices during 2021 led to OKEA's best financial results since the company was established. In fourth quarter OKEA reported a net after tax profit of NOK 283 million, which was approximately three times of the equivalent period in 2020. This has enabled the company to significantly reduce the net debt and has allowed for buy-back part of the outstanding bonds to reduce the interest cost. OKEA now has a much stronger balance sheet, and considerably greater financial robustness, than 12 months ago.

OKEA has also been able to take advantage of these macro conditions to continue to build its portfolio, notably through the addition of additional 2P volumes and production through asset acquisitions and maturing projects in the portfolio such as Hasselmus and a new well at Draugen. Including the increased equity position in the Ivar Aasen field effective from 1 January 2022, the year-on-year increase in 2P reserves was 16%.

There were some major changes to the OKEA executive management team during the year. Erik Haugane retired as CEO in June and was replaced by Svein J. Liknes. Erik had been the CEO of the company since it was founded and was the principal driver in building the strong and committed team, the portfolio of assets and the culture of delivery which characterises today's "can do attitude" in OKEA. I would like to take this opportunity to personally thank Erik for his passion and commitment in building OKEA to this point. It was a pleasure to work with Erik and I wish him every success in his retirement. I would also like to welcome Svein to the team and look forward to OKEA's successes continuing over the coming years under his leadership. 2021 also saw some changes to the board of directors, with Grethe Moen replacing Liv Monika Stubholt. Grethe brings a wealth of experience to the board, particularly in the area of ESG, and is a valuable addition to the Company. Saowapap Sumeksri also replaced Prisana Praharnkhasuk on the board. I would like to welcome Grethe and Saowapap to the board and thank Liv Monika and Prisana for their contributions over the past few years.

The company has used these changes, together with the rapidly evolving macro environment in which we are operating, as an opportunity to redefine the corporate strategy. In particular, we have reaffirmed our focus on creating value from mid to late-life producing assets on the Norwegian continental shelf, as we are already doing on Draugen. OKEA took over operatorship of the Draugen field from Shell in 2018 and, since then, has consistently demonstrated that it has the operational and commercial strength and depth to become Norway's leading operator of late life assets. The operational efficiencies that OKEA can bring to these late life projects can reduce production costs and make the company more robust. Importantly, it will allow us to take advantage of periods of high resource pricing, such as we are seeing at the present time, to deliver strong profitability and shareholder returns. We also took the decision to limit OKEA's participation in smaller, more marginal fields. Going forward, we will mainly focus on those which are clearly commercially supportable, and which are within tieback distance to existing and preferably operated infrastructure. This resulted in the termination of the Vette and Grevling projects and I believe that this evolution of strategy will result in a more robust and profitable company. Going forward, we will focus our efforts on identifying and pursuing inorganic growth opportunities where we believe that OKEA can add value without compromising the company's financial strength.

Notwithstanding these changes, we have continued to maintain our focus on environment, social and governance matters (ESG). The board of directors continues to take its responsibilities in this area very seriously and we believe that this will constitute an increasingly important element of OKEA's "licence to operate" in the future. We believe that substantial value can still be realised from late-life assets, which will naturally have higher emissions/barrel metrics than younger fields, but it will be important for us to minimise these emissions through effective field management processes and innovative technical solutions. We have also continued to develop and implement strong corporate governance policies to assure that OKEA continues to be an attractive, safe and fair place to work.

The solid operational and financial performance has also resulted in a doubling of the share price over the year and a cash position that is substantially higher than we had anticipated at the beginning of the year. We consequently move into 2022 with a very strong position to take advantage of a range of growth opportunities, both organic and inorganic, which will allow the continued evolution of the company. The company has also an ambition to announce a dividend plan in 2022, which will mark an important new stage of the company's development and equity story.

Finally, I would like to thank the board of directors, the OKEA management team and all OKEA employees for their ongoing commitment and support. I must also thank OKEA's shareholders, bondholders, and other stakeholders for their continued confidence in the company and look forward to continued success during 2022.

Signed

Board of directors' report

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The board of directors

Chaiwat Kovavisarach – chairman of the board

Non-executive.

Chaiwat Kovavisarach (born 1966) has been the President and Group CEO of Bangchak Corporation Public Company Limited since 2015. He also serves on the board of several listed and non-listed companies including, vice-chairman of BCPG and Director of BBGI, and is the chairman of Thai-Europe Business Council, chairman of Innovation Institute for Industry vice chairman of the Federation of Thai industries, the executive chairman of the Board of Trustees of the Asian Institute of Technology and a Director of the International Chamber of Commerce for Thailand. 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).

Mike Fischer – board member

Non-executive. Member of the people and organisation committee and member of sustainability and technical risk committee.

Mike Fischer (born 1958) has nearly 40 years' experience in the oil and gas industry. He is currently an Executive Advisor to the Natural Resources business unit of Bangchak. 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 sustainability and technical risk committee.

Nicola Gordon (born 1957) has many years of experience from the energy industry. Ms. Gordon holds several board positions, among others as Chair of the audit committee at the Scottish Environment Protection Agency and on Heriot-Watt University's Institute of GeoEnergy Engineering's Strategy Advisory Board. Gordon's experience at the Royal Dutch Shell Group includes vice president for Shell International, 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 people and organisation committee and member of audit committee

Finn Haugan (born 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 Sørøst-Norge. Furtheron he holds the position as chairperson for the non-listed companies Forte Asset Management AS, Sinkaberg Hansen AS, Elekt AS and Solon Eiendom AS and as deputy chairperson for LL Holding AS. Mr Haugan holds a master's degree in business administration (MBA).

Jan Atle Johansen – board member

Member of the sustainability and technical risk committee.

Jan Atle Johansen (born 1969) has 25 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.

John Kristian Larsen – board member

Employee elected. Member of the audit committee.

John Kristian Larsen (born 1978) has 20 years of experience from the oil and gas industry in Norway. He currently serves as Lead Integrity and Intervention Engineer at OKEA. He has previously held most positions on- and offshore within Drilling and Wells for Norsk Hydro, Statoil, Det norske and AkerBP. He holds an MSc in Petroleum Engineering from Norwegian University of Science and Technology (NTNU), including an exchange year at UNSW, Sydney.

Grethe Moen – board member

Independent, non-executive. Member of people and organisation committee.

Grethe Moen (born 1960) has close to 40 years of experience in leadership positions within the oil, gas and energy industry, including 25 years (1982-2007) with Equinor (Statoil) and four years (2007-2011) with Shell Europe. From 2013 to 2021, she served as CEO of Petoro AS, the Norwegian State-owned oil company managing the State Direct Financial Interest in Joint Ventures (SDFI/SDØE), and previously as Vice President of Petoro from 2011 to 2013. She is currently member of the boards of NEO Energy (UK) and TGS-NOPEC ASA and chair of the board of Trolltunga Robotics as well as member of the boards of the technology companies Ideation, toCircle, Exedra and ThinkTank Maths Norway. She is also member of the Advisory Board to DNV's Cyber Security Business and Business Development Advisor to Accenture. Mrs Moen holds a master's degree in Chemical Engineering from NTNU.

Paul Murray – board member

Non-executive. Member of the sustainability and technical risk committee.

Paul Murray (born 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 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.

Anne Lene Rømuld – board member

Employee elected. Member of the people and organisation committee.

Anne Lene Rømuld (born 1971) has 25 years of oil & gas industry experience. She currently serves as Principal 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.

Saowapap Sumeksri – board member

Non-executive. Member of the audit committee.

Saowapap Sumeksri (born 1968) has 25+ years of experience in finance from the oil and gas industry. She is currently the executive vice president Financial Controller at Bangchak Corporation Public Company Limited. Ms. Sumeksri also serves as a board member at Winnonie Company Limited, a green energy innovator. She has extensive experience in funding with various types of financial instruments. She holds an MBA from West Coast University USA and a BBA from Chulalongkorn University.

Board of directors' report 2021

2021 was a strong year for OKEA. Production reliability and availability were high at both the Draugen and Gjøa fields. In addition, production from the Repsol-operated Yme field started in October, adding new volumes, and OKEA's position in the Ivar Aasen field was strengthened through the acquisition of an additional 2.223% working interest from Neptune Energy in November. Supported by strong oil prices and record high European gas prices, OKEA's financial position has strengthened significantly during the year. The total liquidity position[1] exceeded NOK 2.2 billion by year-end and OKEA is in a solid position to execute on the growth strategy launched in October.

1.0. Description of the company

OKEA is a leading mid-to late-life operator on the Norwegian continental shelf (NCS). The company has a strong asset portfolio including the Draugen field, which is operated by OKEA, as well as non-operated positions in the Gjøa, Ivar Aasen and Yme fields. In 2021, the portfolio produced an average of 15,530 boepd and the target production for 2022 is 18,500-20,000 boepd. Furthermore, OKEA has activities in projects under development, including the Hasselmus gas discovery and Draugen power from shore, as well as discoveries being evaluated for development and exploration licences with planned and possible wells.

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

As an operator on the NCS, OKEA carries out various activities 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 contributes to this work in a highly collaborative team effort, working closely with our third-party contractors and licence partners.

Environmental, social and governance (ESG) matters are of significant importance to the board of directors. Continuous focus on reducing emissions is essential for the company's licence to operate as well as enabling long-term value creation for the shareholders.

[1] **Total liquidity position** = cash and cash equivalents + financial investments

Operational review

In 2021, OKEA participated in production from four fields: Draugen (44.56% and operator), Gjøa (12%), Ivar Aasen (0.554%) and Yme (15%), where production started in October. Net production for the year averaged 15,530 (16,147) boepd, split between liquids and gas by 69% and 31% respectively. Net sold volumes for the year averaged 15,843 (15,871) boepd.

Draugen (Operator, 44.56%)

Draugen is an oil field 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 topsides and production is from both platform and subsea wells. Draugen extracts 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 are 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 from where it is offloaded and exported by tankers. Associated gas is currently used for power generation at the platform.

Net production from Draugen was 7,084 (7,774) boepd in 2021. Production reliability[2] was 98% (99%) and production availability[3] was 93% (90%). The reduced production in 2021 was mainly due to general field decline as well as cessation of gas and NGL export since October 2020 in relation to the gas import project where the associated gas produced at Draugen along with imported fuel gas from the Åsgard pipeline provide power supply at the platform and reduce the need for imported diesel. Since taking over the operatorship of Draugen in 2018, OKEA has been able to reduce unplanned down time and optimise production resulting in high production reliability levels.

A licence and lifetime extension program was launched in 2019 with the aim to extend the Draugen licence and lifetime from 2024 to 2040. The program is comprehensive and involves several disciplines across the operation organisation preparing a new application to document prudent HSE level and resource management towards 2040. Third-party analysis and evaluations are used where relevant to document the conclusions, including identifying and initiating modification requirements. An extensive plan is put in place to enable a comprehensive application that needs to be sent to the Petroleum Safety Agency

[2] **Production reliability** = actual production / (actual production + unscheduled deferment)
[3] **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.

and Norwegian Petroleum Directorate respectively at the latest 9 March 2023, which is one year prior to expiry of existing consent.

Managing the Covid-19 pandemic has been a key priority also in 2021. OKEA had mitigating measures in place to manage the situation, including multiple testing prior to departure for all offshore personnel. As infection pressure in the society in general increased towards the latter part of the year, the importance of the mitigating measures became higher. There were no Covid-19 infections offshore impacting the Draugen operations in 2021.

During 2021, OKEA initiated work to mature additional reserves potential at Draugen through increased oil recovery initiatives. Several initiatives have been considered and will be further developed towards concept selection and final investment decisions in 2022. Both the Hasselmus gas field development project and a new Draugen production well (D-1 BH) were sanctioned in 2021, increasing reserves on the field significantly. The Power from shore project also made a concept selection decision in October.

Gjøa (Partner, 12.00%)

The Gjøa field, operated by Neptune Energy Norge 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 semi-submersible Gjøa production unit is partly electrified by power from shore.

The Gjøa P1 segment, located in the northern part of the field, was developed as a tie-back to the main subsea facility via a 5 km oil pipeline and a 2 km gas pipeline at a water depth of 340 metres. Production from this new development started in February 2021.

The Gjøa field, produced 8,137 (8,059) boepd net to OKEA in 2021. Production reliability for the year was as high as 99% (99%) and production availability was 85% (86%). The increased production was mainly driven by the P1 project as well as solid performance from the other Gjøa wells, partly offset by general field decline. Production availability was impacted by planned shutdowns related to maintenance at the gas plant in St. Fergus and tie-in activities for Duva and Nova. The Gjøa partners started receiving compensation for the deferred production related to Duva tie-in scope in 2021 and is expecting further volumes also from Nova once it comes onstream expectedly in 2022.

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 255 (314) boepd net to OKEA in 2021. Production availability was 97% (94%). The lower production was mainly driven by general field decline.

As announced in the press release on 12 November, OKEA has entered into an agreement with Neptune Energy Norge AS to purchase an additional 2.223% working interest in the Ivar Aasen field. Total consideration is USD 12 million. Effective date for the transaction is 1 January 2022 and completion of the transaction is subject to customary government approvals which is expected in H1 2022.

Yme (Partner, 15.00%)

The Yme oil field was discovered by Statoil in 1987 and started producing in 1996. Low oil prices led to abandonment of the field in 2001. OKEA acquired a 15% ownership interest in Yme in 2016 and started preparing a new plan for development and operation (PDO). Repsol Norge AS is the operator for the field. The oil is transported with tankers and the associated gas is used for power consumption or is reinjected in the reservoir.

2021 was an exciting year at Yme with commencement of production on 25 October. During the initial production period, certain issues related to operation of the subsea storage tank with heavy emulsions and high oil in water content halted production. These issues were resolved, and the storage tank is currently fully operational.

Following production start in October, the reorganisation of the Inspirer rig was completed. The reorganisation of operations includes a change in ownership structure of the jack-up production unit, Maersk Inspirer, from Maersk Drilling to Havila Sirius, and Repsol taking over the operation and maintenance of the rig from Maersk Drilling. Under the new structure OKEA will be considered owner for tax purposes for the 15% working interest of the lease contract from Havila. The transaction has been accounted for as an asset acquisition financed by lease debt from Havila. The contract provided significant cost improvement and cash flow benefits to the Yme licence and OKEA.

Activities to complete hot commissioning and clean-up of remaining wells to bring the asset to full production is continuing into the first half of 2022.

Development projects

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 is planned for fourth quarter 2023 with gross plateau gas production of more than 4,400 boepd.

