



2022

Q1 Quarterly
report



First quarter 2022 summary

Highlights

- No serious incidents at operated assets
- Production of 14,908 (16,038) boepd
- Operating income of NOK 1,513 (1,725) million
- EBITDA of NOK 1,143 (1,258) million
- Reversal of impairment/impairment (-) at Yme of NOK 363 (-367) million
- Profit before tax of NOK 1,287 (654) million and net profit of NOK 213 (283) million
- Cash increase of NOK 431 million on top of bond buy back of NOK 289 million
- Four licences awarded to OKEA in APA 2021
- Completion of additional 2.223% working interest in the Ivar Aasen field on 31 March 2022

Important subsequent events:

- Discovery confirmed in the Hamlet exploration well. Studies initiated to evaluate whether commercial development options exist for the discovery.
- Yme shut down due to discovery of a minor oil leak. The leak has been identified and the current plan is to restart production in the beginning of May.

(Amounts in parentheses refer to previous quarter)

Financial and operational summary

	Unit	Q1 2022	Q4 2021	Q1 2021	Full year 2021
Total operating income	MNOK	1,513	1,725	524	3,882
EBITDA ¹⁾	MNOK	1,143	1,258	240	2,607
EBITDAX ¹⁾	MNOK	1,236	1,347	349	2,950
Profit/loss (-) before income tax	MNOK	1,287	654	63	2,106
Net profit / loss (-)	MNOK	213	283	23	603
Net cash flow from operations	MNOK	1,072	1,003	408 ³⁾	2,515
Net cash flow used in investments	MNOK	-285	-308	-270 ³⁾	-941
Net cash flow used in financing activities	MNOK	-336	-172	-33	-422
Net interest-bearing debt (IBD) ¹⁾	MNOK	11	750	1,424	750
Net IBD ex. other int. bearing liabilities¹⁾	MNOK	-469	256	1,424	256
Net production	Boepd ²⁾	14,908	16,038	16,557	15,530
Third-party volumes available for sale ⁴⁾	Boepd ²⁾	765	419	0	147
Over/underlift/inventory adjustments	Boepd ²⁾	-229	1,645	-1,359	166
Net sold volume	Boepd ²⁾	15,444	18,102	15,198	15,843
Production expense per boe ¹⁾	NOK/boe	191.7	170.8	101.8	133.5
Realised liquids price	USD/boe	89.6	78.0	49.5	65.3
Realised gas price	USD/boe	189.8	188.5	41.2	105.2

¹⁾ Definitions of alternative performance measures are available on page 31 of this report

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

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

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

Financial review

Statement of comprehensive income

Total operating income in the first quarter was NOK 1,513 (1,725) million, whereof NOK 1,516 (1,633) million related to revenue from oil and gas sales. Market prices have been volatile at high levels during the quarter. The average realised liquids price was USD 89.6 (78.0) per boe which was lower than the average market price for the quarter largely due to timing of the lifting at both Draugen and Gjøa in January which occurred prior to the price hike in the end of the quarter. The average realised price for gas was USD 189.8 (188.5) per boe. Total sold volumes were 1,390 (1,665) thousand boe.

Other operating income / loss (-) amounted to NOK -3 (92) million consisting of tariff income at Gjøa of NOK 24 (24) million, income from joint utilisation of logistic resources of NOK 13 (1) million and a net loss from gas forward contracts of NOK -33 (54) million.

Production expenses amounted to NOK 287 (291) million, corresponding to NOK 191.7 (170.8) per boe. First quarter is the first full quarter with production expenses from Yme following the start-up of production in late October. The increase in production expense per boe was mainly due to lower produced volumes at Gjøa following 13 days of planned shutdown in the quarter and low volumes from Yme as production still is in the start-up and commissioning phase.

Changes in over-/underlift positions and production inventory amounted to NOK 33 (-41) million. Produced volumes exceeded sold volumes in the quarter by 229 (-1,645) boepd. In addition, sold volumes from third-party compensations received from Duva (tie-in to Gjøa) was 795 (419) boepd.

Exploration and evaluation expenses amounted to NOK 93 (89) million and mainly relates to cost on the dry Ginny exploration well of NOK 66 (18) million and various field evaluation activities of NOK 21 (21) million.

Reversal of impairment / impairment (-) amounted to NOK 363 (-367) million in the quarter. The reversal of impairment in the quarter relates to previous asset impairment at Yme following significantly improved forward prices for oil. Total tax expense (-) / income (+) recognised in the quarter relating to this effect amounted to NOK -283 (286) million.

General and administrative expenses amounted to NOK 23 (46) million and represent OKEA's share of costs after allocation to licence activities. The expenses in the previous quarter were high mainly due to cost relating to an annual award under the employee incentive program and various corporate activities.

Net financial items amounted to NOK -61 (-61) million, whereof NOK -52 (-50) million was expensed interest. For further details on financial items, reference is made to note 14.

Profit / loss (-) before tax amounted to NOK 1,287 (654) million.

Tax expenses (-) / tax income (+) amounted to NOK -1,074 (-370) million and represents an effective tax rate of 83% (57%). The deviation from the expected 78% was mainly due to loss from hedging activities which is taxed at lower tax rate.

Net profit / loss (-) for the quarter was NOK 213 (283) million. Earnings per share were NOK 2.05 (2.74).

Statement of financial position

Goodwill amounted to NOK 805 (769) million consisting of NOK 641 (606) million in technical goodwill and NOK 163 (163) million in ordinary goodwill. The increase in technical goodwill arises as an offsetting item to deferred tax from the acquisition of 2.223% working interest in the Ivar Aasen asset which was completed on 31 March 2022.

Oil and gas properties amounted to NOK 5,191 (4,685) million at the end of the quarter. The increase mainly relates to completion of the acquisition of 2.223% share in Ivar Aasen of NOK 168 million and investments in Draugen modifications, the Hasselmus development and Yme for a total of NOK 135 million, in addition to a reversal of impairment on the Yme asset of NOK 363 million. These effects were partly offset by depreciation of NOK 151 million.

Right-of-use assets amounted to NOK 231 (234) million and mainly relates to logistical resources on operated assets and lease of offices.

Non-current asset retirement reimbursement right amounted to NOK 2,767 (3,025) million which relates to Shell's obligation to cover the decommissioning costs for Draugen and Gjøa. The reduction was mainly due to an increase of the discount rate from 2.6 to 3.25%. In addition, current asset retirement right amounted to NOK 65 (83) million.

Trade and other receivables were NOK 996 (1,053) million mainly related to accrued revenue, working capital from joint venture licences and underlift of petroleum products.

Cash and cash equivalents amounted to NOK 2,470 (2,039) million. The increase from previous quarter was due to net cash flow from operating activities exceeding cash used in investment activities including the acquisition relating to Ivar Aasen, interest and buy-back of bonds, as well as taxes paid.

Financial investments amounted to NOK 209 (210) million and relate to liquid investments in low-risk money-market funds and combination funds as an alternative to bank deposits.

Spare parts, equipment and inventory amounted to NOK 260 (253) million whereof NOK 127 (124) million related to oil inventory at Draugen.

Equity amounted to NOK 1,922 (1,709) million, corresponding to an equity ratio of 15% (14%). The increase from previous quarter was due to net profit in the period.

Non-current provision for asset retirement obligations amounted to NOK 3,958 (4,133) million. The reduction was mainly due to an increase of the discount rate from 2.0% to 2.5%, offset by NOK 93 million added in the quarter following the completion of the transaction with Neptune at Ivar Aasen. In addition, current asset retirement obligation amounted to NOK 81 (104) million. The total obligation is largely offset by the total asset retirement reimbursement right outlined above.

Interest bearing loans, bonds amounted to NOK 2,001 (2,295) million, consisting of the two bond loans on issue. In the first quarter, OKEA bought back a nominal amount equivalent to NOK 285 million of the OKEA02 bond. As of 31 March 2022, OKEA had bought back OKEA02 bonds for a total nominal amount of NOK 627 million (USD 69.9 million) at an average price of 99 to par. Reference is made to note 22 for further details.

Total other interest-bearing liabilities amounted to NOK 480 (493) million, whereof the non-current share was NOK 441 (455) million and the current share was NOK 39 (39) 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. Reference is made to note 23 for further details.

The lease liability relating to IFRS 16 is split into a non-current liability of NOK 216 (220) million and a current liability of NOK 44 (43) million and represents the liability of the right-of-use assets as described above.

Trade and other payables amounted to NOK 834 (787) million and mainly relate to working capital from joint venture licences, prepayments, and accrued expenses.

Income tax payable was NOK 1,364 (773) million and mainly consists of the remaining tax payable for 2021 and accrued tax for the first quarter of 2022. Deferred tax liabilities were 2,091 (1,736) million. The increase mainly relates to investments qualifying for immediate tax expensing under the temporary tax regime.

Statement of cash flows

Net cash flows from operating activities amounted to NOK 1,072 (1,003) million, including taxes paid (-) /received of NOK -194 (46) million. The strong cash flow follows from high petroleum prices, relatively stable cost levels and high production reliability on producing fields.

Net cash flows used in investment activities amounted to NOK -285 (-308) million of which investment in oil and gas properties amounted to NOK -133 (-197) million, mainly relating to Draugen modifications, the Hasselmus development and Yme. In addition, a net amount of NOK 46 million was paid in relation to the completion of the acquisition of 2.233% share in Ivar Aasen. Cash used in the drilling campaigns at Ginny and Hamlet amounted to NOK 106 (8) million.

Net cash flows used in financing activities amounted to NOK -336 (-172) million and mainly relates to a partial buy-back of the OKEA02 bond loan of NOK -289 (-109) million. In addition, interest paid amounted to NOK -29 (-69) million and NOK -10 (0) million was paid in relation to the BBC liability at the Yme licence.

Financial risk management

OKEA uses derivative financial instruments to manage exposures to fluctuations in commodity prices. At the end of the quarter, OKEA had sold forward 30% of the net after tax exposure for natural gas for Q2-22 at an average price of 278 GBp/th, 30% for Q3-22 at an average price of 275 GBp/th and 10% for Q4-22 at an average price of 408 GBp/th.

Unrealised loss on these positions amounted to NOK 3 million as per 31 March 2022.

Operational review

Net production to OKEA in the quarter was 14,908 (16,038) boepd. In line with plan, production at Gjøa was shut down from 18 March to carry out activities for maintenance and tie-ins. Production at Gjøa recommenced ahead of plan on 8 April. Production from the Yme field in the quarter was impacted by production interruptions from the ongoing commissioning work and start-up of additional wells.

	Unit	Q1 2022	Q4 2021	Q1 2021	Full year 2021
Draugen – production reliability ⁵⁾	%	97	99	97	98
Draugen – production availability ⁶⁾	%	96	95	96	93
Gjøa – production reliability	%	99	100	96	99
Gjøa – production availability	%	86	93	99	85
Ivar Aasen – production availability	%	99	99	95	97
Yme – production availability	%	N/A	N/A	N/A	N/A
Draugen – production	Boepd	6,877	7,231	8,922	7,084
Gjøa – production	Boepd	6,478	8,367	9,812	8,137
Yme – production	Boepd	1,345	217	N/A	54
Ivar Aasen – production	Boepd	208	223	365	255
Total net production	Boepd	14,908	16,038	19,099	15,530
Draugen – sold volume	Boepd	6,592	6,870	7,446	6,874
Gjøa – sold volume	Boepd	7,034	8,221	8,303	8,130
Yme – sold volume	Boepd	1,011	139	N/A	35
Ivar Aasen – sold volume	Boepd	42	2,453	61	656
Third-party volumes available for sale*	Boepd	765	419	-	147
Total net sold volume	Boepd	15,444	18,102	15,810	15,843
Total over/underlift/inventory adj.	Boepd	-229	1,645	-3,289	313

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

Draugen (operator, 44.56%)

Net production to OKEA from Draugen was 6,877 (7,231) boepd in the quarter. Production availability was 96% (95%) and production reliability was 97% (99%).

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

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

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

The lower production compared to previous quarter was mainly due to natural decline as well as a black-out caused by a trip of power turbines when starting up the loading pump for offloading. The issue was resolved within a few days and the total impact in the quarter from this occurrence was approximately 200 boepd net to OKEA.

A scale squeeze campaign on platform wells were successfully executed in the period and will contribute to high production reliability from the wells going forward. Furthermore, a water injection test on the northern water injection template (NWIT) was completed in the quarter which provides valuable data to assess future economic value from the water injection wells in the northern part of the Draugen reservoir.

Work to prepare for the Power from shore project is ongoing.

Gjøa (partner, 12.00%)

Net production to OKEA from Gjøa was 6,478 (8,367) boepd in the quarter and production reliability was 99% (100%). The lower production was mainly due to the planned shutdown from 18 March. Production at Gjøa recommenced ahead of plan 8 April.

A significant part of the shutdown scope for the planned shutdown in March/April related to the tie-ins for the 3rd parties Nova, Duva and Vega. The Gjøa activities covered a minor part of the total scope, and Gjøa will be compensated in-kind for deferred production caused by tie-in activities.

Delivered and sold volumes from Duva in the quarter was 765 boepd. Development of the Nova tie-in is progressing as planned with production start expected in the second half of 2022. Once Nova commences production, Gjøa will be compensated for the deferred production caused by shutdowns for the tie-in scope.

The Hamlet exploration well in the Gjøa licence was spudded in the first quarter of 2022. See section "Exploration licences" and "Subsequent events" for more details.

Yme (partner, 15.00%)

Net production to OKEA from Yme in the first quarter was 1,345 (217) boepd, with stable production from two/three wells throughout the period.

Clean up of all production wells has been successfully completed, and a program for recompletion of production wells is ongoing whereof the first well has been finalised. Drilling of new wells on both Gamma and Beta North reservoir is planned to commence in the second quarter. In total four new production wells and two new injector wells will be drilled and will contribute to extend the plateau production period from the existing six production wells and two injector wells.