The Hasselmus project is the first field development project for OKEA as an 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 as a hub in the area.

Draugen power from shore (Operator, 44.56%)

On behalf of the Draugen licence, OKEA is maturing the opportunity to provide power from shore to the Draugen production platform. The project also includes extension of the power supply to the nearby Njord field, and the Draugen and Njord licences have entered into a joint study agreement for concept evaluation of a common infrastructure for power from shore.

Concept selection (DG2) was passed in the fourth quarter of 2021 in both the Draugen and Njord licences. The project is planning for a Final Investment Decision and PDO submission in Q4 2022.

The power from shore project is scheduled to be ready for operation in 2025 and will reduce the annual CO_2 emissions from Draugen alone by approximately 200,000 tonnes which corresponds to a reduction of 95% (reference year: 2019).

Exploration licences

In the first quarter of 2021, the Chrysaor-operated Jerv exploration well 15/12-25 was drilled in PL973 (WI 30%). A 40-metre gas condensate column was discovered in a good quality reservoir (Ty Formation), but the reservoir pressure was highly depleted and it was concluded that the discovery was non-commercial.

In the second quarter of 2021, the Chrysaor-operated Ilder exploration well 15/12-26 was drilled in PL973 (WI 30%). A 60-metre good quality sandstone was encountered in the target reservoir (Ula Formation), but no hydrocarbons were observed, and the well was plugged as a dry well. Total planning and drilling expenses for the two wells amounted to NOK 162 million net OKEA.

As operator of the Vette licence (PL972), OKEA made a decision to propose to the licence partners not to develop the Vette discovery towards a DG2 decision due to the project's insufficient financial robustness. OKEA has also worked to improve the economics of the Grevling/Storskrymten discoveries (PL038 D/PL974) along with the licence partners over the last few years. Although significant reductions in break-even cost had been achieved, it was deemed insufficient to warrant a stand-alone field development and the licences have been relinquished.

The Equinor-operated Ginny exploration well in PL1060 (WI 40%) was spudded at the end of 2021 and was announced as a dry well on 2 February 2022.

In the fourth quarter of 2021, OKEA acquired 3D seismic data to further support exploration activities in the Norwegian Sea and the Gjøa area.

In January 2022, OKEA was awarded four new licences in the 2021 Awards in Predefined Areas (APA), three of which as operator. The three new OKEA-operated licences are located in the Norwegian Sea. The fourth licence, to be operated by Spirit Energy, is located in the North Sea, north and east of the Aurora discovery. Three of the licences have a work programme leading to a drill or drop decision in early 2024 and one licence has a work programme leading to a feasibility decision (BoK) or drop, also in early 2024. There are no well commitments.

OKEA has firm plans to participate in two further exploration wells in 2022, the Hamlet well in the Gjøa licence (WI 12%) which was spudded in February 2022 and the Calypso well in PL938 (working interest 30%) which is planned for the fourth quarter.

Aurora (Operator, 65.00%)

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. An appraisal well is currently considered for 2022 or 2023 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 2024 with production start in 2026.

Reserves and resources

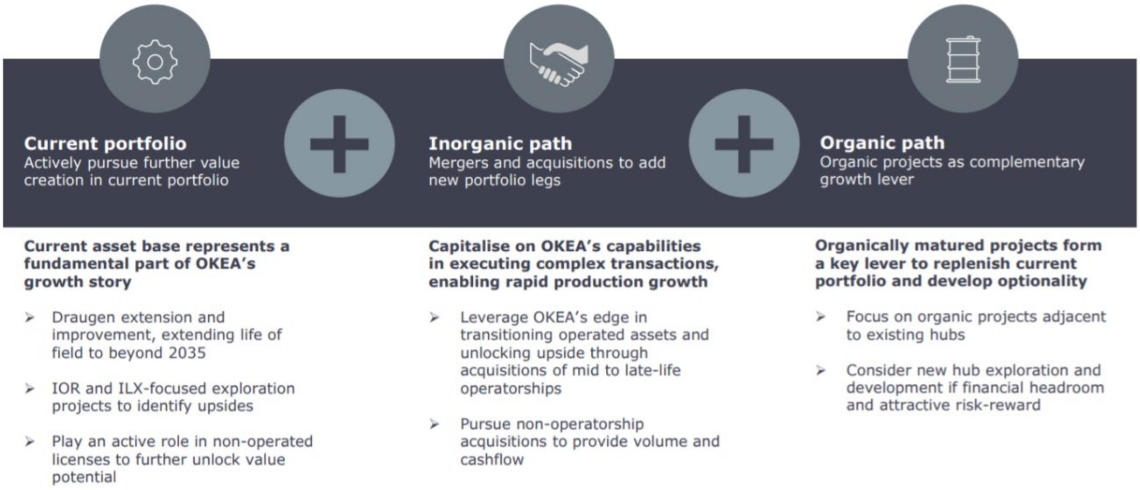
At 31 December 2021, OKEA's 2P/P50 reserves were estimated to 46.6 (41.6) million barrels of oil equivalent (mmboe). The main contributors to the 12% increase in reserves are the Hasselmus development project, a new well at Draugen, upward revision of the reserves at Gjøa and a lifetime extension at Yme. The 2.233% increased working interest at Ivar Aasen will further increase 2P reserves with 1.7 mmboe with effect from 1 January 2022 to a total of 48.3 mmboe.

Contingent resources (2C/Base) were 24.2 (53.6) mmboe, including increased oil recovery volumes on Draugen and the Aurora and Galtvort discoveries. The decrease is mainly due to transfer from resources to reserves related to sanction of the Hasselmus project and Yme lifetime extension, and relinquishment of the Grevling and Storskrymten discoveries.

2.0. Strategy

The board annually evaluates the company's financial status, strategy and goals. In the fall of 2021, OKEA launched a refreshed strategy based on the vision of being the leading mid-to-late-life operator on the NCS and by continuing to find value where others divest.

The company's refreshed strategic direction is built on the three pillars of growth, value creation and capital discipline and the company is working on three growth levers to deliver continued shareholder value:



The strategy also includes a clear capital allocation prioritisation with an overall aim to maximise shareholder return and a target to maintain a clear and credible ESG position. OKEA shall maintain a competent organisation fit for growth with direct management engagement and involvement in key projects and use risk-cost-benefit evaluations in all phases of the company's business activities.

3.0. 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 2021 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 2020.

4.0. Statement of comprehensive income

Increased prices for petroleum products in combination with excellent operational performance on both operated and non-operated fields contributed to OKEA's best financial results ever for 2021. The average realised price for liquids (oil and natural gas liquids) was 80% higher than previous year, while average gas price was up as much as 464%.

Total operating income for 2021 amounted to NOK 3,882 (1,730) million. Sold volumes were 5,782,585 (5,808,830) barrels of oil equivalents (boe). The average realised price for liquids was USD 65.3 (36.3) per boe, while the average gas price was USD 0.62 (0.11) per standard cubic metre.

Other operating income amounted to NOK 101 (78) million and included tariff income at Gjøa of NOK 62 (53) million, net gain relating to commodity hedging of NOK 16 (10) million and income from joint utilisation of logistics resources of NOK 23 (15) million.

Production expenses amounted to NOK 860 (696) million and the produced volume was 5,668,579 (5,909,921) boe. The decrease in produced volumes compared to 2020 was mainly due general field decline at Draugen including the associated gas that is currently being used as power supply rather than exported together with the NGL. Production expenses per boe was NOK 134 (105). The increase in cost per boe mainly relates to increased prices for CO_2 quotas and imported fuel gas at Draugen and Yme commencing production in October 2021 but with limited volumes in the ramp-up phase, in addition to the reduction in produced volumes. Reference is made to note 6 to the financial statements for further details.

Exploration and evaluation expenses amounted to NOK 343 (97) million. Expenses in 2021 mainly related to the drilling of exploration wells Jerv and Ilder on PL973 which were concluded as non-commercial discovery and dry, respectively, and the exploration well Ginny on PL1060 which was concluded dry in February 2022. Other exploration and evaluation expenses related to seismic purchases and other activities on exploration licences. Reference is made note 7 to the financial statements for further details.

Depreciation amounted to NOK 672 (699) million. The reduction was due to lower produced volumes.

Total impairment (-)/reversal of impairment was NOK 364 (-1,387) million which related to the Yme asset with an offsetting change in deferred tax of NOK -284 (570) million. The key driver for the reversal of impairment was the production start of the Yme asset in October 2021 combined with significantly increased forward prices of oil during 2021 as well as the transfer of ownership and operatorship of the Inspirer rig. Previous year's impairment mainly related to the Yme asset due to significant adverse development in oil prices during 2020. Reference is made note 9 to the financial statements for further details.

General and administrative expenses amounted to NOK 95 (87) million and represent OKEA's share of costs after allocation to licence activities in addition to various expenses related to corporate activities.

Net financial income/expenses (-) amounted to NOK -192 (-12) million. Interest expenses and fees to bondholders amounted to NOK -211 (-291) million, partly offset by capitalisation of borrowing costs in relation to development projects of NOK 117 (124) million. In addition, NOK -75 (152) million in net exchange rate gain/loss (-) was recognised, largely relating to the two USD denominated bond loans. Gain/loss (-) on buy-back of OKEA02 bonds amounted to NOK -6 (24) million, while other financial expenses amounted to NOK -9 (-17) million. Reference is made to note 12 to the financial statements for further details.

Profit/loss (-) before income tax amounted to NOK 2,106 (-1,231) million. Tax income/expense (-) amounted to NOK -1,503 (628) million, whereof tax refund/payable (-) amounted to NOK -706 (740) million and changes in deferred tax were NOK -797 (-112) million. The effective tax rate of 71% (51%) deviates from the standard tax rate of 78% mainly due to positive effects on uplift both from the transfer of ownership of the Inspirer rig and other investments with a total effect of NOK 197 million, as well as the gain on the sale and leaseback transaction of the regional headquarter in Kristiansund being taxed with 22% of NOK 40 million. Previous year's low tax rate was mainly due to impairment of technical goodwill not being tax-deductible compared to a loss before income taxes.

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

5.0. Statement of financial position

Total assets as per 31 December 2021 amounted to NOK 12,373 (9,776) million. The increase was mainly due investments in fields in production, a net reversal of impairment at the Yme asset, transfer of ownership of the Inspirer rig on the Yme licence and increased cash balance.

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

Oil & gas properties amounted to NOK 4,685 (3,758) million. The increase from previous year was mainly due to investments in fields in production and under development of NOK 1,250 (1,125) million and impairment reversal (-)/impairment of NOK -364 (730) million, partly offset by unit of production depreciation of NOK 645 (672) million.

Right-of-use assets amounted to NOK 234 (162) million. During fourth quarter, a sale and leaseback of OKEA's regional headquarter in Kristiansund was completed with net sales proceeds of NOK 108 million. The book value of the sold property of NOK 79 million was reclassified from fixed assets to right-of-use assets.

Total asset retirement reimbursement right amounted to NOK 3,108 (3,029) million and relates to Shell's obligation to cover decommissioning costs for Draugen and Gjøa, whereof NOK 3,025 (3,029) million was classified as non-current assets and NOK 83 (0) million as current. Reference is made to note 18 to the financial statements for further details.

Financial investments amounted to NOK 210 (0) million and relates to liquid investments in low-risk money-market funds and combinations funds as an alternative to bank deposits.

Cash and cash equivalents amounted to NOK 2,039 (871) million. The significant increase from previous year was mainly due to high cash flow from operating activities, as margins for sale of petroleum products increased, in addition to net taxes received and proceeds from the sale and leaseback of the regional headquarter in Kristiansund. These cash inflows were partly offset by cash used in investing activities like development projects and drilling activities, placement of excess liquidity in low-risk money-market funds and combination funds, and cash used in financing activities including a partial buy-back of OKEA02 and interest payments on both bond loans.

Total provisions for asset retirement obligations amounted to NOK 4,237 (4,120), whereof the non-current portion amounted to NOK 4,113 (4,120) million and current NOK 104 (0) million. The obligation is partly offset by the total asset retirement reimbursement right. Reference is made to note 24 to the financial statements for further details.

Deferred tax liabilities amounted to NOK 1,736 (941) million at balance sheet date. The increase is largely explained by accelerated tax depreciation compared to depreciation for accounting purposes. Reference is made to note 13 to the financial statements for further details.

Interest-bearing loans, bonds amounted to NOK 2,295 (2,400) million, and comprise the remaining outstanding amounts on the OKEA02 and OKEA03 bonds. The decrease mainly related to buy-back of OKEA02 of NOK -217 million, partly offset by unrealised FX loss of NOK 83 million. Reference is made to note 25 to the financial statements for further details.

Total other interest-bearing liabilities was NOK 493 (0) million, whereof the non-current share was NOK 455 (0) million and the current share was NOK 39 (0) million. The amount represents OKEA's share of the net present value of the future obligations under the bareboat charter (BBC) agreement between the Yme licence and Havila Sirius AS for the Inspirer rig.

Income tax payable amounted NOK 773 (14) million and mainly comprise accrued tax payable for 2021.

At the balance sheet date, OKEA had issued a total of 103,870,350 (102,502,650) ordinary shares. Each ordinary share has one vote at general meetings. A total of 80,000 (985,000) warrants remained outstanding.

The share capital amounted to NOK 10 (10) million and total equity amounted to NOK 1,708 (1,083) million, corresponding to an equity ratio of 14% (11%). Total liabilities amounted to NOK 10,664 (8,694) million.

6.0. Statement of cash flows

Net cash flows from operating activities amounted to NOK 2,515 (621) million, including net taxes received/paid (-) of NOK 355 (169) million. The increase was mainly due to higher margins on sold volumes of liquids and gas following the significant increase in prices during the year.

Net cash flows used in investing activities amounted to NOK 941 (1,043) million and mainly related to investments in oil and gas properties of NOK 664 (1,001) million and investments in exploration and evaluation assets of NOK 167 (28) million.

Net cash flows used in financing activities amounted to NOK 422 (390) million and comprised paid interest of NOK 184 (223) million, partial buy-back of OKEA02 bonds of NOK 217 (121) million and payments of lease arrangements of NOK 36 (46) million.

Net increase/decrease (-) in cash and cash equivalents, including exchange rate effect on cash held, amounted to NOK 1,168 (-792) million.

7.0. 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 2021 have been prepared under this assumption.