Activities on Yme in the first quarter mainly related to start-up activities including final hot commissioning.

Several liftings from the Yme field have executed.

Ivar Aasen (partner, 0.554%)

Net production to OKEA from Ivar Aasen was 208 (223) boepd. Ivar Aasen production availability was 99% (99%).

At the end of first quarter, a new electrical problem was experienced at the Edvard Grieg platform which was related to the trafo as well as the variable speed drives (VSDs). As Ivar Aasen relies on Edvard Grieg for final processing and export of hydrocarbons, Ivar Aasen was shut down on 21 March. Production re-commenced at reduced rates on 20 April, until the second VSD has been repaired which is expected in mid-May.

The previously announced transaction of an additional 2.223% in Ivar Aasen from Neptune Energy was completed on 31 March. Following the completion, OKEA's total ownership in Ivar Aasen increased to 2.777%.

Development projects

Draugen - Hasselmus (operator, 44.56%)

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

The Final Investment Decision (FID) was made in the Draugen licence in May 2021. Production start is planned for fourth quarter of 2023 with gross plateau gas production of more than 4,400 barrels boepd.

The project is progressing according to schedule. Aker Solutions is developing detailed design for topside scope and pre-fabrications at Aker Egersund is planned to commence in the second quarter of 2022. Subsea rock installation to support the new gas pipeline from Hasselmus to Draugen, is executed by OneSubsea and Subsea 7 and started in March. COSL Promoter will drill the production well this summer.

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

Draugen - Power from shore (operator, 44.56%)

OKEA is working to mature the opportunity to provide power from shore to the Draugen production platform. The project also includes extension of power supply to the nearby Njord field.

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 submission of a plan for development and operations (PDO) in the fourth quarter of 2022.

In the first quarter, offshore area preparation activities have progressed well without recordable incidents. Geotechnical survey of the cable route was successfully executed in February by use of Siem Pride. Results from analysis of seabed samples will be available in second quarter and form a foundation for the cable protection strategy. The Norwegian Water Resources and Energy Directorate (NVE) initiated public consultation of the concession application according to the Energy Act and Ocean Energy Act. The public consultation will be finalised in the second quarter of 2022, with the expectation to deliver a recommendation in the third quarter of 2022.

The power from shore project is scheduled to be ready for operation in 2025 and will reduce the annual CO₂ emissions from Draugen alone by approximately 200,000 tonnes which corresponds to a reduction of 95% (reference year: 2019).

Aurora (operator, 65.00%)

OKEA as operator and the partner are currently evaluating the Aurora discovery and Selene prospect based on new available seismic data (acquired in the fourth quarter of 2021). The new seismic data has enabled better interpretation and mapping of the reservoirs which has improved the confidence in the modelled volume estimates. The project is planning for a decision on whether to drill an appraisal well to ascertain the commerciality of Aurora and Selene and acquire data for a tie-in development to Gjølå in the third quarter of 2022. Drilling of an appraisal well in 2023 will enable the project to mature a potential final investment decision in 2025 and a potential production start in 2026.

Exploration licences

The Equinor-operated Ginny exploration well in PL1060 (WI 40%) was drilled in January and announced as a dry well in February. Work to analyse the well results continues in order to assess remaining potential in the licence.

The Neptune-operated Hamlet exploration well in the Gjølå licence (PL153, WI 12%) was spudded in late February 2022 and a discovery of oil and gas was announced on 28 April. Work is continuing to confirm potential recoverable resources. The operator's preliminary resource estimate is 8-24 million barrels of oil equivalents, including resources in the northern part of the structure previously proven by well 35/9-3 T2 in 1997. The licence group has initiated studies to evaluate whether commercial development options exist for the discovery.

The Neptune-operated exploration well, Calypso (PL938, WI 30%), is scheduled to be drilled in the fourth quarter.

In January, OKEA was awarded four new production licences, three of which as operator, in conjunction with the Awards in Predefined Areas 2021. 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.

Work to mature drilling opportunities in other exploration licences is continuing and several drill or drop decisions will be made in the third quarter.

Health, safety, and environment (HSE)

There were no actual serious incidents, no recordable injuries and no serious discharges or emissions in OKEA's activities and operations in the quarter. Two incidents reported to the Petroleum Safety Authority (PSA) in March are currently under internal investigation to understand causes, identify required actions and gain learnings. One incident was related to a blackout situation on the Draugen platform and the other incident was related to a light well intervention (LWI) on the Draugen D-1 well, where the Well Control Package (WCP) fell over.

The geo-political situation following the invasion of Ukraine, is monitored and mitigating measures implemented to reduce impact on the company's operations and projects, especially with regards to security threats, global supply chain constraints and cyber risk.

With regards to the Covid-19 situation, OKEA has harmonised measures in line with the other operators on the Norwegian continental shelf, and no significant operational disruptions has been experienced on the Draugen platform to date due to Covid-19.

Subsequent events

Temporary shutdown of the Yme field

The Yme field was shut in during the Easter holidays due to a minor oil leak. The source of the leak has been identified in a pipe from the subsea storage tank. Until the issue is fixed, Yme will produce directly to a large tanker vessel, starting in the beginning of May. The Petroleum Safety Authority has granted a permission for this solution for six months which is deemed to be sufficient to repair the leaking pipe.

Hamlet exploration well

A discovery in the Hamlet exploration well was announced on 28 April 2022.

Outlook

The invasion of Ukraine has impacted the petroleum prices in a tight energy market with significant volatility at high price levels during the quarter. OKEA's production guiding for 2022 remains at 18,500 - 20,000 boepd including the increased ownership in the Ivar Aasen field from 31 March 2022. However, there is still uncertainty related to the volumes from Yme as the field is still in the ramp up phase which could lead to a revision in the guiding. Capex guiding, excluding capitalised interests, for 2022 remains NOK 950 - 1,150 million and the production outlook for 2023 remains 17,000 - 19,000 boepd.

Liftings already completed in the second quarter, includes net to OKEA 632 kbbl from Draugen, two liftings from Yme for a total of 81 kbbl, and 8 kbbl from Gjøa. One crude lifting of 68 kbbl net to OKEA from Gjøa is expected in June. No further liftings planned in the second quarter for Draugen and Ivar Aasen. Due to Yme still being in the start-up phase, no further guidance on timing or volumes from Yme is provided for the second quarter.

In addition to pursuing inorganic growth opportunities, OKEA is also working to mature the portfolio of development projects. The Hasselmus gas project is progressing towards planned production start in fourth quarter of 2023 and the power from shore project at Draugen is on schedule towards submission of a plan for development and operation in the fourth quarter of 2022.

OKEA has a clear ambition to deliver competitive shareholder returns driven by solid 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 current cash position is strong, and the company considers the near-term outlook as a good and solid basis for executing on the growth strategy.



Financial statements with notes Q1 2022

Statement of comprehensive income

Amounts in NOK '000	Note	Q1 2022 (unaudited)	Q4 2021 (unaudited)	Q1 2021 (unaudited)	2021 (audited)
Revenues from crude oil and gas sales	6	1 515 627	1 633 062	536 178	3 780 641
Other operating income / loss (-)	6, 25	-2 634	91 630	-12 113	101 232
Total operating income		1 512 993	1 724 692	524 065	3 881 873
Production expenses	7	-287 294	-290 754	-176 335	-860 419
Changes in over/underlift positions and production inventory	7	32 594	-40 581	16 978	23 087
Exploration and evaluation expenses	8	-92 676	-88 662	-108 736	-342 972
Depreciation, depletion and amortisation	10	-157 780	-177 000	-172 245	-672 450
Impairment (-) / reversal of impairment	10, 11, 12	362 597	-366 632	-	363 765
General and administrative expenses	13	-22 581	-46 228	-16 013	-95 024
Total operating expenses		-165 140	-1 009 857	-456 351	-1 584 014
Profit / loss (-) from operating activities		1 347 853	714 835	67 714	2 297 860
Finance income	14	21 872	20 748	19 694	79 884
Finance costs	14	-82 715	-77 067	-34 878	-197 001
Net exchange rate gain/loss (-)	14	35	-4 939	10 412	-74 761
Net financial items		-60 808	-61 259	-4 773	-191 877
Profit / loss (-) before income tax		1 287 045	653 576	62 941	2 105 982
Taxes (-) / tax income (+)	9	-1 073 792	-370 422	-40 303	-1 502 673
Net profit / loss (-)		213 253	283 154	22 639	603 309
Other comprehensive income, net of tax:					
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>					
Remeasurements pensions, actuarial gain/loss (-)		-	-507	-	-507
Total other comprehensive income, net of tax		-	-507	-	-507
Total comprehensive income / loss (-)		213 253	282 648	22 639	602 802
Weighted average no. of shares outstanding basic		103 870 350	103 197 198	102 502 650	102 921 489
Weighted average no. of shares outstanding diluted		103 950 350	103 950 350	103 447 650	102 921 489
Earnings per share (NOK per share) - Basic		2.05	2.74	0.22	5.86
Earnings per share (NOK per share) - Diluted		2.05	2.72	0.22	5.86

Statement of financial position

Amounts in NOK `000	Note	31.03.2022 (unaudited)	31.12.2021 (unaudited)	31.03.2021 (audited)
ASSETS				
Non-current assets				
Goodwill	11, 12	804 657	768 946	768 946
Exploration and evaluation assets	11	52 105	10 759	34 187
Oil and gas properties	10	5 190 899	4 684 752	3 807 264
Buildings	10	-	-	82 094
Furniture, fixtures and office equipment	10	10 366	11 143	10 304
Right-of-use assets	10	231 392	234 199	174 325
Tax refund, non-current	9	-	-	12 396
Asset retirement reimbursement right	15	2 767 430	3 024 562	3 049 058
Total non-current assets		9 056 850	8 734 362	7 938 575
Current assets				
Trade and other receivables	17, 25	996 499	1 053 338	523 160
Financial investments	26	209 326	209 961	-
Spare parts, equipment and inventory	20	260 083	253 318	227 601
Tax refund, current	9	-	0	210 695
Asset retirement reimbursement right, current	15	65 077	83 412	-
Cash and cash equivalents	18	2 469 576	2 038 745	977 925
Total current assets		4 000 562	3 638 774	1 939 382
TOTAL ASSETS		13 057 412	12 373 136	9 877 957
EQUITY AND LIABILITIES				
Equity				
Share capital	16	10 387	10 387	10 250
Share premium		1 927 859	1 927 859	1 912 462
Other paid in capital		19 085	19 064	18 596
Not registered share capital		-	-	50
Accumulated loss		-35 274	-248 527	-828 690
Total equity		1 922 057	1 708 783	1 112 669
Non-current liabilities				
Asset retirement obligations	19	3 958 108	4 133 177	4 220 815
Pension liabilities		40 093	37 311	32 818
Lease liability	23	216 399	220 266	138 105
Deferred tax liabilities	9	2 091 152	1 735 720	998 728
Interest bearing loans, bonds	22, 27	2 000 577	2 294 873	2 401 961
Other interest bearing liabilities	23	440 710	454 853	-
Total non-current liabilities		8 747 039	8 876 200	7 792 428
Current liabilities				
Trade and other payables	21, 25	834 070	786 535	898 230
Other interest bearing liabilities, current	23	38 845	38 593	-
Income tax payable	9	1 364 331	773 020	14 207
Lease liability, current	24	44 106	43 032	36 220
Asset retirement obligations, current	19	81 346	104 265	-
Public dues payable		25 619	42 708	24 204
Total current liabilities		2 388 316	1 788 153	972 860
Total liabilities		11 135 355	10 664 353	8 765 288
TOTAL EQUITY AND LIABILITIES		13 057 412	12 373 136	9 877 957

Statement of changes in equity

Amounts in NOK '000	Share capital	Share premium	Other paid in capital	Unregistered share capital	Accumulated loss	Total equity
Equity at 1 January 2021	10 250	1 912 462	11 342	-	-851 329	1 082 725
Total comprehensive income/loss (-) for the period	-	-	-	-	22 639	22 639
Share issues, cash	-	-	-	50	-	50
Share based payment	-	-	7 254	-	-	7 254
Equity at 31 March 2021	10 250	1 912 462	18 596	50	-828 690	1 112 669
Equity at 1 April 2021	10 250	1 912 462	18 596	50	-828 690	1 112 669
Total comprehensive income/loss (-) for the period	-	-	-	-	580 163	580 163
Share issues, cash	137	15 397	-	-50	-	15 484
Share based payment	-	-	468	-	-	468
Equity at 31 December 2021	10 387	1 927 859	19 064	-	-248 527	1 708 783
Equity at 1 January 2022	10 387	1 927 859	19 064	-	-248 527	1 708 783
Total comprehensive income/loss (-) for the period	-	-	-	-	213 253	213 253
Share based payment	-	-	21	-	-	21
Equity at 31 March 2022	10 387	1 927 859	19 085	-	-35 274	1 922 057