During 2021 the oil and gas industry has recovered from the market turmoil that followed from the Covid-19 pandemic. OKEA’s financial position strengthened significantly during 2021 supported by strong oil prices and record high gas prices. OKEA’s current financial position and liquidity is solid, and the company is well positioned for executing on the growth strategy. Cash flow from operations, combined with available liquidity, is expected to be sufficient to finance the company's commitments in 2022.

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 2021, or the result for 2021, other than those presented in the board of directors' report or that otherwise follow from the financial statements.

8.0. Allocation of profit for the year

Total comprehensive profit for 2021 amounted to NOK 603 million. The board proposes the following allocation:

Profit for the year of NOK 603 million is to be transferred to accumulated loss.

After the transfer, accumulated loss amounts to NOK 249 million per 31 December 2021.

9.0. 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 deliver on stated goals, operations and strategy. 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. Both senior management and the board of directors 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 four fields: Draugen, Gjøa, Yme and Ivar Aasen. The Yme field started production in October 2021 and in November 2021, OKEA entered into an agreement to increase the ownership share in the Ivar Aasen field by 2.223%. Asset diversification has therefore improved during 2021. However, operational issues affecting availability and reliability of production from any of these fields may have a material impact on the company. Further growth and diversity in the company’s production portfolio will seek to mitigate this risk.

The company’s exploration and project portfolios (operated and non-operated) are associated with technical, geological and operational uncertainty. The company, together with licence partners, continuously strives to mitigate exploration and project risks and ensure progress to meet defined targets and milestones. However, the inherent complexity of 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 have considerable inherent environmental and safety risks. In case of incidents, these risks can result in significant losses and cost increases. OKEA is continuously working to assess such risks and to implement business measures to both eliminate the probability of occurrence and mitigate any adverse consequences of such incidents. 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. ESG is embedded in the business and all operational activities, and identifying, managing and controlling all material issues related to ESG is of key importance to OKEA. This includes assessing financial risk exposure imposed by climate related risk. This work is further addressed in the ESG report for 2021.

Alignment with both internal and external stakeholders and partners is of great importance to OKEA. 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. OKEA foresees a high activity level in the industry in the upcoming years, with potential capacity and competence constraints and cost inflation. Any adverse events or conditions impacting our key suppliers’ ability to deliver as agreed may impact the company’s performance, lead to increased costs, operational disruptions or project delays. In addition, the company is dependent on alignment with and endorsement from licence 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 throughout the entire workforce. Not being able to hire, retain or replace key members of the organisation, or lack of short- or long-term access to competent critical staff, may result in an inability to realise the company strategy and further expand the business.

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.

The Russia-Ukraine armed conflict which started in late February 2022 and remains ongoing at the date of this report, has resulted in a rapidly evolving geo-political situation and introduced a new set of challenges with respect to maintaining business continuity. In response, OKEA has enforced control mechanisms to manage the elevated security threats imposed to the industry and maintain a close dialogue with the Norwegian Oil & Gas Association (NOROG) and relevant authorities. OKEA is monitoring international sanctions and trade control legislation in order to mitigate the potential impact on the company's operation particularly in respect of potential interruptions of supply chains and third-party services.

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 are also sensitive to oil and gas prices. OKEA will continue to manage these risks in accordance with a defined risk management 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. All outstanding bond debt was issued in USD. OKEA manages currency risk by frequent currency exchanges. However, fluctuations in exchange rates may adversely affect the financial performance of the company. All outstanding bond debt was issued in USD. OKEA's net interest-bearing debt was reduced significantly during 2021 which limits refinancing risk. In addition, refinancing risk is mitigated by different durations for the two bonds where OKEA02 matures in June 2023 and OKEA03 matures in December 2024.

OKEA also has an interest-bearing liability in USD which represents OKEA's share of the net present value of future obligations under the bareboat charter (BBC) agreement between the Yme licence and Havila Sirius AS for the Inspirer rig. This liability will be repaid quarterly until October 2031.

OKEA’s exposure to interest rate risk relates to the OKEA02 bond loan, which is subject to floating interest rate of 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 and the Inspirer liability carriy fixed interest rates.

The agreements associated with the 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 the 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 and continues to apply for projects where a PDO is submitted prior to the end of 2022 and approved prior to the end of 2023. 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. A new tax regime has been proposed by the government and presented through a public consultation. The closing date for submitting responses to the public consultation was early December 2021 and responses are currently under consideration by the Ministry of Finance. In the proposal, the rules on depreciation and tax-free income in the special tax for petroleum are replaced by immediate expense recognition of investments in the special tax regime (cash flow tax) from 2022. The proposal is expected to be processed in the Parliament during the spring session 2022. The new tax regime is not expected to significantly impact the financial position and solidity of OKEA.

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

10.0. Environmental, social and governance (ESG) topics

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 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, section 26a of the Norwegian act on equal treatment and non-discrimination and requirements from Oslo Stock Exchange, OKEA has prepared an ESG Report for 2021, 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)

Safe production with adherence to the highest standards within health, safety and environmental (HSE) performance and continuous focus on reducing emissions are essential factors for the company's licence to operate as well as enablers of long-term value creation for the company's shareholders. 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 had no serious incidents in the company's activities and operations in 2021. Two medical treatment cases were recorded at Draugen, but both had low potential for severe personal harm or long-term health effects to the personnel involved. The total recordable injuries frequency (TRIF) increased marginally to 3.51 in 2021 compared to 3.42 in 2020. A more detailed reporting on QHSE matters in the ESG report for 2021. 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 a working environment committee covering all locations, offshore and onshore. In 2021, the sickness absence rate in OKEA was 3.3%.

The company endeavours to maintain a working environment with equal opportunities for all based on qualifications, irrespective of race, gender, age, disability, sexual orientation, religion, political views, national or ethnic origin ethnicity or any other characteristic that may compromise the principle of equality. The company's code of conduct contains principles and standards for promoting equality and preventing discrimination and harassment, including sexual harassment. There is no tolerance for unlawful unequal treatment, exclusion or discrimination of colleagues or others working for its organisation.

A large part of our workforce work within engineering and technology, including offshore work, which are disciplines that have traditionally attracted most male applicants. This is reflected in the workforce demographics, which as of end of the year consisted of 22% female and 78% male. At the end of 2021, the senior management team consisted of two females (25%) and six males. The board of directors consisted of eleven members, four of whom are female, with three deputy members, of whom two are female.

The working environment in OKEA during 2021 was considered "very good" by the employees as demonstrated by an employee satisfaction survey which was conducted during the autumn of 2021. The employee engagement index was above 85%, which places us among the leading companies across a range of industries. The response rate was excellent with a total of 98% and 96% 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 ESG Report for 2021. 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 maintaining 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 2021 statement on corporate governance is provided in a separate section of the annual report. The company complies with relevant rules and regulations for corporate governance, including the most recent version of the Norwegian Code of Conduct for Corporate Governance, published on 14 October 2021.

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.

11.0. Insurance for board members and chief executive officer

The company has an insurance policy for the board members and the chief executive officer for potential liability to the company and third parties. The board considers the coverage to be reasonable.

12.0. Subsequent events

Ginny exploration well

The Equinor operated Ginny exploration well was announced as a dry well on 2 February 2022. Cost incurred as of 31 December 2021 amounted to NOK 18 million and has been expensed in 2021.

APA 2021 licence awards

Through the Awards in Pre-defined Areas (APA) for 2021 OKEA ASA has been offered interests in four new production licences on the Norwegian continental shelf, three of which as operator. The three new OKEA-operated licences are located in the Norwegian sea. The fourth licence, to be operated by Spirit Energy, is located in the North Sea, north-east of the Aurora discovery.

Hamlet

The Neptune-operated Hamlet exploration well in the Gjøa licence (PL153) was spudded in late February 2022. OKEA announced on 21 March that hydrocarbons have been observed from logs on entering the reservoir in the well (35/9-16 S) and coring is initiated according to plan. The reservoir operations are at an early stage and final results will be announced when available.

Buy-back of bonds

In the first quarter of 2022, OKEA has bought back additional parts of the OKEA02 bond for a nominal amount of USD 31.5 million at an average price of 103.6 to par. At the date of this report, OKEA had bought back OKEA02 bonds for a nominal value of USD 69.2 million at an average price of 99.2 to par, of which USD 6.3 million have been cancelled.

Forward contracts gas

OKEA has entered into additional contracts for forward sale of gas in 2022 for a total of 2 390 000 therms at fixed prices between 397 and 412 p/th with expiration during 2022. At the date of this report, OKEA had sold forward 30% of the net after tax exposure for natural gas for Q1-22 at an average price of 304 GBp/th, 30% for Q2-22 at an average price of 278 British pence per therm (GBp/th), 30% of Q3-22 at an average price of 275GBp/th and 10% of Q4-22 at an average price of 408 GBp/th.

13.0. Outlook

Following the dramatic decline in petroleum prices during the Covid-19 pandemic in 2020, oil and gas prices continued to increase throughout 2021. The Russia-Ukraine armed conflict, which remains ongoing at the date of this report, has further increased petroleum prices. The volatility in prices has been significant in recent months, but at very high levels. Management is continuously assessing the market to mitigate commodity price volatility and have entered into forward sales contracts for gas for 30% of the net after tax exposure until and including third quarter of 2022 at prices ranging 275-300 GBp/th and 10% of the net after tax exposure in the fourth quarter of 2022 at prices ranging 400-412 GBp/th.

The Russia-Ukraine armed conflict has resulted in a rapidly evolving geo-political situation and introduced a new set of challenges with respect to maintaining business continuity. In order to mitigate the potential impact on the company's operation particularly in respect of potential interruptions of supply chains and cyber risk, OKEA is monitoring international sanctions and trade control legislation closely and has enforced control mechanisms to manage the elevated security threats imposed to the industry.

OKEA's cash position has strengthened significantly during 2021 and the company has a solid basis for executing on the growth strategy which was launched in October.

OKEA's clear ambition is to deliver competitive shareholder returns driven by growth, value creation and capital discipline, and the 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.

The company intends to announce a dividend plan in 2022, which will mark an important new stage of the company's development and equity story.

OKEA's production guiding for 2022 is 18,500 - 20,000 boepd including the increased ownership in the Ivar Aasen field. Capex guiding, excluding capitalised interests, for 2022 is NOK 950 - 1,150 million. Production outlook for 2023 is 17,000 - 19,000 boepd including the increased ownership in the Ivar Aasen field.

Board of directors, Trondheim, 30 March 2022

Chaiwat Kovavisarach
Chairman of the board

Grethe Moen
Board member

Mike Fischer
Board member

Paul Murray
Board member

Nicola Carol Gordon
Board member

Rune Olav Pedersen
Board member

Finn Haugan
Board member

Anne Lene Rømuld
Board member

Jan Atle Johansen
Board member

Saowapap Sumeksri
Board member

John Kristian Larsen
Board member

Svein Jakob Liknes
CEO

Corporate governance report

Annual report 2021

Statement on corporate governance 2021

1.0. 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. As of the date of this statement, the company also has two bonds on issue, OKEA02 and OKEA03, 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 as well as Oslo Rule Book II - Issuer Rules2, section 4. "Continuing obligations for Issuers of Shares" available at The Issuer Rules / Regulations / Oslo Børs / Home - Oslo Børs (oslobors.no). Further, the Oslo Stock Exchange requires listed companies to report annually on the company's corporate governance policy 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 2021 is organised in line with the structure of the Norwegian Code of Practice for Corporate Governance, most recently revised 14 October 2021.

Deviations from the code: None

2.0. Business

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

"The company's business as set out in the Articles of Association is petroleum activities on the Norwegian continental shelf (NCS), 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 is a leading mid-to late-life operator on the NCS. The company has a strong asset portfolio including the Draugen field, operated by OKEA, as well as non-operated positions in Gjøa, Ivar Aasen and Yme. In 2021, the portfolio produced close to 16,000 boepd and the target production for 2022 is 18,500-20,000 boepd. In addition, OKEA has activities in projects under development, including the Hasselmus gas discovery and Draugen power from shore, as well as discoveries being evaluated for development and exploration licences with planned and possible wells.

The company's strategic direction is built on the three pillars of growth, value creation and capital discipline. The company works on various growth levers to deliver continued shareholder value:

- Current portfolio – actively pursue value creation in current portfolio
- Inorganic path – mergers and acquisitions to add new portfolio legs
- Organic path – mature projects to replenish current portfolio and develop optionality near existing hubs as well as considering new hub exploration and development.

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 2021, which describes how the company addresses ESG matters. The report is available at www.okea.no/investor/reports/.

Deviations from the code: None

3.0. Equity and dividends

3.1. Capital adequacy

As of 31 December 2021, OKEA's total equity was NOK 1 709 million. The board aims to maintain a satisfactory equity ratio in support of the company's goals, strategy and risk profile, thereby ensuring there is an appropriate balance between equity and other sources of financing.

As per the date of this report, the board considers the capital structure to be satisfactory. The board continuously monitors the company's capital situation, to be prepared to take necessary steps if the company's equity and/or liquidity position is considered less than adequate including in order to pursue investment opportunities considered to be value accretive and supportive for such potential new funding.

3.2. Dividends and dividend policy

OKEA is growing its business and a major part of surplus cash is anticipated to be used to fund ongoing and future projects and to manage its debt obligations. The company has a stated ambition to establish a clear dividend policy in line with its strategy in 2022.

3.3. Board authorisations

At the ordinary general meeting on 3 May 2021, the board was granted an authorisation to increase the share capital by a maximum amount of NOK 1 030 054 in one or more share capital increases through issuance of new shares.

The authorisation is valid from the date of registration with the Register of Business Enterprises until the annual general meeting in 2022, however no longer than until 30 June 2022.

For supplementary information, reference is made to the minutes of the ordinary general meeting held on 3 May 2021, available from https://www.okea.no/investor/reports and www.newsweb.no.

Deviations from the code: None

4.0. Equal treatment of shareholders and transactions with close associates

4.1. Basic principles

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

As of 31 December 2021, BCPR PTE. LTD. (BCPR) owned 45.71% of OKEA. BPCR is a wholly owned subsidiary within Bangchak Corporation Plc. Group (BCP) and the second largest shareholder OKEA HOLDINGS LTD owned 15.47% 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 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.

Since the second half of 2021, BCP has been consolidating OKEA as a subsidiary in its financial statements. To enable BCP to execute this consolidation, OKEA discloses information as required for this purpose in line with the regulations in the Securities Trading Act. OKEA publishes its financial statements prior to publication of BCP's financial statements.

4.2. 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.

Wavier of pre-emptive rights of excising shareholders were decided in share capital increases for long term incentive shares to employees, in accordance with the mandate given to the board 3 May 2021.