Statement of cash flows

		Q1 2022	Q4 2021	Q1 2021	2021
Amounts in NOK `000	Note	(unaudited)	(unaudited)	(unaudited)	(audited)
Cash flow from operating activities					
Profit / loss (-) before income tax		1 287 045	653 576	62 941	2 105 982
Income tax paid/received	9	-193 780	45 862	97 107	355 429
Depreciation, depletion and amortization	10	157 780	177 000	172 245	672 450
Impairment / reversal of impairment	10, 11, 12	-362 597	366 632	-	-363 765
Expensed exploration expenditures temporary capitalised**	8, 11	64 864	16 839	88 192	184 855
Accretion asset retirement obligations/reimbursement right	14, 15, 19	939	1 258	1 258	5 034
Asset retirement costs from billing (net after reimbursement)	15, 19	-4 584	-3 770	-	-3 770
Interest expense	14	50 497	46 356	11 520	94 256
Loss on financial investments		634	39	-	39
Change in trade and other receivables, and inventory		48 623	-364 874	-7 744	-564 623
Change in trade and other payables		8 007	28 779	-19 746	-94 307
Change in foreign exchange interest bearing debt and other non-current items		14 555	35 394	2 244	123 823
Net cash flow from / used in (-) operating activities		1 071 983	1 003 092	408 017	2 515 403
Cash flow from investment activities					
Investment in exploration and evaluation assets**	11	-106 211	-7 804	-93 436	-166 671
Business combination, cash paid	27	-45 915	-	-	-
Investment in oil and gas properties	10, 14	-132 557	-197 349	-175 026	-664 129
Investment in furniture, fixtures and office machines	10	-800	-1 488	-1 688	-8 705
Cash used on (-)/received from financial investments	26	-	-210 000	-	-210 000
Proceeds from sales of buildings	10, 24	-	109 000	-	109 000
Net cash flow from / used in (-) investment activities		-285 483	-307 641	-270 150	-940 504
Cash flow from financing activities					
Repayment/buy-back of bond loans	22	-289 079	-108 943	-	-216 948
Repayment of other interest bearing liabilities	23	-10 259	-	-	-
Interest paid		-28 993	-69 603	-23 819	-195 788
Payments of lease debt	24	-7 235	-9 090	-9 090	-25 001
Net proceeds from share issues		-0	15 483	50	15 534
Net cash flow from / used in (-) financing activities		-335 567	-172 152	-32 858	-422 203
Net increase/ decrease (-) in cash and cash equivalents		450 933	523 298	105 009	1 152 696
Cash and cash equivalents at the beginning of the period		2 038 745	1 504 336	871 210	871 210
Effect of exchange rate fluctuation on cash held*		-20 102	11 111	1 706	14 839
Cash and cash equivalents at the end of the period		2 469 576	2 038 745	977 925	2 038 745

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

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

Notes to the interim financial statements

Note 1 General and corporate information

These financial statements are the unaudited interim condensed financial statements of OKEA ASA for the first quarter of 2022.

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

OKEA is a leading mid to late-life operator on the Norwegian continental shelf (NCS). OKEA finds value where others divest and has an ambitious growth strategy built on accretive M&A activities, value creation and capital discipline.

Note 2 Basis of preparation

The interim accounts have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim accounts do not include all the information required in the annual accounts and should therefore be read in conjunction with the annual accounts for 2021. The annual accounts for 2021 were prepared in accordance with EU's approved International Financial Reporting Standards (IFRS).

The interim financial statements were authorised for issue by the company's board of directors on 4 May 2022.

Note 3 Accounting policies

The accounting policies adopted in the preparation of the interim accounts are consistent with those followed in the preparation of the annual accounts for 2021. New standards, amendments and interpretations to existing standards effective from 1 January 2022 did not have any significant impact on the financial statements.

Note 4 Critical accounting estimates and judgements

The preparation of the interim accounts entails the use of judgements, estimates and assumptions that affect the application of accounting policies and the amounts recognised as assets and liabilities, income and expenses. The estimates, and associated assumptions, are based on historical experience and other factors that are considered as reasonable under the circumstances. The actual results may deviate from these estimates. The material assessments underlying the application of the company's accounting policies, and the main sources of uncertainty, are the same for the interim accounts as for the annual accounts for 2021.

Note 5 Business segments

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

Note 6 Income

Breakdown of petroleum revenues

Amounts in NOK `000	Q1 2022	Q4 2021	Q1 2021	2021
Sale of liquids	696 728	713 775	388 635	2 198 055
Sale of gas	818 899	919 287	147 543	1 582 586
Total petroleum revenues	1 515 627	1 633 062	536 178	3 780 641
Sale of liquids (boe*)	869 787	1 069 877	919 907	3 935 445
Sale of gas (boe*)	520 196	595 467	447 890	1 847 140
Total sale of petroleum in boe*	1 389 984	1 665 344	1 367 796	5 782 585

*Barrels of oil equivalents

Other operating income

Amounts in NOK `000	Q1 2022	Q4 2021	Q1 2021	2021
Gain / loss (-) from put/call options, oil	-	-	-31 388	-32 766
Gain / loss (-) from forward contracts, gas	-32 724	54 314	-	49 002
Tariff income Gjøl	24 146	24 263	13 087	61 960
Joint utilisation of logistics resources	5 944	13 054	6 188	23 036
Total other operating income/loss (-)	-2 634	91 630	-12 113	101 232

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

Production expenses

Amounts in NOK `000	Q1 2022	Q4 2021	Q1 2021	2021
From licence billings - producing assets	249 489	251 323	149 791	753 181
From licence billings - assets under construction - various preparations for operation	-	1 397	5 322	17 884
Other production expenses (insurance, transport)	34 460	38 034	21 222	89 354
G&A expenses allocated to production expenses	3 345	-	-	-
Total production expenses	287 294	290 754	176 335	860 419

Changes in over/underlift positions and production inventory

Amounts in NOK `000	Q1 2022	Q4 2021	Q1 2021	2021
Changes in over/underlift positions	29 531	-61 856	20 392	15 852
Changes in production inventory	3 063	21 275	-3 415	7 236
Total changes income/loss (-)	32 594	-40 581	16 978	23 087

Note 8 Exploration and evaluation expenses

Amounts in NOK '000	Q1 2022	Q4 2021	Q1 2021	2021
Share of exploration and evaluation expenses from participation in licences excluding dry well impairment, from billing	20 810	20 505	20 943	95 278
Share of exploration expenses from participation in licences, dry well write off, from billing *	64 864	16 839	88 192	184 855
Seismic and other exploration and evaluation expenses, outside billing	6 636	51 317	-400	62 839
G&A expenses allocated to exploration expenses	365	-	-	-
Total exploration and evaluation expenses	92 676	88 662	108 736	342 972

* The drilling of exploration well Ginny in licence PL1060 was completed in Q1 2022 and the well was concluded dry.

Note 9 Taxes

Income taxes recognised in the income statement

Amounts in NOK '000	Q1 2022	Q4 2021	Q1 2021	2021
Change in deferred taxes current year	-333 944	-51 867	-58 170	-796 958
Taxes payable current year	-739 848	-320 064	-	-711 980
Tax payable adjustment previous year	-	1 508	-	1 508
Tax refund current year	-	-	17 867	-
Tax refund adjustment previous year	-	-	-	4 757
Total taxes (-) / tax income (+) recognised in the income statement	-1 073 792	-370 422	-40 303	-1 502 673

Reconciliation of income taxes

Amounts in NOK '000	Q1 2022	Q4 2021	Q1 2021	2021
Profit / loss (-) before income taxes	1 287 045	653 576	62 941	2 105 982
Expected income tax at nominal tax rate, 22%	-283 150	-143 787	-13 847	-463 316
Expected petroleum tax, 56%	-720 745	-366 003	-35 247	-1 179 350
Permanent differences, including impairment of goodwill	-36 386	1 716	-4 313	-2 419
Effect of sale and leaseback transaction	-	39 839	-	39 839
Effect of uplift	17 974	99 985	34 715	196 977
Financial and onshore items	-51 486	-2 451	-19 515	-94 459
Change valuation allowance	-	1 230	-2 095	-4 887
Adjustments previous year and other	-	-952	-	4 941
Total income taxes recognised in the income statement	-1 073 792	-370 422	-40 303	-1 502 673
Effective income tax rate	83 %	57 %	64 %	71 %

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

Amounts in NOK '000	31.03.2022	31.12.2021	31.03.2021
Tangible and intangible non-current assets	-3 343 576	-2 939 348	-2 178 818
Provisions (net ARO), lease liability, pensions and gain/loss account	1 387 251	1 352 475	1 301 192
Interest bearing loans	-2 736	-3 429	-7 444
Current items (spareparts and inventory)	-132 091	-145 419	-114 818
Tax losses carried forward, onshore 22%	4 887	4 887	2 095
Uplift, offshore 56%	-	-	1 161
Valuation allowance (uncapitalised deferred tax asset)	-4 887	-4 887	-2 095
Total deferred tax assets / liabilities (-) recognised	-2 091 152	-1 735 720	-998 728

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

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

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

Specification of tax refund

Amounts in NOK '000	31.03.2022	31.12.2021	31.03.2021
Tax value of exploration expenditures	-	-	92 196
Residual tax value of tax losses	-	-	130 895
Total tax refund	-	-	223 091

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

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

Estimated taxes payable/refundable are due in six instalments occurring 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 tax payable

Amounts in NOK '000	Total
Tax payable at 1 January 2022	773 020
Tax paid	-193 780
Tax payable current year recognised in the income statement	739 848
Tax payable recognised in business combination (see note 27)	45 243
Tax payable at 31 December 2021	1 364 331

Note 10 Tangible assets and right-of-use assets

Amounts in NOK '000	Oil and gas properties in production	Oil and gas properties under development	Buildings	Furniture, fixtures and office machines	Right-of-use assets	Total
Cost at 1 January 2022	7 165 077	-	-	20 512	329 404	7 514 993
Additions	135 495	-	-	800	4 442	140 736
Additions through business combination (see note 27)	167 860	-	-	-	-	167 860
Reclassification from inventory	3 033	-	-	-	-	3 033
Removal and decommissioning asset	-11 381	-	-	-	-	-11 381
Disposals	-	-	-	-	-	-
Cost at 31 March 2022	7 460 082	-	-	21 312	333 846	7 815 240
Accumulated depreciation and impairment at 1 January 2022	-2 480 324	-	-	-9 370	-95 205	-2 584 899
Depreciation	-151 456	-	-	-1 576	-4 748	-157 780
Impairment (-) / reversal of impairment	362 597	-	-	-	-	362 597
Disposals	-	-	-	-	-	-
Additional depreciation of IFRS 16 Right-of-use assets presented gross related to leasing contracts entered into as licence operator	-	-	-	-	-2 501	-2 501
Accumulated depreciation and impairment at 31 March 2022	-2 269 183	-	-	-10 946	-102 453	-2 382 582
Carrying amount at 31 March 2022	5 190 899	-	-	10 366	231 392	5 432 658

Note 11 Goodwill, exploration and evaluation assets

Amounts in NOK '000	Exploration and evaluation assets	Technical goodwill	Ordinary goodwill	Total goodwill
Cost at 1 January 2022	10 759	1 114 547	416 415	1 530 962
Additions	106 211	-	-	-
Additions through business combination (see note 27)	-	35 711	-	35 711
Reclassification to oil and gas properties under development	-	-	-	-
Expensed exploration expenditures temporarily capitalised	-64 864	-	-	-
Cost at 31 March 2022	52 105	1 150 257	416 415	1 566 672
Accumulated impairment at 1 January 2022	-	-508 818	-253 198	-762 016
Impairment	-	-	-	-
Accumulated impairment at 31 March 2022	-	-508 818	-253 198	-762 016
Carrying amount at 31 March 2022	52 105	641 440	163 217	804 657

Note 12 Impairment / reversal of impairment

Tangible and intangible assets are tested for impairment / reversal of impairment whenever indicators are identified and at least on an annual basis. Impairment is recognised when the book value of an asset or cash generating unit exceeds the recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. The recoverable amount is estimated based on discounted future after tax cash flows. The expected future cash flows are discounted to net present value by applying a discount rate after tax that reflects the weighted average cost of capital (WACC).

Technical goodwill arises as an offsetting account to the deferred tax recognised in business combinations and is allocated to each Cash Generating Unit (CGU). When deferred tax from the initial recognition decreases, more goodwill is as such exposed for impairments.

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

Below is an overview of the key assumptions applied in the impairment test as of 31 March 2022:

Year	Oil USD/BOE*	Gas GBP/therm*	Currency rates USD/NOK
2022	100.3	2.81	8.8
2023	88.0	1.80	8.7
2024	75.7	1.03	8.6
From 2025	67.6	0.66	8.5

* 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 related cost. For fair value testing the discount rate applied is 9.0% post tax in line with Q4 2021.

The long-term inflation rate is assumed to be 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 ROU assets

Based on the company's impairment assessments NOK 363 million was recognised as reversal of previous impairment of the Yme asset in the first quarter. The reversal of impairment was driven by significantly improved forward prices for oil.

No impairment of technical and ordinary goodwill or ROU assets was required in the three month period ending on 31 March 2022.

Sensitivity analysis

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

Assumptions	Change	Alternative calculations of pre-tax impairment/reversal (-) in Q1 2022 (NOK '000)		Decrease / increase (-) of pre- tax reversal of impairment Q1 2022 (NOK '000)	
		Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Oil and gas price	+/- 10%	-362 597	-362 597	-	-
Currency rate USD/NOK	+/- 1.0 NOK	-362 597	-347 025	-	15 572
Discount rate	+/- 1% point	-362 597	-362 597	-	-
Environmental cost (CO ₂ and NOx)	+/- 20%	-362 597	-362 597	-	-

Note 13 General and administrative expenses

Amounts in NOK '000	Q1 2022	Q4 2021	Q1 2021	2021
Salary and other employee benefits expenses	127 897	136 482	120 277	484 758
Consultants and other operating expenses	53 997	62 871	37 360	196 276
Allocated to operated licences	-155 315	-151 651	-140 949	-581 578
Allocated to exploration and production expenses	-3 999	-	-	-
Reclassified to oil and gas properties under development	-	-1 473	-675	-4 432
Total general and administrative expenses	22 581	46 228	16 013	95 024