Deviations from the code: None

5.0. 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 the Oslo Stock Exchange and the company works actively to attract the interest of Norwegian and foreign shareholders. There is only one class of shares in the Company and all shares carry equal rights.

Deviations from the code: None

6.0. General meetings

The general meeting 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 advance electronical voting and/or proxies, both 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.

The board of directors decides whether to hold a general meeting as a physical or electronic meeting, in accordance with the Norwegian public limited liabilities companies act section 5-8.

According to the company's articles of association section 7, the documents pertaining matters to be handled at a general meeting shall be made available to shareholders at 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. The board may decide that shareholders shall be able to cast their votes in writing, including through the use of electronic communications, for a period prior to the general meeting. For such voting, a reassuring method must be used to authenticate the sender. In 2021 the board allowed for advance voting through the use of electronic communications, with an option to vote on individual matters including elections.

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 chairman of the board of directors shall attend the general meeting and the 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: None

7.0. Nomination committee

In accordance with the articles of association, the company's general meeting shall elect a nomination committee, including its chair. The general meeting has approved a set of guidelines for the nomination committee's work. The nomination committee and procedures around the organisation of the nomination committee is further laid down in the company's articles of association. The articles of association states that the committee shall consist of three members. The nomination committee's main purpose is to propose candidates for election to the board and their respective remuneration.

Deviations from the code: None

8.0. 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 three elected board members and three 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 2021, the board of directors consisted of eleven board members, whereof four women, and three deputy board members, whereof two women.

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 Oslo Rule Book II – Issuer Rules 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 2021, the board held a total of 7 board meetings. The attendance was at 100%. The table below shows attendance on meetings in period the person was part of and available for the board in 2021.

Name	Position	# BoD meetings	# meetings attended	Attendance in %
Chaiwat Kovavisarach	Chairman	7	7	100 %
Paul Murray	Member	7	7	100 %
Michael William Fischer	Member	7	7	100 %
Prisana Praharnkhasuk	Member	2	2	100 %
Saowapap Sumeksri	Member	5	5	100 %
Finn Haugan	Member	7	7	100 %
Liv Monica Stubholt	Member	2	2	100 %
Grethe Moen	Member	5	5	100 %
Rune Olav Pedersen	Member	7	7	100 %
Nicola Gordon	Member	7	7	100 %
Ida Ianssen Lundh	Member (ee)	2	2	100 %
John Kristian Larsen	Member (ee)	5	5	100 %
Anne Lene Rømuld	Member (ee)	7	7	100 %
Jan Atle Johansen	Member (ee)	7	7	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)	0	0	N/A
Jens Arne Megaard	Deputy member (ee)	0	0	N/A
Gro Anita Markussen	Deputy member (ee)	0	0	N/A
Average		**7,0**	**7,0**	**100 %**

Employee elected (ee).

Deviations from the code: None

9.0. 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. In 2021 the training session also covered new regulations due to the implementation of the EU marked abuse regulation (MAR). Senior management contributes through the board meetings with developing the board's collective knowledge on topics and issues relevant to the company's business.

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 the following year.

9.1. Board committees

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 following sub-committees of the board:

Audit committee

The Company has established an audit committee in accordance with the rules of the Public Limited Liability Companies Act chapter 6 V.

The function of the audit committee is to prepare matters to be considered by the board and to support the board in the exercise of its management and supervisory responsibilities relating to financial reporting, statutory audit, internal control and collaboration with the Financial Supervisory Authorities. Furthermore, the audit committee shall perform a separate financial review of contract commitments exceeding NOK 100 million (gross amount for operated licences and not for non-operated licences) as part of the internal control of major commitments.

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

Sustainability and technical risk committee ("STR committee")

The company has established an STR committee as a sub-committee to the board. The STR committee shall follow up the company's management of ESG related matters, review main risks for projects and investments, and monitor overall risk management and internal control. The STR 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 STR committee, stating its tasks and duties.

People and organisation committee (P&O committee)

The company has established a P&O committee as a sub-committee to the board. The P&O committee shall evaluate and propose the compensation of the company's CEO, administer the company's bonus incentive program and provide advice on general compensation and organisation related matters to the board and produce an annual report on the compensation of the senior management team and other leading persons, pursuant to applicable rules and regulations. The P&O committee shall also advise the CEO on matters relating to other material employment issues in respect of the senior management.

The P&O committee shall also endorse the overall limits for the annual salary adjustments for employees, within the budget set by the Board.

The board has established a charter for the P&O 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

10.0. 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 as well as material aspects and risks related to ESG. 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 handled through the continuous risk management processes in top management, as well as in departments and projects
- Risk management shall be reflected throughout the company management system framework
- Risk management shall be an important foundation for all major decisions
- 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
- Risk management in OKEA shall be transparent, inclusive 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 STR committee regularly review major risks.

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 or otherwise deemed important for internal control purposes. The formalised processes comprise:

- Assess 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. 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 size and complexity.

Deviations from the code: None

11.0. Remuneration of the board of directors

The ordinary general meeting in 2021 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 shareholder elected members of the board: NOK 28,000/month with an additional NOK 7,000/meeting
- For the employee elected members of the board: NOK 16,000/month with an additional NOK 4,000/meeting

Additional committee fees:

- For the committee chair: NOK 17,500/meeting
- For the shareholder elected members of the committee: NOK 12,500/meeting
- For the employee elected members of the committee: NOK 7,500/meeting

Committee fees are capped at NOK 140,000/year for the chair, NOK 100,000/year for shareholder elected members and NOK 60,000/year for the employee elected members. The cap is based on committee fees for maximum of 8 committee meetings.

For board members participating in more than one committee the committee fees are capped at NOK 170,000/year for the chair, NOK 150,000/year for the shareholder elected members and NOK 90,000/year for the employee elected members. The cap is based on committee fees for maximum of an additional 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 2021 was NOK 5.1 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 5,000/meeting
- For members of the committee: NOK 4,000/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 8 committee meetings.

Deviations from the code: None

12.0. Remuneration of the senior management

Combined remuneration of senior management was NOK 47.8 million for 2021, with executive management defined as CEO, CFO, senior vice president level and selected vice presidents.

The individual remuneration of senior management is specified in a separate report "Remuneration of leading persons" and 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 2022 and subsequently published on www.okea.no, pursuant to appliable rules and regulations.

Deviations from the code: None

13.0. 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 Oslo Rule Book II - Issuer Rules2, section 4. "Continuing obligations for Issuers of Shares" 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

14.0. 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

15.0. 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. The company has established an audit and non-audit service policy, including approval limits for the management and the audit committee.

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 2021

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.

1.0. Area fee

OKEA, as operator, has paid area fees for the following licences in 2021:

Licence	Area fee paid in 2021 (NOK)
Draugen	15 606 000
Grevling	5 049 000
PL158	918 000
PL195	6 885 000
PL974	3 487 671
Total area fee paid	**31 945 671**

2.0. Income tax

Income taxes are calculated for OKEA ASA. Net tax received in 2021 amounted to NOK 355 003 790 and relate to last three tax instalments for the income year 2020, the three first tax instalments for the income year 2021 and net residual tax for 2021. This follows from the temporary changes in the tax regulations.

3.0. CO_2 tax

The CO2 tax paid in 2021 amounted to NOK 79 745 275 and relates to the Draugen field.

4.0. 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 2021 amounted to NOK 18 381 281.

5.0. Petroleum Safety Authority Norway (PSA)

In 2021 the company paid NOK 2 780 071 to the PSA mainly in relation to sector fees and supervisory activities on operated licenses.

6.0. 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 941 million as specified in the statement of cash flows.
- Revenues from crude oil and gas sales amounted to NOK 3,781 million as reported in the statement of comprehensive income.
- OKEA's net production in 2021 was 5,668,579 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 statements

Annual report 2021

Financial statements with notes

Overview of the financial statements with notes

Statement of comprehensive income

Amounts in NOK `000	Note	2021	2020
Revenues from crude oil and gas sales	4, 5	3 780 641	1 652 311
Other operating income / loss (-)	5	101 232	77 911
Total operating income		**3 881 873**	**1 730 222**
Production expenses	6	-860 419	-695 877
Changes in over/underlift positions and production inventory	6	23 087	16 690
Exploration and evaluation expenses	7	-342 972	-97 036
Depreciation, depletion and amortization	8	-672 450	-699 403
Impairment (-) / reversal of impairment	9	363 765	-1 387 018
General and administrative expenses	10, 11	-95 024	-86 713
Total operating expenses		**-1 584 014**	**-2 949 358**
Profit / loss (-) from operating activities		**2 297 860**	**-1 219 136**
Finance income	12	79 884	105 559
Finance costs	12	-197 001	-268 907
Net exchange rate gain/loss (-)	12	-74 761	151 744
Net financial items		**-191 877**	**-11 604**
Profit / loss (-) before income tax		**2 105 982**	**-1 230 740**
Taxes (-) / tax income (+)	13	-1 502 673	628 014
Net profit / loss (-)		**603 309**	**-602 726**
Other comprehensive income (OCI), net of tax:			
Items that will not be reclassified to profit or loss in subsequent periods:			
Remeasurements pensions, actuarial gain/loss (-)	14	-507	-509
Total other comprehensive income, net of tax		**-507**	**-509**
Total comprehensive income / loss (-)		**602 802**	**-603 235**
Earnings per share (NOK per share)			
- Basic	15	5.86	-5.89
- Diluted	15	5.86	-5.89

Statement of financial position

Amounts in NOK `000	Note	**31.12.2021**	**31.12.2020**
ASSETS			
Non-current assets			
Goodwill	16	768 946	768 946
Exploration and evaluation assets	16	10 759	38 349
Oil and gas properties	8	4 684 752	3 757 546
Buildings	8	-	83 250
Furniture, fixtures and office equipment	8	11 143	10 236
Right-of-use assets	17	234 199	179 235
Asset retirement reimbursement right	18	3 024 562	3 029 367
Total non-current assets		**8 734 362**	**7 866 930**
Current assets			
Trade and other receivables	19, 28	1 053 338	513 601
Financial investments	20	209 961	-
Spareparts, equipment and inventory	21	253 318	228 790
Tax refund, current	13	0	295 932
Asset retirement reimbursement right, current	18	83 412	-
Cash and cash equivalents	22, 28	2 038 745	871 210
Total current assets		**3 638 774**	**1 909 534**
TOTAL ASSETS		**12 373 136**	**9 776 464**

Statement of financial position

Amounts in NOK `000	Note	**31.12.2021**	**31.12.2020**
EQUITY AND LIABILITIES			
Equity			
Share capital	23	10 387	10 250
Share premium		1 927 859	1 912 462
Other paid in capital		19 064	11 342
Accumulated loss		-248 527	-851 329
Total equity		**1 708 783**	**1 082 725**
Non-current liabilities			
Asset retirement obligations	24	4 133 177	4 199 866
Pension liabilities	14	37 311	31 988
Lease liability	17	220 266	143 978
Deferred tax liabilities	13	1 735 720	940 558
Interest bearing loans, bonds	25, 28	2 294 873	2 400 297
Other interest bearing liabilities	26, 28	454 853	-
Total non-current liabilities		**8 876 200**	**7 716 687**
Current liabilities			
Trade and other payables	27, 28	786 535	890 362
Other interest bearing liabilities, current	26, 28	38 593	-
Income tax payable	13	773 020	14 207
Lease liability, current	17	43 032	35 257
Asset retirement obligations, current	24	104 265	-
Public dues payable		42 708	37 227
Total current liabilities		**1 788 153**	**977 052**
Total liabilities		**10 664 353**	**8 693 739**
TOTAL EQUITY AND LIABILITIES		**12 373 136**	**9 776 464**

Trondheim, 30 March 2022

Chaiwat Kovavisarach
Chairman of the Board

Grethe Moen
Board member

Mike Fischer
Board member

Paul Murray
Board member

Nicola Carol Gordon
Board member

Rune Olav Pedersen
Board member

Finn Haugan
Board member

Saowapap Sumeksri
Board member

Jan Atle Johansen
Board member

Anne Lene Rømuld
Board member

John Kristian Larsen
Board member

Svein Jakob Liknes
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 2020		10 206	1 912 462	6 855	-248 094	1 681 430
Net profit/loss (-) for the year		-	-	-	-602 726	-602 726
Total other comprehensive income/loss (-) for the year		-	-	-	-509	-509
Share issues, cash	23	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**
Equity at 1 January 2021		10 250	1 912 462	11 342	-851 329	1 082 725
Net profit/loss (-) for the year		-	-	-	603 309	603 309
Total other comprehensive income/loss (-) for the year		-	-	-	-507	-507
Share issues, cash	23	137	15 397	-	-	15 534
Share based payment	10	-	-	7 722	-	7 722
Equity at 31 December 2021		**10 387**	**1 927 859**	**19 064**	**-248 527**	**1 708 783**

Statement of cash flows

Amounts in NOK `000	Note	2021	2020
Cash flow from operating activities			
Profit / loss (-) before income tax		2 105 982	-1 230 740
Net income tax paid/received	13	355 429	169 052
Depreciation, depletion and amortization	8	672 450	699 403
Impairment / reversal of impairment	9	-363 765	1 387 018
Expensed exploration expenditures temporary capitalised**	7, 16	184 855	335
Accretion asset retirement obligations/reimbursement right	18, 24	5 034	3 106
Asset retirement costs from billing (net after reimbursement)	18, 24	-3 770	-
Interest expense	12	94 256	166 950
Loss on financial investments		39	10 615
Change in trade and other receivables, and inventory		-564 623	-15 710
Change in trade and other payables		-94 307	-475 024
Change in foreign exchange interest bearing debt and other non-current items		123 823	-93 596
Net cash flow from / used in (-) operating activities		**2 515 403**	**621 410**
Cash flow from investing activities			
Investment in exploration and evaluation assets**	16	-166 671	-28 280
Investment in oil and gas properties	8, 12	-664 129	-1 000 516
Investment in furniture, fixtures and office machines	8	-8 705	-4 377
Cash used on (-)/received from financial investments	20	-210 000	-10 615
Proceeds from sales of buildings	8, 17	109 000	-
Net cash flow from / used in (-) investing activities		**-940 504**	**-1 043 788**
Cash flow from financing activities			
Repayment/buy-back of borrowings, bonds	25	-216 948	-120 955
Interest paid		-195 788	-222 715
Payments of lease debt	17	-25 001	-46 380
Net proceeds from share issues	23	15 534	44
Net cash flow from / used in (-) financing activities		**-422 203**	**-390 006**
Net increase/ decrease (-) in cash and cash equivalents		**1 152 696**	**-812 383**
Cash and cash equivalents at the beginning of the period		871 210	1 663 478
Effect of exchange rate fluctuation on cash held*		14 839	20 116
Cash and cash equivalents at the end of the period	22	**2 038 745**	**871 210**

* The effect of exchange rate fluctuation on cash held was in 2020 classified under operating activities. This has been reclassified to conform presentation to the current years classification.

** Expenditure relating to drilling of dry/non-commercial wells was classified under operating activities in the financial report for 2020. In 2021, the company has classified such expenditure under investment activities, and the applicable spendings in the cash flow for 2020 have been reclassified accordingly.

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 leading mid to late-life operator on the Norwegian continental shelf (NCS). 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. In 2021, the portfolio produced 15,530 boepd and current target production for 2022 is 18,500-20,000 boepd. Furthermore, OKEA has activities in projects under development, including the Hasselmus gas discovery and the Draugen power from shore, as well as discoveries being evaluated for development and exploration licences with planned and possible wells.

The financial statements of OKEA for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the board of directors on 30 March 2022.

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 and control is transferred to the customer, which will ordinarily be at the point of delivery when the titile passes (sales method). 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 every quarter, crude oil from Gjøa is lifted 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 market pricing 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 (ecision 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 transaction price 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 indication 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. For oil and gas properties, the field or license is typically 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 the 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 liabilities

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 may use derivative financial instruments to manage certain exposures to fluctuations in oil and gas prices 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 taxes/tax income 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.

Proposed changes to the tax regime

A new tax regime has been proposed by the government and presented through a public consultation announced in September 2021. The closing date for submitting responses to the public consultation was early December 2021 and responses are currently under consideration by the Ministry of Finance. The proposed changes have not been reflected upon preparation of the annual report for 2021.

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 recognised as part of chargeable costs to operated joint ventures and as such reflected in the income statement across several line items such as production expenses, exploration expenses, general and administrative expenses and as oil and gas properties in the balance sheet. 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. Time deposits available on demand are classified as cash and cash equivalents.

Cash flow statement

The cash flow statement is prepared using the indirect method. Interest paid is presented under financing activities.

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 2021 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 2022 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

At balance sheet date 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	2021	2020
Sale of liquids	2 198 055	1 373 994
Sale of gas	1 582 586	278 317
Total revenues from crude oil and gas sales	**3 780 641**	**1 652 311**

Sales volumes in boe*	2021	2020
Sale of liquids	3 935 445	4 079 188
Sale of gas	1 847 140	1 729 642
Total sale of petroleum	**5 782 585**	**5 808 830**

Production volumes in boe*	2021	2020
Production of liquids	3 939 638	4 136 945
Production of gas	1 728 941	1 772 976
Total production	**5 668 579**	**5 909 921**

*Barrels of oil equivalents

Other operating income / loss (-):

Amounts in NOK `000	2021	2020
Gain / loss (-) from put/call options, oil	-32 766	9 568
Gain / loss (-) from forward contracts, gas	49 002	-
Tariff income Gjøa	61 960	53 237
Joint utilisation of logistics resources at Draugen**	23 036	15 107
Total other operating income / loss (-)	**101 232**	**77 911**

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

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

Production expenses:

Amounts in NOK `000	2021	2020
From licence billings - producing assets	753 181	591 305
From licence billings - assets under development - various preparations for operation	17 884	7 813
Other production expenses (insurance, transport)	89 354	96 759
Production expenses	**860 419**	**695 877**

Production expenses	**860 419**	**695 877**
Less: processing tariff income	-61 960	-53 237
Less: joint utilisation of logistics resources	-23 036	-15 107
Less: preparation for operation asset under development	-17 884	-7 813
Net production expenses	757 539	619 721
Produced volumes (boe)	5 668 579	5 909 921
Production expense NOK per boe*	**133.6**	**104.9**

* Barrels of oil equivalents

Changes in over/underlift positions and production inventory:

Amounts in NOK `000	2021	2020
Changes in over/underlift positions	15 852	-77 423
Changes in production inventory	7 236	94 112
Total changes income/loss (-)	**23 087**	**16 690**

Volumes in boe	2021	2020
Produced volumes	5 668 579	5 909 921
Third-party volumes available for sale*	-53 795	0
Sold volumes	-5 728 790	-5 808 830
Total changes in boe	**-114 006**	**101 091**

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

Note 7. Exploration and evaluation expenses

Specification of exploration and evaluation expenses

Amounts in NOK `000	**2021**	**2020**
Share of exploration and evaluation expenses from participation in licences excluding dry well impairment, from billing	95 278	74 942
Share of exploration expenses from participation in licences, dry well write off, from billing*	184 855	335
Seismic and other exploration and evaluation expenses, outside billing	62 839	21 759
Total exploration and evaluation expenses	**342 972**	**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. The drilling of exploration well Ginny in licence PL1060 was completed in February 2022. The well was dry and cost incurred as of 31 December 2021 was charged as expense in the financial statements for 2021.

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
2021						
Cost at 1 January 2021	3 918 980	2 037 626	92 501	19 434	249 439	6 317 979
Additions	883 957	365 785	-	8 705	79 966	1 338 412
Reclassification from inventory	358					358
Reclassification from exploration		3 008				3 008
Removal and decommissioning asset	-44 638	-				-44 638
Disposals			-92 501	-7 626	-	-100 127
Transfer from development to production	2 406 419	-2 406 419				-
Cost at 31 December 2021	**7 165 077**	**-**	**-**	**20 512**	**329 404**	**7 514 993**
Accumulated depreciation and impairment at 1 January 2021	-1 468 663	-730 397	-9 250	-9 198	-70 204	-2 287 711
Depreciation for the year	-645 029	-	-4 625	-7 798	-14 999	-672 450
Additional depreciation of IFRS 16 Right-of-use assets*					-10 003	-10 003
Impairment (-) / reversal of impairment	-366 632	730 397				363 765
Disposals			13 875	7 626	-	21 501
Accumulated depreciation and impairment at 31 December 2021	**-2 480 324**	**-**	**-**	**-9 370**	**-95 205**	**-2 584 899**
Carrying amount at 31 December 2021	**4 684 752**	**-**	**-**	**11 143**	**234 199**	**4 930 094**

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 from development to production						-
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**
Depreciation plan	Unit of Production	**)	Linear	Linear	Linear	
Estimated useful life (years)	N/A		20	3 - 5	2 - 20	

See note 17 for information about the sale and leaseback transaction for the property Råket 2 completed in December 2021.

*) 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	2022	2023	2024	2025
Planned capital expenditure for existing licences (work program and budget)	1 050 000	508 000	106 000	35 000

Note 9. 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 31 December 2021:

	Oil	**Gas**	**Currency rates**
Year	**USD/boe***	**GBP/therm***	**NOK/USD**
2022	74.7	1.61	8.8
2023	69.1	1.05	8.4
From 2024	66.3	0.48	8.0

Key assumptions applied in the impairment test as of 31 December 2020:

	Oil	**Gas**	**Currency rates**
Year	**USD/boe***	**GBP/therm***	**NOK/USD**
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

* 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 9.0% nominal post tax (2020: 10.0% nominal post tax). The main driver for the reduced WACC was lower cost of debt.

The long-term inflation rate is assumed to be 2.0% (2020: 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.

Total cost for CO2 comprises Norwegian CO2 tax and cost of the EU Emission Trading System and is estimated to gradually increase from NOK 1 150 per tonne in 2022 towards a long term price of NOK 2 000 per tonne from 2030 in line with price estimates presented by the Norwegian authorities in late 2021. NOx prices are estimated to increase from approximately NOK 17 per kg in 2022 to a level of approximately 28 NOK per kg from 2030. A future change in how the world will react in light of the goals set in the Paris Agreement could have adverse effects on the value of OKEA's oil and gas assets. Sensitivities on changes to environmental cost is reflected in the table below.

Impairment testing of technical goodwill, ordinary goodwill, fixed assets and right-of-use assets as of 31 December 2021
Based on impairment testing, NOK 364 million in impairment reversal of previous impairment of the Yme asset was recognised in 2021 with an offset to changes in deferred taxes of NOK 284 million. The key driver for the reversal of impairment was the production start of the Yme asset in October 2021 combined with significant increased forward prices of oil during 2021 as well as the transfer of ownership and operatorship of the Inspirer rig. There was no impairment or reversal of impairment for any of the other fixed assets or right-of-use assets in 2021. There was no impairment of ordinary or technical goodwill in 2021.

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 and 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 and ordinary goodwill was the significant adverse development in oil and gas prices during 2020. Note that impairment of goodwill may not be reversed even if the market situation subsequently improves. Impairment of oil and gas properties at Yme was additionally driven by increased capital expenditures as well as a revised estimate for start of production.

Sensitivity analysis 2021
The table below shows what the impairment (pre-tax) would have been in 2021 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 pre-tax impairment/reversal (-) in 2021 (NOK '000)		Increase / decrease (-) of pre-tax impairment 2021 (NOK '000)	
Assumptions	**Change**	**Increase in assumption**	**Decrease in assumption**	**Increase in assumption**	**Decrease in assumption**
Oil and gas price	+/- 10%	-730 397	173 509	-366 632	537 274
Currency rate NOK/USD	+/- 1.0 NOK	-730 397	278 979	-366 632	642 743
Discount rate	+/- 1% point	-275 415	-455 873	88 350	-92 108
Inflation rate	+/- 1% point	-404 425	-322 381	-40 661	41 383
Environmental opex	+/- 20% point	-285 900	-441 629	77 864	-77 864

In addition, scenarios from the International Energy Agency (IEA) have been tested for impairment. Descriptions of these four scenarios can be found in OKEA's ESG report for 2021. The prices in these scenarios are provided in real 2020 terms for 2030 and 2050. Forward prices are applied for 2022 and linearly interpolated from average 2022 forward price to IEA scenario price 2030 and linearly interpolated from IEA scenario price 2030 to IEA scenario prices 2050. The numbers to the left are alternative calculations of impairment or impairment reversal (-) and the numbers to the right are changes from what is reflected in the income statement of a reversal of NOK 363 765 thousand.

IEA scenario	**Prices 2030 & 2050**	**Alternative calculations of pre-tax impairment/ reversal (-) in 2021 (NOK '000)**	**Increase/ decrease (-) of pre-tax impairment 2021 (NOK '000)**
Net zero emissions by 2050	Oil 36 - 24 $/bbl, Gas 29 - 27 pence/therm	169 434	533 199
Sustainable development	Oil 56 - 50 $/bbl, Gas 32 - 34 pence/therm	-321 688	42 077
Announced pledges	Oil 67 - 64 $/bbl, Gas 49 - 49 pence/therm	-570 548	-206 784
Stated policies	Oil 77 - 88 $/bbl, Gas 57 - 62 pence/therm	-730 397	-366 632

The Net zero scenario is the only scenario that will result in significant worse result than the current base case for OKEA's portfolio. The impairment figure in the Net zero case is mainly related to fixed asset values at Yme CGU which is partly offset in changes to deferred tax, and impairment of technical goodwill at the Draugen CGU. The reversal indicated in the Stated policies is capped at previous impaired fixed asset value of the Yme CGU. The analysis performed indicates the risk of any stranded assets in OKEA's portfolio is quite limited under the current IEA scenarios.

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 pre-tax impairment/reversal (-) in 2020 (NOK '000)		Increase / decrease (-) of pre-tax impairment 2020 (NOK '000)	
Assumptions	**Change**	**Increase in assumption**	**Decrease in assumption**	**Increase in assumption**	**Decrease in assumption**
Oil and gas price	+/- 10%	800 634	1 977 962	-586 385	590 944
Currency rate NOK/USD	+/- 1.0 NOK	1 265 500	1 439 479	-121 518	52 461
Discount rate	+/- 1% point	1 466 409	1 142 634	79 391	-244 384
Inflation rate	+/- 1% point	1 159 071	1 452 144	-227 948	65 126

Note 10. Employee benefit expenses

Specification of employee benefits expenses included in general and administrative expenses

Amounts in NOK `000	2021	2020
Salary expenses	370 101	343 400
Employer's payroll tax expenses	59 411	51 161
Pensions	37 472	34 314
Share based payment	7 722	4 487
Other personnel expenses	10 053	5 506
Gross employee benefits expenses	**484 758**	**438 868**
Number of man-years during the year	215	209
Gross other general and administrative expenses, see note 11	196 276	160 498
Gross general and administrative expenses	**681 034**	**599 366**
Allocated to operated licences	-581 578	-502 367
Reclassified to oil and gas properties under development	-4 432	-10 286
Total general and administrative expenses	**95 024**	**86 713**

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 2021: *

Amounts in NOK `000	Salary	Variable remuneration**	Pension	Other benefits***
Erik Haugane (former CEO) [1)]	1 605	1 292	181	10 350
Svein J. Liknes (CEO) [2)]	2 341	2 402	125	99
Dag Eggan (SVP business performance)	2 640	1 021	181	12
Tor Bjerkestrand (SVP operations)	3 303	1 096	181	12
Espen Myhra (SVP business development)	2 493	1 081	181	357
Andrew McCann (SVP subsurface & wells)	2 635	1 158	181	12
Birte Norheim (CFO)	3 005	1 301	181	313
Knut Gjertsen (SVP projects & technology)	3 138	1 455	181	564
Marit Moen Vik-Langlie (VP legal)	1 681	873	181	12
Total compensation to management	**22 840**	**11 677**	**1 572**	**11 731**

* Compensation in form of salaries is included in the year paid. From 2021 variable and other compensations are included in year earned.

** Variable remuneration includes remuneration related to employee share insentive program and long-term incentive scheme.

*** Other benefits include fringe benefits, value of warrants triggered and other benefits to the former CEO, see footnote 1).

[1)] Erik Haugane, CEO and member of the senior management team until 31.05.21. Mr. Haugane is entitled to receive base salary, bonus and pension/insurance/other benefits until end of February 2023. The estimated amount he is entitled to in this period is included in "other benefits".

[2)] Svein J. Liknes, CEO and member of the senior management team from 01.06.21. Mr. Liknes is entitled to 6 – 18 months severance pay, depending on the circumstances.

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 2021 OKEA issued 502 700 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 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 form of salaries and bonus is included in 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.