Note 14 Financial items

Amounts in NOK '000	Q1 2022	Q4 2021	Q1 2021	2021
Interest income	1 670	1 057	3	1 120
Unwinding of discount asset retirement reimbursement right (indemnification asset)	20 202	19 691	19 691	78 764
Gain on buy-back bond loan	-	-	-	-
Finance income	21 872	20 748	19 694	79 884
Interest expense and fees from loans and borrowings	-53 435	-60 699	-49 549	-210 907
Capitalised borrowing cost, development projects	2 938	14 400	38 029	116 709
Interest expense shareholder loan	-	-57	-	-57
Other interest expense	-1 641	-3 371	-242	-3 986
Unwinding of discount asset retirement obligations	-21 141	-20 949	-20 949	-83 797
Loss on buy-back bond loan	-4 361	-3 756	-	-6 364
Loss on financial investments	-634	-39	-	-39
Other financial expense	-4 441	-2 596	-2 167	-8 558
Finance costs	-82 715	-77 067	-34 878	-197 001
Exchange rate gain/loss (-), interest-bearing loans and borrowings	18 950	-36 878	2 220	-107 918
Net exchange rate gain/loss (-), other	-18 916	31 939	8 192	33 158
Net exchange rate gain/loss (-)	35	-4 939	10 412	-74 761
Net financial items	-60 808	-61 259	-4 773	-191 877

Note 15 Asset retirement reimbursement right

Amounts in NOK '000	
Asset retirement reimbursement right at 1 January 2022 (indemnification asset)	3 107 974
Changes in estimates	-
Effect of change in the discount rate	-277 334
Asset retirement costs from billing, reimbursement from Shell	-18 335
Unwinding of discount	20 202
Asset retirement reimbursement right at 31 March 2022 (indemnification asset)	2 832 507
Of this:	
Asset retirement reimbursement right, non-current	2 767 430
Asset retirement reimbursement right, current	65 077
Asset retirement reimbursement right at 31 March 2022 (indemnification asset)	2 832 507

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 3.25% (year end 2021: 2.6%).

Note 16 Share capital

Number of shares	Ordinary shares
Outstanding shares at 1 January 2022	103 870 350
New shares issued during 2022	-
Number of outstanding shares at 31 March 2022	103 870 350
Nominal value NOK per share at 31 March 2022	0.1
Share capital NOK at 31 March 2022	10 387 035

As per 31 March 2022, 80,000 equity-settled warrants are still outstanding. Reference is made to note 10 in the 2021 annual financial statements for further details.

Note 17 Trade and other receivables

Amounts in NOK '000	31.03.2022	31.12.2021	31.03.2021
Accounts receivable and receivables from operated licences*	66 277	68 275	69 660
Accrued revenue	415 786	487 424	43 026
Prepayments	43 739	48 300	29 450
Working capital and overcall, joint operations/licences	223 390	164 226	174 581
Underlift of petroleum products	242 698	225 079	205 065
VAT receivable	3 922	7 317	-
Accrued interest income	686	830	-
Fair value forward contracts, gas	-	51 885	-
Fair value put/call options, oil	-	-	1 378
Total trade and other receivables	996 499	1 053 338	523 160

* There is no provision for bad debt on receivables.

Note 18 Cash and cash equivalents

Cash and cash equivalents:

Amounts in NOK '000	31.03.2022	31.12.2021	31.03.2021
Bank deposits, unrestricted	2 038 904	1 035 711	968 053
Bank deposit, time deposit	400 000	980 000	-
Bank deposit, restricted, employee taxes	10 856	18 033	9 873
Bank deposit, restricted, deposit office leases	14 810	-	-
Bank deposit, restricted, other	5 006	5 001	-
Total cash and cash equivalents	2 469 576	2 038 745	977 925

See note 26 for information about liquid assets not categorised as cash and cash equivalents.

Note 19 Asset retirement obligations

Amounts in NOK '000	
Provision at 1 January 2022	4 237 442
Additions	-
Additions through business combination (see note 27)	92 506
Changes in estimates	-
Effects of change in the discount rate	-288 715
Asset retirement costs from billing	-22 919
Unwinding of discount	21 141
Asset retirement obligations at 31 March 2022	4 039 454
Of this:	
Asset retirement obligations, non-current	3 958 108
Asset retirement obligations, current	81 346
Asset retirement obligations at 31 March 2022	4 039 454

Asset retirement obligations

Provisions for asset retirement obligations represent the future expected costs for close-down and removal of oil equipment and production facilities. The provision is based on the company's best estimate. The net present value of the estimated obligation is calculated using a discount rate of 2.5% (year end 2021: 2%). The assumptions are based on the economic environment at balance sheet date. Actual asset retirement costs will ultimately depend upon future market prices for the necessary works which will reflect market conditions at the relevant time. Furthermore, the timing of the close-down is likely to depend on when the field ceases to produce at economically viable rates. This in turn will depend upon future oil and gas prices, which are inherently uncertain.

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

Note 20 Spare parts, equipment and inventory

Amounts in NOK '000	31.03.2022	31.12.2021	31.03.2021
Inventory of petroleum products	127 321	124 258	113 607
Spare parts and equipment	132 763	129 061	113 994
Total spare parts, equipment and inventory	260 083	253 318	227 601

Note 21 Trade and other payables

Amounts in NOK '000	31.03.2022	31.12.2021	31.03.2021
Trade creditors	18 660	117 721	20 023
Accrued holiday pay and other employee benefits	62 306	110 947	55 578
Working capital, joint operations/licences	578 626	430 608	434 543
Overlift of petroleum products	17 455	24 555	-
Accrued interest bond loans	27 556	5 096	26 853
Prepayments from customers	3 868	17	201 034
Fair value forward contracts, gas	3 438	-	-
Loan from shareholder OKEA Holdings Ltd	1 371	1 371	1 314
Accrued consideration from acquisitions of interests in licences	10 000	10 000	-
Other accrued expenses	110 788	86 220	158 884
Total trade and other payables	834 070	786 535	898 230

Note 22 Interest bearing loans, bonds

Amounts in NOK '000	Bond loan OKEA02	Bond loan OKEA03	Total
Interest bearing loans, bonds at 1 January 2022	1 249 257	1 045 616	2 294 873
Amortisation of transaction costs	4 368	1 373	5 741
Bond buy-back	-284 717	-	-284 717
Foreign exchange movement	-6 654	-8 666	-15 320
Interest bearing loans, bonds at 31 March 2022	962 254	1 038 323	2 000 577

Amounts in NOK '000	Bond loan OKEA02	Bond loan OKEA03	Total
Interest bearing loans, bonds at 1 January 2022	1 249 257	1 045 616	2 294 873
Cash flows:			
Gross proceeds from borrowings	-	-	-
Transaction costs	-	-	-
Repayment/buy-back of borrowings	-289 079	-	-289 079
Total cash flows:	-289 079	-	-289 079
Non-cash changes:			
Amortisation of transaction costs	4 368	1 373	5 741
Foreign exchange movement	-6 654	-8 666	-15 320
Loss / gain (-) on buy-back	4 361	-	4 361
Interest bearing loans, bonds at 31 March 2022	962 254	1 038 323	2 000 577

Bond loans OKEA02 and OKEA03

During 2022 the company has been in full compliance with the covenants under the bond agreements.