Compensation to Board of Directors in 2021: ***

Amounts in NOK `000	Board fees	Sub-committee fees	Total fees
Chaiwat Kovavisarach (chairman)	630	-	630
Paul Anthony Murray (board member)	435	75	510
Michael William Fischer (board member)	435	138	572
Saowapap Sumeksri (board member) [1)]	-	-	-
Prisana Praharnkhasuk (board member) [3)]	123	25	148
Finn Haugan (board member)	455	143	597
Liv Monica Stubholt (board member) [2)]	127	25	152
Rune Olav Pedersen (board member)	435	88	522
Nicola Gordon (board member)	435	140	575
Grethe Moen (board member) [1)]	258	63	320
John Kristian Larsen (board member) [1)]	147	23	170
Ida Ianssen Lundh (board member) [2)]	152	34	186
Anne Lene Rømuld (board member)	275	55	330
Jan Atle Johansen (board member)	275	70	345
Frank Stensland (deputy board member) [2)]	-	-	-
Bengt Morten Sangolt (deputy board member) [2)]	-	-	-
Bjørn Ingar Pettersen (deputy board member) [2)]	-	-	-
Ragnhild Aas (deputy board member)	25	-	25
Gro Anita Markussen (deputy board member) [1)]	-	-	-
Jens Arne Megaard (deputy board member) [1)]	-	-	-
Total compensation to board of directors	**4 206**	**876**	**5 082**

*** The table shows the compensation paid out to the board of directors in 2021.

[1)] Board member from 03.05.2021.
[2)] Board member until 03.05.2021.
[3)] Board member until 28.04.2021.

Compensation to board of directors in 2020: **

Amounts in NOK `000	Board fees	Sub-committee fees	Total fees
Chaiwat Kovavisarach (chairman)	578	-	578
Henrik Schröder (board member) 1)	125	-	125
Paul Anthony Murray (board member) 2)	259	-	259
Michael William Fischer (board member)	384	75	459
Prisana Praharnkhasuk (board member)	748	215	963
Finn Haugan (board member)	384	140	524
Liv Monica Stubholt (board member)	377	75	452
Rune Olav Pedersen (board member)	384	105	489
Nicola Gordon (board member)	377	105	482
Ida Ianssen Lundh (board member)	145	25	170
Anne Lene Rømuld (board member)	384	100	484
Jan Atle Johansen (board member)	384	100	484
Frank Stensland (deputy board member)	-	-	-
Bengt Morten Sangolt (deputy board member)	-	-	-
Bjørn Ingar Pettersen (deputy board member)	-	-	-
Ragnhild Aas (deputy board member)	239	75	314
Total compensation to board of directors	**4 766**	**1 015**	**5 781**

**** 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.

Share based payment

Amounts in NOK `000	2021	2020
Warrants to employees	1 010	1 601
Incentive-shares to management	6 712	2 886
Total share based payment expense	**7 722**	**4 487**

Warrants to employees:
In February 2018, OKEA granted 1 250 000 equity-settled warrants to employees, each warrant with an exercise price of NOK 17.9.

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 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 (former CEO)	250 000	572
Anton Tronstad (former SVP projects & technology)	250 000	572
Dag Eggan (SVP business performance)	40 000	52
Tor Bjerkestrand (SVP operations)	40 000	52
Other employees and former management	670 000	-238
Total	**1 250 000**	**1 010**

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

Overview of outstanding warrants in connection with share based payment:

	2021	2020
Outstanding warrants at 1 January	985 000	1 235 000
Warrants granted	-	-
Warrants forfeited	-40 000	-250 000
Warrants exercised	-865 000	-
Warrants expired	-	-
Outstanding warrants at 31 December	**80 000**	**985 000**
Of which exercisable	**80 000**	**985 000**

Guideline and report on remuneration for leading persons
A guideline on remuneration for leading persons was endorsed by the annual general meeting on 3 May 2021. A revision of these guidelines and a separate report on remuneration for leading persons in 2021 will be presented at the annual general meeting scheduled for 28 April 2022.

Note 11. Other operating expenses

Specification of other operating expenses included in general and administrative expenses

Amounts in NOK `000	2021	2020
Technical and IT consultants	104 412	89 943
Administrative consultants	11 992	13 109
Travel expenses	7 977	9 021
Office rentals and other office expenses	11 851	11 236
IT software, hardware and other expenses	60 045	37 189
Gross other general and administrative expenses	**196 276**	**160 498**
Gross employee benefits expenses, see note 10	484 758	438 868
Gross general and administrative expenses	**681 034**	**599 366**
Allocated to operated licences	-581 578	-502 367
Reclassified to oil and gas properties under development	-4 432	-10 286
Total general and administrative expenses	**95 024**	**86 713**

Auditor's fees (ex. VAT)

Amounts in NOK `000	2021	2020
Auditor's fee	1 093	1 200
Other attestation services	632	721
Tax advisory	-	-
Other services	38	23
Total auditor's fees	**1 763**	**1 944**

Note 12. Financial items

Amounts in NOK `000	2021	2020
Interest income	1 120	4 036
Unwinding of discount asset retirement reimbursement right (indemnification asset)	78 764	77 450
Gain on buy-back bond loan	-	24 074
Total finance income	**79 884**	**105 559**
Interest expense and fees from loans and borrowings*	-210 907	-291 237
Capitalised borrowing cost on development projects	116 709	124 344
Interest expense shareholder loan	-57	-57
Other interest expense	-3 986	-4 331
Unwinding of discount asset retirement obligations	-83 797	-80 555
Loss on buy-back bond loan	-6 364	-
Loss on financial investments	-39	-
Other financial expense	-8 558	-17 071
Total finance costs	**-197 001**	**-268 907**
Exchange rate gain/loss (-), interest-bearing loans and borrowings	-107 918	57 171
Net exchange rate gain/loss (-), other	33 158	94 573
Net exchange rate gain/loss (-)	**-74 761**	**151 744**
Net financial items	**-191 877**	**-11 604**

*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 25 for further details.

Note 13. Taxes

Income taxes recognised in the income statement

Amounts in NOK `000	2021	2020
Change in deferred taxes current year	-796 958	-111 946
Taxes payable current year	-711 980	-
Tax payable adjustment previous year	1 508	-12 046
Tax refund current year	-	752 006
Tax refund adjustment previous year	4 757	-
Total taxes (-) / tax income (+) recognised in the income statement	**-1 502 673**	**628 014**

Reconciliation of income taxes

Amounts in NOK `000	2021	2020
Profit / loss (-) before income taxes	**2 105 982**	**-1 230 740**
Expected income tax at nominal tax rate, 22%	-463 316	270 763
Expected petroleum tax, 56%	-1 179 350	689 214
Permanent differences, including impairment of goodwill	-2 419	-504 605
Effect of sale and leaseback transaction	39 839	-
Effect of uplift	196 977	180 613
Financial and onshore items	-94 459	3 429
Change valuation allowance	-4 887	-
Adjustments previous year and other	4 941	-11 401
Total income taxes recognised in the income statement	**-1 502 673**	**628 014**
Effective income tax rate	**71 %**	**51 %**

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

Amounts in NOK `000	31.12.2021	31.12.2020
Tangible and intangible non-current assets	-2 939 348	-2 113 571
Provisions (net ARO), lease liability, pensions and gain/loss account (deferred capital gain)	1 352 475	1 299 894
Interest-bearing loans and borrowings	-3 429	-7 240
Current items (spareparts and inventory)	-145 419	-122 180
Tax losses carried forward, onshore 22%	4 887	992
Uplift, offshore 56%	-	1 548
Total deferred tax assets / liabilities (-)	-1 730 833	-940 558
Valuation allowance for deferred tax assets	-4 887	-
Total deferred tax assets / liabilities (-) recognised	**-1 735 720**	**-940 558**

Change in deferred taxes

Amounts in NOK `000	2021	2020
Deferred tax income / expense (-)	-796 958	-111 946
Deferred taxes charged to equity	1 796	1 805
Total change in deferred tax assets	**-795 162**	**-110 141**

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	2021	2020
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	2021	2020
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 and 2021, deducted for tax refund from exploration expenses, is received in six instalments occuring 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.

Estimated taxes payable/refundable are due in six instalments occuring every two months. Any difference between actual tax payable/refund according to the tax return and the instalments are settled annually in fourth quarter following year.

Specification of income tax payable

Amounts in NOK `000	2021	2020
Tax payable (-) / credit recognised in the income statement	-711 980	-
Tax payable recognised on acquisitions of licences	6 399	-
Tax payable from previous years not settled	-12 698	-14 207
Tax refund received, to be repaid	-54 740	-
Total income tax payable (-)	**-773 020**	**-14 207**

Amounts in NOK `000	2021	2020
Tax payable years 2016-2019	-12 698	-14 207
Tax payable year 2021	-705 582	-
Tax refund received for year 2021, to be repaid	-54 740	
Total income tax payable (-)	**-773 020**	**-14 207**

For 2021 total net taxes received was NOK 355.4 million which was the sum of tax refund as of 31.12.2020 of NOK 295.9 million, tax refunded related to estimated tax year 2021 of NOK 54.7 million and tax refund adjustments previous years of NOK 4.8 million.

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 92 active members at year end 2021. 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	2021	2020
Service cost - employee benefit	2 777	2 322
Service cost - interest expense	541	616
Total pension related costs	3 318	2 938
Remeasurements pensions, actuarial loss/gain (-) recorded to OCI	2 303	2 314
Taxes, 78%	-1 796	-1 805
Remeasurements pensions, actuarial loss/gain (-), net after tax to OCI	**507**	**509**

Movement in pension obligations during the year:

Amounts in NOK `000	31.12.2021	31.12.2020
Pension obligations January 1	31 988	26 857
Service cost - employee benefit	2 777	2 322
Service cost - interest expense	541	616
Remeasurements pensions, actuarial loss/gain (-)	2 303	2 314
Pensions paid	-298	-120
Total current provisions	**37 311**	**31 988**

Assumptions:	31.12.2021	31.12.2020
Discount interest rate	1.90 %	1.70 %
Annual projected increase in salary	2.75 %	2.25 %
Annual projected G- regulation	2.50 %	2.00 %
Annual projected regulation of pension	2.50 %	2.00 %
Number of employees included in the defined benefit scheme	92	89

Note 15. Earnings per share

	2021	2020
Net profit / loss (-) attributable to ordinary shares, in NOK `000	603 309	-602 726
Weighted average number of ordinary shares outstanding basic	102 921 489	102 394 798
Earnings per share (NOK per share)		
- Basic	5.86	-5.89
- Diluted	5.86	-5.89

The dilution effect of potentially shares from warrants is not presented in the income statement for 2021, as the average market price of the shares during the period does not exceed the exercise price of the warrants (i.e. they are not in the money). The dilution effect of potentially shares from warrants is not presented in the income statement for 2020, 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**
2021				
Cost at 1 January 2021	38 349	1 114 547	416 415	1 530 962
Additions	160 272	-	-	-
Reclassification to oil and gas properties under development	-3 008	-	-	-
Disposals	-	-	-	-
Expensed exploration expenditures previously capitalised	-184 855	-	-	-
Cost at 31 December 2021	**10 759**	**1 114 547**	**416 415**	**1 530 962**
Accumulated amortisation and impairment at 1 January 2021	-	-508 818	-253 198	-762 016
Amortisation for the year	-	-	-	-
Impairment	-	-	-	-
Disposals	-	-	-	-
Accumulated amortisation and impairment at 31 December 2021	**-**	**-508 818**	**-253 198**	**-762 016**
Carrying amount at 31 December 2021	**10 759**	**605 729**	**163 217**	**768 946**
2020				
Cost at 1 January 2020	15 927	1 114 547	416 415	1 530 962
Additions	22 422	-	-	-
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**

Note 17. Lease liability

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.

Sale and leaseback of the property Råket 2

In December 2021, OKEA completed a sale and leaseback (SLB) transaction for OKEA's regional headquarter Råket 2 in Kristiansund. The SLB agreement is based on OKEA leasing the property for 20 years with additional extension options for OKEA for up to 10 years. The sale price amounted to NOK 109 million. The buyer is Råket 2 AS, a fully owned subsidiary of Asset Buyout Partners AS (ABP). No gain from the transaction has been recognised, OKEA has recognised a lease liability equal to the net sales proceeds of NOK 107.7 million, and the book value of the sold property of NOK 78.6 million is recognied as right-of-use asset. This is based on the assessment that OKEA will be utilising the property over the entire remaining economic lifetime.

Amounts in NOK `000	**2021**	**2020**
Lease debt 1 January	179 235	163 540
Additions lease contracts	109 065	52 370
Accretion lease liability	11 357	9 706
Payments of lease debt and interest	-36 359	-46 380
Total lease debt at 31 December	**263 298**	**179 235**
Breakdown of lease debt		
Short-term (within 1 year)	43 032	35 257
Long-term	220 266	143 978
Total lease debt	**263 298**	**179 235**

Undiscounted lease liabilities and maturity of cash outflows

Amounts in NOK `000	**31.12.2021**	**31.12.2020**
Within 1 year	43 032	35 257
1 to 5 years	154 750	138 727
After 5 years	184 755	94 316
Total	**382 537**	**268 300**

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

Note 18. Asset retirement reimbursement right

Amounts in NOK `000	**31.12.2021**	**31.12.2020**
Asset retirement reimbursement right at 1 January (indemnification asset)	3 029 367	2 968 502
Changes in estimates	2 860	-16 585
Effect of change in the discount rate	-	-
Asset retirement costs from billing, reimbursement from Shell	-3 016	-
Unwinding of discount	78 764	77 450
Asset retirement reimbursement right at 31 December	**3 107 974**	**3 029 367**
Of this:		
Asset retirement reimbursement right, non-current	3 024 562	3 029 367
Asset retirement reimbursement right, current	83 412	-
Asset retirement reimbursement right at 31 December	**3 107 974**	**3 029 367**

Asset retirement reimbursement right 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 716 million (2021 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 421 million (2021 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%, unchanged from year end 2020.

Note 19. Trade and other receivables

Amounts in NOK `000	31.12.2021	31.12.2020
Accounts receivable and receivables from operated licences*	68 275	67 640
Accrued revenue	487 424	64 807
Prepayments	48 300	30 906
Working capital and overcall, joint operations/licences	164 226	161 392
Underlift of petroleum products**	225 079	184 672
VAT receivable	7 317	4 184
Accrued interest income	830	-
Fair value forward contracts, gas***	51 885	-
Total trade and other receivables	**1 053 338**	**513 601**

* There is no provision for bad debt on receivables. The receivables mature within 12 months. Approximately 99% of the company's sales revenue recognised in 2021 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 31.12.2021 consists of Draugen (MNOK 207), Gjøa (MNOK 20) and Ivar Aasen (MNOK -2).

*** Reference is made to note 28 for more information about the company's financial risk management.

Note 20. Financial investments

Amounts in NOK `000	31.12.2021	31.12.2020
Investments in money-market funds and combination funds	210 000	-
Unrealised gain/loss (-)	-39	
Total financial investments	**209 961**	**-**

Note 21. Spare parts, equipment and inventory

Amounts in NOK `000	31.12.2021	31.12.2020
Inventory of petroleum products*	124 258	117 022
Spare parts and equipment	129 061	111 768
Total spare parts, equipment and inventory	**253 318**	**228 790**

* The balance at 31.12.2021 consists of Draugen MNOK 118 (117) and Yme MNOK 6 (0).

Note 22. Cash and cash equivalents

Amounts in NOK `000	31.12.2021	31.12.2020
Bank deposits, unrestricted	1 035 711	853 903
Bank deposit, time deposit	980 000	-
Bank deposit, restricted, employee taxes	18 033	17 307
Bank deposit, restricted, other	5 001	-
Total cash and cash equivalents	**2 038 745**	**871 210**

Reference is made to note 20 for information about liquid assets not categorised as cash and cash equivalents.

Note 23. Share capital and shareholder information

Number of shares	Ordinary shares
Outstanding shares at 1.1.2020	102 064 050
New shares issued in exchange for cash	438 600
Number of outstanding shares at 31 December 2020	**102 502 650**
New shares issued in exchange for cash	1 367 700
Number of outstanding shares at 31 December 2021	**103 870 350**
Nominal value NOK per share at 31 December 2021	0.10
Share capital NOK at 31 December 2021	10 387 035

2021:
In 2021 OKEA issued 502 700 incentive-shares to certain members of management and other key employees at a subscription price of NOK 0.1 per share. 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 up to 50% of the shares allocated. Reference is made to note 10 for further details.

In addition, OKEA issued 865 000 shares in connection with exercise of warrants in 2021. At 31 December 2021, 80 000 equity-settled warrants were still outstanding. Reference is made to note 10 for further details.

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 were still outstanding. Reference is made to note 10 for further details.

Shareholders at 31 December 2021:

Shareholder	Ordinary shares	% Share
BCPR PTE. LTD.	47 477 563	45.71 %
OKEA HOLDINGS LTD.	16 072 993	15.47 %
CHURCH BAY TRUST CO. LTD	6 075 079	5.85 %
SALT VALUE AS	2 112 823	2.03 %
VERDIPAPIRFONDET DNB SMB	1 734 811	1.67 %
SJÆKERHATTEN AS	1 662 537	1.60 %
KØRVEN AS	1 281 896	1.23 %
SPAREBANK 1 SMN INVEST AS	1 071 388	1.03 %
JENSSEN & CO AS	1 030 860	0.99 %
GH HOLDING AS	839 371	0.81 %
SKJEFSTAD VESTRE AS	832 730	0.80 %
VERDIPAPIRFONDET DNB NORGE PENSJON	598 611	0.58 %
ESPEDAL & CO AS	503 053	0.48 %
BNP PARIBAS SECURITIES SERVICES	485 000	0.47 %
LIGNA AS	445 640	0.43 %
MUST INVEST AS	366 296	0.35 %
THE BANK OF NEW YORK MELLOM SA/NV	349 263	0.34 %
MORGAN STANLEY & CO. INTERNATIONAL	344 630	0.33 %
SPAREBANK 1 MARKETS AS	330 971	0.32 %
JOHAN VINJE AS	323 625	0.31 %
OTHER SHAREHOLDERS	19 931 210	19.19 %
Total	**103 870 350**	**100.00 %**

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

Shareholder	*At 31 December 2021* Ordinary shares	% Share	*At 31 December 2020* Ordinary shares	% Share
Espen Myhra (SVP business development)	211 186	0.20 %	120 124	0.12 %
Dag Eggan (SVP business performance)	176 843	0.17 %	134 226	0.13 %
Andrew McCann (SVP subsurface & wells)	148 446	0.14 %	94 595	0.09 %
Tor Bjerkestrand (SVP operations)	138 604	0.13 %	92 662	0.09 %
Knut Gjertsen (SVP projects & technology	132 000	0.13 %	64 500	0.06 %
Birte Norheim (CFO)	113 650	0.11 %	58 600	0.06 %
Marit Moen Vik-Langlie (VP legal)	100 334	0.10 %	55 884	0.05 %
Svein J. Liknes (CEO)	100 000	0.10 %	-	0.00 %
Chaiwat Kovavisarach (chairman of the board)	31 952	0.03 %	30 000	0.03 %
Ragnhild Aas (deputy board member)	90 995	0.09 %	70 752	0.07 %
John Kristian Larsen (board member)	65 550	0.06 %	66 882	0.07 %
Anne Lene Rømuld (board member)	45 323	0.04 %	35 323	0.03 %
Finn Haugan (board member)	43 535	0.04 %	43 535	0.04 %
Jan Atle Johansen (board member)	40 810	0.04 %	36 229	0.04 %
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 %
Rune Olav Pedersen (board member)	20 000	0.02 %	20 000	0.02 %
Jens Arne Megaard (deputy board member)	13 542	0.01 %	4 787	0.00 %
Gro Anita Markussen (deputy board member)	11 394	0.01 %	5 974	0.01 %
Total	**1 524 164**	**1.47 %**	**974 073**	**0.95 %**

Warrants:

Overview of outstanding warrants:

	2021	**2020**
Outstanding warrants at 1 January	985 000	1 235 000
Warrants exercised (ref. note 10)	-865 000	-
Warrants forfeited (ref. note 10)	-40 000	-250 000
Outstanding warrants at 31 December	**80 000**	**985 000**

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

Note 24. Asset retirement obligations

Amounts in NOK `000	2021	2020
Provision at 1 January	4 199 866	4 024 420
Additions	9 327	-
Reclassified to other current provision, see note 27	-10 000	-
Changes in estimates	-41 778	94 891
Effects of change in the discount rate	-	-
Asset retirement costs from billing	-3 770	-
Unwinding of discount	83 797	80 555
Asset retirement obligations at 31 December	**4 237 442**	**4 199 866**
Of this:		
Asset retirement obligations, non-current	4 133 177	4 189 866
Asset retirement obligations, current	104 265	-
Accrued consideration from acquisitions of interests in licences	-	10 000
Asset retirement obligations at 31 December	**4 237 442**	**4 199 866**

Asset retirement obligations
Provisions for asset retirement obligations represent the future expected costs for close-down and removal of 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 18.

Note 25. Interest bearing loans, bonds

Amounts in NOK `000	31.12.2021	31.12.2020
Bond loan OKEA02	1 264 146	1 426 113
Bond loan OKEA03	1 068 911	1 034 151
Capitalised transaction costs bond loan OKEA02	-14 889	-30 116
Capitalised transaction costs bond loan OKEA03	-23 295	-29 852
Total interest bearing loans, bonds	**2 294 873**	**2 400 297**

Changes in interest bearing loans, bonds:

Amounts in NOK `000	OKEA02	OKEA03	Total
Interest bearing loans, bonds at 1 January 2021	1 395 997	1 004 299	2 400 297
Amortisation of transaction costs	15 227	6 557	21 784
Bond buy-back	-210 584	-	-210 584
Increased redemption price at maturity to 101%	-	-	-
Foreign exchange movement	48 617	34 760	83 377
Capitalised transaction costs, adjustment previous year	-	-	-
Interest bearing loans, bonds at 31 December 2021	**1 249 257**	**1 045 616**	**2 294 873**

Amounts in NOK `000	2021	2020
Interest bearing loans, bonds at 1 January 2021	2 400 297	2 556 570
Cash flows:		
Repayment/buy-back of borrowings	-216 948	-120 955
Total cash flows:	**-216 948**	**-120 955**
Non-cash changes:		
Amortisation of transaction costs	21 784	16 127
Foreign exchange movement	83 377	-57 171
Increased redemption price at maturity to 101%	-	28 374
Loss / gain (-) on buy-back	6 364	-24 074
Capitalised transaction costs, adjustment previous year	-	1 425
Interest bearing loans, bonds at 31 December 2021	**2 294 873**	**2 400 297**

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 2021, the company executed partial buy-back of OKEA02 amounting to a nominal value of USD 23.8 million. The buy back was executed at a weighted average premium of 3%.

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%.

Bond loan OKEA03:

The USD 120 million secured bond loan OKEA03 was issued in December 2019 and 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. The bond loan may become unsecured if OKEA02 is repaid or refinanced.

Financial covenants OKEA02 and OKEA03
During 2021 and 2020, and at 31 December 2021 and 2020, the company was in compliance with the covenants under the bond agreements.

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

Leverage Ratio covenant:
Shall not exceed:
(i) 3:1 to and including 30 June 2020;
(ii) 5:1 from 1 July 2020 to and including 30 September 2020;
(iii) 7:1 from 1 October 2020 to and including 30 June 2021;
(iv) 6:1 from 1 July 2021 to and including 30 September 2021; and
(v) 3:1 from 1 October 2021 to and including 31 December 2021.

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

From 01.01.2022 the covenants comprise of:
(i) Leverage ratio shall not exceed 2:1
(ii) Capital employment ratio above 35%
(iii) Minimum fee liquidity of USD 10 million

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) Assignment of claims under the share and purchase agreement for participating interests in the Yme field; and
(v) Pledge in factoring charge.

Note 26. Other interest bearing liabilities

In October 2021 the Yme licence completed acquisition of the Inspirer jack-up rig through a bareboat charter (BBC) agreement with Havila Sirius AS (Havila). The part of the lease payments to Havila corresponding to the purchase price paid by Havila to Maersk is considered as an investment in a rig with a corresponding liability, while the remaining amount of the total payments is treated as interest expenses. This treatment is based on the underlying assessment that the reality of the transaction is that it is an investment in a rig financed with a interest bearing liability, rather than a lease. OKEA's proportionate share of the investment and corresponding liability is USD 55.95 million.

The Yme licence has the right and the obligation to purchase the rig at the end of the lease period for NOK 1. In addition the Yme licence has the unconditional obligation to purchase the rig from Havila in case of any termination event during the lease period. The purchase price will then be the remaining amount paid by Havila to Maersk plus interest and other costs. The Yme licence also has the option to purchase the rig at any time during the lease period for the same price.
The liability carries a implicit interest rate of 5.21% p.a., and will be repaid with the lease payments to Havila with the last lease payment in October 2031. Repsol S.A. (RSA) is the parent company of the Yme licence operator Repsol Norge AS. On behalf of Yme, RSA has issued a parent company guarantee for the future lease payments to Havila.

Amounts in NOK `000	**31.12.2021**	**31.12.2020**
Liability Yme rig	493 445	-
Total other interest bearing liabilities	**493 445**	**-**
Of this:		
Other interest bearing liabilities, non-current	454 853	-
Other interest bearing liabilities, current	38 593	-
Total other interest bearing liabilities	**493 445**	**-**

Changes in other interest bearing liabilities:

Amounts in NOK `000	**Liability Yme rig**	**Total**
Other interest bearing liabilities at 1 January 2021	-	-
Financing Yme rig	468 904	468 904
Foreign exchange movement	24 541	24 541
Other interest bearing liabilities at 31 December 2021	**493 445**	**493 445**
Of this:		
Other interest bearing liabilities, non-current	454 853	454 853
Other interest bearing liabilities, current	38 593	38 593
Other interest bearing liabilities at 31 December 2021	**493 445**	**493 445**

Amounts in NOK `000	**2021**	**2020**
Other interest bearing liabilities at 1 January	-	-
Cash flows:		
Gross proceeds from borrowings	-	-
Repayment of borrowings	-	-
Total cash flows:	**-**	**-**
Non-cash changes:		
Financing Yme rig	468 904	-
Foreign exchange movement	24 541	-
Other interest bearing liabilities at 31 December	**493 445**	**-**

Note 27. Trade and other payables

Amounts in NOK `000	31.12.2021	31.12.2020
Trade creditors	117 721	46 509
Accrued holiday pay and other employee benefits	110 947	89 595
Working capital, joint operations/licences	430 608	451 217
Overlift of petroleum products	24 555	-
Accrued interest bond loans	5 096	5 008
Prepayments from customers	17	199 001
Fair value put/call options, oil*	-	7 169
Loan from shareholder OKEA Holdings Ltd	1 371	1 314
Accrued consideration from acquisitions of interests in licences	10 000	-
Other accrued expenses	86 220	90 550
Total trade and other payables	**786 535**	**890 362**

All payables mature within 12 months.

* Reference is made to note 29 for more information about the company's financial risk management.

Note 28. Financial instruments

Financial instruments by category

Year ended 31 December 2021

Financial assets

Amounts in NOK `000	Amortised cost	Fair value through profit or loss	Total carrying amount
Trade and other receivables *	180 006	51 885	231 891
Financial investments	-	209 961	209 961
Cash and cash equivalents	2 038 745	-	2 038 745
Total	**2 218 751**	**261 846**	**2 480 597**

Financial liabilities

Amounts in NOK `000	Amortised cost	Fair value through profit or loss	Total carrying amount
Trade and other payables *	336 930	-	336 930
Interest bearing loans, bonds	2 294 873	-	2 294 873
Other interest bearing liabilities	493 445		493 445
Total	**3 125 249**	**-**	**3 125 249**

* Prepaid expenses, VAT receivable, accrued receivables and accrued expenses are not included. Forward contracts are included at fair value through profit or loss.

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, bonds	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).

Fair value of financial instruments

It is management's assessement that the carrying amounts of financial assets and liabilities, except for interest bearing bond loans, is approximately equal to its fair values. For interest bearing bond loans, the fair value is estimated to be NOK 2,410 million at 31 December 2021 (2020: NOK 2,271 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.

For other interest bearing liabilities it is assesed that the fair value is approximately equal to the carrying amount at 31 December 2021. This assesment is based on the transaction completed in October 2021 as described in note 26, and assuming no significant change in interest rate level and credit spread since the completion of the transaction (level 2 in the fair value hierarchy).

Fair values of forward contracts gas and 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 forward contracts gas and put/call options are equal to their carrying amounts.

Note 29. 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 DNB Bank ASA.

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 assure ability 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.

31.12.2021

Amounts in NOK `000	Carrying amount	Cash Flow	< 1 year	1-5 year	> 5 year
Trade and other payables	336 930	336 930	336 930	-	-
Interest bearing loans, bonds	2 294 873	2 333 058	-	2 333 058	-
Interest bearing loans, bonds, interest	-	404 810	177 270	227 540	-
Other interest bearing liabilities	493 445	493 445	38 635	176 319	278 491
Other interest bearing liabilities, interest	-	142 876	24 962	78 244	39 669
Total financial liabilities	**3 125 249**	**3 711 119**	**577 797**	**2 815 161**	**318 161**

31.12.2020

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

The table below shows a maturity analysis for financial assets:

31.12.2021

Amounts in NOK `000	Carrying amount	Cash Flow	< 1 year	1-5 year	> 5 year
Trade and other receivables	231 891	231 891	231 891	-	-
Financial investments	209 961	209 961	209 961	-	-
Cash and cash equivalents	2 038 745	2 038 745	2 038 745	-	-
Total financial assets	**2 480 597**	**2 480 597**	**2 480 597**	**-**	**-**

31.12.2020

Amounts in NOK `000	Carrying amount	Cash Flow	< 1 year	1-5 year	> 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**	**-**	**-**

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, and the Yme rig liability carries a implicit interest rate of 5.21% p.a.

<u>Sensitivity analysis:</u>

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

2021: If 3 month LIBOR had been 50 basis points higher/lower, the company's profit after tax would have been NOK 4.9 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 interest-bearing loans and borrowings in USD.

At 31 December 2021, the company's exposure to exchange rate risk mainly relate to bank deposits and interest-bearing loans and borrowings in USD.

<u>Sensitivity analysis at 31 December 2021:</u>

If NOK was 5% stronger against the USD on 31 December 2021, the company's profit after tax would have been NOK 106.5 million higher.

If NOK was 5% weaker against the USD on 31 December 2021, the company's profit after tax would have been NOK 106.5 million lower.

<u>Sensitivity analysis at 31 December 2020:</u>

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.

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 to manage exposures to fluctuations in commodity prices.

Forward contracts, gas:

At year-end 2021, OKEA had outstanding forward contracts for;

Quantity - therms of gas	Fixed price GBP per therm	Expiration
845 000	2.84	2022-01-28
760 000	3.30	2022-02-25
480 000	2.99	2022-03-30
390 000	2.44	2022-04-29
550 000	2.14	2022-05-30
520 000	2.13	2022-06-29
525 000	2.14	2022-07-29
580 000	2.13	2022-08-30
555 000	2.13	2022-09-29

Put and call options, oil:

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 2021, OKEA had no outstanding option contracts. 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. These contracts expired in January and April 2021.

Capital management

The overall objective of capital management is to ensure that the company 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.

Surplus liquidity is managed according to the company's liquidity management policy.

Note 30. Asset acqusitions and sales

During 2021 and 2020, the company completed the following acquisitions and sales of interests in licences on the Norwegian continental shelf, accounted for as acquisitions and sales of assets:

Acquisitions:

Year	Licence	Interest	Seller	Effective date	Completion
2021	PL 972	40 %	Repsol Norge AS	01.01.2021	28.02.2021
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

In 2021 OKEA signed a sale and purchase agreement with Neptune Energy AS increasing OKEA's working interest in the Ivar Aasen licence with 2.223%. Effective date for the transaction is 1.1.2022 with expected completion first half 2022.

Sales:

There were no sales of interests in licences in 2021 or 2020.

Note 31. Covid-19

The global Covid-19 pandemic has continued to impact the operations of OKEA and a series of strict measures designed to protect employees and ensure full continuity on OKEA operated assets have been in place in large parts of 2020 as well as in 2021, particularly at the Draugen field. The company has managed the situation by keeping 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 in 2020 or 2021 and the organisation is well prepared to manage the situation if such cases should occur. Direct cost impact from Covid-19 in OKEA's operation has been minimal and is estimated to be in the range of NOK 3-5 million for 2021 and NOK 5-10 million for 2020.

At the date of this report, the general outlook appears optimistic.

Note 32. Commitments and contingencies

During the normal course of its business, the company may be involved in disputes, including tax disputes. The company makes accruals for probable liabilities related to litigation and claims based on management's best judgment and in line with IAS 37 and IAS 12. As per end of 2020 and 2021, estimated exposures are not significant and no material provision were recognised.

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.

Insurance for board members and chief executive officer
The company has an insurance policy for the board members and the chief executive officer for potential liability to the company and third parties. The board considers the coverage to be reasonable.

Note 33. Related party transactions

Transactions with related parties:

Amounts in NOK `000	2021	2020
BCPR Pte Ltd *	234	1 020
Interest on loan from shareholder OKEA Holdings Ltd **	57	57

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

** OKEA Holding Ltd is the second largest shareholder of OKEA and related party to board member Paul Murray.

Trade and other payables, related parties:

Amounts in NOK `000	31.12.2021	31.12.2020
BCPR Pte Ltd	-	-
Loan from shareholder OKEA Holdings Ltd	1 371	1 314

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

Note 34. Reserves (unaudited)

Proven and probable reserves

Mill barrels oil equivalents (mmboe)	**2021**	**2020**
Balance at 1 January	41.6	49.5
Production	-5.9	-5.7
Acquisition of reserves	-	-
New developments	4.6	-
Revisions of previous estimates and other changes	6.3	-2.2
Total reserves at 31 December	**46.6**	**41.6**

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 2021 available at www.okea.no/investor/reports/.

Note 35. Events after the balance date

In January 2022, OKEA was offered interests in four new production licences on the Norwegian continental shelf, three of which as operator, through the Awards in Pre-Defined Areas (APA) for 2021.

The Equinor operated Ginny exploration well was announced as a dry well on 2 February 2022. Cost incurred as of 31 December 2021 amounted to NOK 18 million and were expensed in the financial statements for 2021.

The Neptune-operated Hamlet exploration well in the Gjøa licence (PL153) was spudded in late February 2022. OKEA announced on 21 March that hydrocarbons have been observed from logs on entering the reservoir in the well (35/9-16 S) and coring is initiated according to plan. The reservoir operations are at an early stage and final results will be announced when available.

In the first quarter of 2022, OKEA has bought back additional parts of the OKEA02 bond for a nominal amount of USD 31.5 million at an average price of 103.6 to par. At the date of this report, OKEA had bought back OKEA02 bonds for a nominal value of USD 69.2 million at an average price of 99.2 to par, of which USD 6.3 million have been cancelled.

OKEA has entered into additional contracts for forward sale of gas in 2022 for a total of 2 390 000 therms at fixed prices between 397 and 412 p/th with expiration during 2022. At the date of this report, OKEA had sold forward 30% of the net after tax exposure for natural gas for Q1-22 at an average price of 304 GBp/th, 30% for Q2-22 at an average price of 278 British pence per therm (GBp/th), 30% of Q3-22 at an average price of 275 GBp/th and 10% of Q4-22 at an average price of 408 GBp/th.

The Russia-Ukraine armed conflict, which remains ongoing at the date of this report, has increased petroleum prices. The conflict has resulted in a rapidly evolving geo-political situation and introduced a new set of challenges with respect to maintaining business continuity. In order to mitigate the potential impact on the company’s operation particularly in respect of potential interruptions of supply chains and cyber risk, OKEA is monitoring international sanctions and trade control legislation closely and has enforced control mechanisms to manage the elevated security threats imposed to the industry.

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 2021 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, 30 March 2022

Chaiwat Kovavisarach
Chairman of the board

Grethe Moen
Board member

Mike Fischer
Board member

Paul Murray
Board member

Nicola Carol Gordon
Board member

Rune Olav Pedersen
Board member

Finn Haugan
Board member

Anne Lene Rømuld
Board member

Jan Atle Johansen
Board member

Saowapap Sumeksri
Board member

John Kristian Larsen
Board member

Svein Jakob Liknes
CEO

Reconciliations of alternative performance measures

OKEA discloses alternative performance measures as part of its financial reporting as a supplement to the financial statements prepared in accordance with international accounting standards (IFRS). OKEA believes that the alternative performance measures provide useful supplement information to management, investors, bondholders and other stakeholders and are meant to provide an enhanced insight and better understanding into the financial development of OKEA and improve comparability between periods.

EBITDA	**2021**	**2020**
Amounts in NOK `000	**12 months**	**12 months**
Profit / loss (-) from operating activities	2 297 860	-1 219 136
Add: depreciation, depletion and amortisation	672 450	699 403
Add: impairment	-363 765	1 387 018
EBITDA	**2 606 545**	**867 286**

EBITDAX	**2021**	**2020**
Amounts in NOK `000	**12 months**	**12 months**
Profit / loss (-) from operating activities	2 297 860	-1 219 136
Add: depreciation, depletion and amortisation	672 450	699 403
Add: impairment	-363 765	1 387 018
Add: exploration expenses	342 972	97 036
EBITDAX	**2 949 517**	**964 322**

Production expense per boe	**2021**	**2020**
Amounts in NOK `000	**12 months**	**12 months**
Production expenses	860 419	695 877
Less: processing tariff income	-61 960	-53 237
Less: joint utilisation of logistics resources	-23 036	-15 107
Less: preparation for operation asset under construction	-17 884	-7 813
Net production expenses	757 539	619 721
Divided by: produced volumes (boe)	5 668 579	5 909 921
Production expense NOK per boe	**133.6**	**104.9**

Net interest-bearing debt	**2021**	**2020**
Amounts in NOK `000	**12 months**	**12 months**
Interest bearing loans, bonds	2 294 873	2 400 297
Other interest bearing liabilities	454 853	-
Other interest bearing liabilities, current	38 593	-
Less: Cash and cash equivalents	-2 038 745	-871 210
Net interest-bearing debt	**749 574**	**1 529 086**

Net interest-bearing debt excl. other interest bearing liabilities	**2021**	**2020**
Amounts in NOK `000	**12 months**	**12 months**
Interest bearing loans, bonds	2 294 873	2 400 297
Less: Cash and cash equivalents	-2 038 745	-871 210
Net interest-bearing debt excl. other interest bearing liabilities	**256 128**	**1 529 086**

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 and evaluation expenses.

Net interest-bearing debt is book value of current and non-current interest-bearing loans, bonds and other interest-bearing liabilities excluding lease liability (IFRS 16) less cash and cash equivalents.

Net interest-bearing debt excl. other interest bearing liabilities is book value of interest-bearing loans, bonds 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.

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 (the Company), which comprise the statement of financial position as at 31 December 2021, 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 financial statements comply with applicable statutory requirements, and
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with 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 the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), 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.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 7 years from the election by the general meeting of the shareholders on 25 September 2015 for the accounting year 2015 with a renewed election on the 24 April 2020.

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

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 continued price volatility in the hydrocarbon commodity markets during 2021 our audit has focused on the critical estimates assessment of *Impairment of Goodwill and Oil & Gas Properties* and *Estimation of Asset Retirement Obligations*.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of Goodwill and Oil & Gas properties OKEA ASA has oil and gas properties with a carrying amount of NOK 4 685 million at 31 December 2021. In addition, the carrying value of goodwill (including technical goodwill) was NOK 769 million at 31 December 2021. In line with OKEA's accounting policies for impairment of non-financial assets, management has assessed whether there are impairment or reversal indicators. Based on identified reversal indicators, a calculation of recoverable amount by each CGU 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 modeling 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 and reversal indicators and the corresponding calculation of recoverable amounts, a total net reversal of NOK 364 million of prior period impairment charges was	We assessed management's identification of impairment and reversal indicators and agreed that indicators were present. We obtained management's recoverable amount calculation as of 31 December 2021. 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 2021, • comparison of estimated future operating costs and capital expenditures towards information reported by the field operator in the 2022 RNB (reporting to Revised National Budget) numbers,

recognized in 2021. The main impairment reversal relates to the Yme asset. We focused 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 amounts is complex and involves significant management judgement which may have a direct impact on net profit. Please refer to note 9 for a description of management's assessment of impairment and reversal of impairment	• 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 judgmental nature of the underlying estimates. This risk is still prevalent due to the current market conditions. We also assessed the mathematical and methodological integrity of management's impairment models. For ordinary goodwill, management determined that ordinary goodwill on 31 December 2021 was not impaired. We obtained and considered management's assessment supporting the carrying value of goodwill at 31 December 2021. We also calculated the market capitalization at 31 December 2021 based on the quoted share price at year-end. We found support for the carrying value of oil and properties and ordinary goodwill at 31 December 2021. 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 2021 was calculated for the operated asset Draugen, and the non-operated assets Gjøa, Yme and Ivar Aasen. As of 31 December 2021, asset retirement obligations represent NOK 4 133 million as a non-current provision and NOK 104 million as a current provision in the balance sheet. 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 modeling of cash flows related to the removal and decommissioning cost. Such modeling can	We obtained management's assessment and model for calculation of asset retirement obligations at 31 December 2021 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

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 represents in the balance sheet, and the level of management judgement used in determining the provision for asset retirement obligations. Please refer to note 24 for a description of how management has accounted for the asset retirement obligations.	team with professionals from various technical areas. We obtained the internal report "Draugen Annual ARO Estimate Report 2021" from management, which documents OKEA's assessment of the cost estimate for Draugen. We tested whether the report had been internally reviewed, and quality checked. 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 operator's estimate as included in the government filing to the Revised National budget for 2021. 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 24 to the financial statements were reasonable.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Governance and Corporate Social Responsibility, and to the report on payments to governments.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view 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.

Auditor's 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 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 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 Audit Committee 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

Report on compliance with Regulation on European Single Electronic Format (ESEF)

Opinion
We have performed an assurance engagement to obtain reasonable assurance that the financial statements with file name OKEA ASA annual report 2021 have been prepared in accordance with Section 5-5 of the Norwegian Securities Trading Act (Verdipapirhandelloven) and the accompanying Regulation on European Single Electronic Format (ESEF).

In our opinion, the financial statements have been prepared, in all material respects, in accordance with the requirements of ESEF.

Management's Responsibilities
Management is responsible for preparing and publishing the financial statements in the single electronic reporting format required in ESEF. This responsibility comprises an adequate process and

the internal control procedures which management determines is necessary for the preparation and publication of the financial statements.

Auditor’s Responsibilities

For a description of the auditor’s responsibilities when performing an assurance engagement of the ESEF reporting, see: https://revisorforeningen.no/revisjonsberetninger

Stavanger, 30 March 2022
PricewaterhouseCoopers AS

Gunnar Slettebø
State Authorised Public Accountant

OKEA ASA is a leading mid- to late-life operator on the Norwegian continental shelf (NCS).

OKEA finds value where others divest and has an ambitious strategy built on growth, value creation and capital disipline.

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