From 01.01.2022 the covenants comprise of:

- (i) Leverage ratio shall not exceed 2:1
- (ii) Capital employment ratio above 35%
- (iii) Minimum free liquidity of USD 10 million

Note 23 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	Liability Yme rig	Total
Other interest bearing liabilities at 1 January 2022	493 445	493 445
Repayments	-10 259	-10 259
Foreign exchange movement	-3 631	-3 631
Other interest bearing liabilities at 31 March 2022	479 555	479 555
Of this:		
Other interest bearing liabilities, non-current	440 710	440 710
Other interest bearing liabilities, current	38 845	38 845
Other interest bearing liabilities at 31 March 2022	479 555	479 555

Amounts in NOK '000	Liability Yme rig	Total
Other interest bearing liabilities at 1 January 2022	493 445	493 445
Cash flows:		
Gross proceeds from borrowings	-	-
Repayment of borrowings	-10 259	-10 259
Total cash flows:	-10 259	-10 259
Non-cash changes:		
Financing Yme Rig	-	-
Foreign exchange movement	-3 631	-3 631
Other interest bearing liabilities at 31 March 2022	479 555	479 555

Note 24 Leasing

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

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 recognised 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

Lease liability 1 January 2022	263 298
Additions lease contracts	4 442
Accretion lease liability	3 759
Payments of lease debt and interest	-10 995
Total lease debt at 31 March 2022	260 505

Break down of lease liability

Short-term (within 1 year)	44 106
Long-term	216 399
Total lease liability	260 505

Undiscounted lease liabilities and maturity of cash outflows:

Amounts in NOK '000	31.03.2022
Within 1 year	43 969
1 to 5 years	155 413
After 5 years	177 529
Total	376 910

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

Note 25 Derivatives

Amounts in NOK '000	31.03.2022	31.12.2021	31.03.2021
Premium commodity contracts	-	-	36 556
Accumulated unrealised gain/loss (-) commodity contracts included in other operating income / loss(-)	-3 438	51 885	-35 178
Short-term derivatives included in assets/liabilities (-)	-3 438	51 885	1 378

OKEA uses derivative financial instruments to manage exposures to fluctuations in commodity prices. At 31 March 2022, OKEA had outstanding forward contracts for;

Quantity - therms of gas	Fixed price GBP per therm	Expiration
590 000	2.84	2022-04-29
825 000	2.76	2022-05-30
780 000	2.75	2022-06-29
790 000	2.75	2022-07-29
870 000	2.75	2022-08-30
830 000	2.75	2022-09-29
275 000	4.00	2022-10-28
275 000	4.12	2022-11-29
275 000	4.12	2022-12-30

Note 26 Financial investments

Amounts in NOK '000	31.03.2022	31.12.2021	31.03.2021
Investments in money-market funds and combination funds	209 326	209 961	-
Total financial investments	209 326	209 961	-

Note 27 Business combinations

Acquisition of a 2.223% interest in Ivar Aasen

On 31 March 2022 OKEA completed the acquisition of a 2.223% working interest in the Ivar Aasen field from Neptune Energy Norge AS. The acquisition adds to OKEA's current holding of 0.554% interest in Ivar Aasen and increases the ownership share to 2.777%.

The transaction has been determined to constitute a business combination and has been accounted for using the acquisition method of accounting as required by IFRS 3. The economic date of the transaction, which will be used for tax purposes, is 1 January 2022. The acquisition date for accounting purposes (transfer of control) has been determined to be 31 March 2022.

A preliminary purchase price allocation (PPA) has been performed and all identified assets and liabilities have been measured at their acquisition date fair values in accordance with the requirements of IFRS 3. The agreed purchase price is USD 12 million, equivalent with NOK 105.2 million. Adjusted for interim period adjustments and working capital, the total cash consideration is estimated to NOK 45.9 million.

At this stage, the purchase price allocation is preliminary and is based on a preliminary completion statement. As a result, the final PPA and the impact on the financial statements from the transaction may differ. The final PPA will be completed within 12 months of the acquisition at the latest.

The fair values of the identifiable assets and liabilities in the transaction as at the date of the acquisition have been estimated as follows:

Amounts in NOK '000	
Assets	
Oil and gas properties	167 860
Net working capital	1 581
Total assets	169 441
Liabilities	
Deferred tax liabilities	21 488
Asset retirement obligations	92 506
Income tax payable	45 243
Total liabilities	159 237
Total identifiable net assets at fair value	10 205
Total consideration	45 915
Goodwill	35 711
Goodwill consist of:	
Negative ordinary goodwill	-61 338
Technical goodwill	97 049
Total goodwill	35 711

The negative ordinary goodwill is mainly caused by the increase in the oil price in the period between the agreement date and the acquisition date. The technical goodwill arises as a consequence of the requirement to recognise deferred tax for the differences between the assigned fair values (which have been based on a post-tax market for such transactions) and the tax basis of assets acquired. The negative ordinary goodwill and the technical goodwill is recognised net as technical goodwill with NOK 35.7 million. None of the goodwill recognised will be deductible for income tax purposes.

A preliminary estimation of the impact from the transaction indicates that if the acquisition had taken place at the beginning of the year, total revenues for the year would have been approximately NOK 77 million higher and profit before tax would have been approximately NOK 58.9 million higher.

Note 28 Fair value of financial instruments

It is assessed 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 2 096 674 thousand at 31 March 2022. The OKEA02 and OKEA03 bond loans are listed on the Oslo Stock Exchange and the fair value is based on the latest quoted market prices (level 1 in the fair value hierarchy according to IFRS 13) as per balance sheet date.

Fair value of forward contracts gas is based on quoted market prices at the balance sheet date (level 2 in the fair value hierarchy). The forward contracts gas are carried in the statement of financial position at fair value.

Note 29 Events after the balance sheet date

The Ministry of Finance announced 8 April 2022 proposed legislation to the Norwegian Parliament on a new cash flow based petroleum tax. The main feature of the proposed legislation affecting the company is that investments in field facilities, production wells and pipelines incurred from 1 January 2022 can be expensed when incurred for Special petroleum tax (SPT) purposes. Such expensing will replace the current 6 year depreciation for SPT and uplift. The proposed legislation is subject to approval by the Norwegian Parliament.

Based on preliminary calculations of the effect of the proposed changes in legislation, the company estimates that if the new legislation had been in place on 1 January 2022, the current tax payable for first quarter 2022 would have been approximately NOK 49 million less than reported, deferred tax liability would have been approximately NOK 50 million more than reported, and as a result approximately net NOK 1 million increase in total tax expense compared with the reported tax expense.

The Yme field was shut in during the Easter holidays due to a minor oil leak. The source of the leak has been identified in a pipe from the subsea storage tank. Until the issue is fixed, Yme will produce directly to a large tanker vessel, starting in the beginning of May.

A discovery in the Hamlet exploration well was announced on 28 April 2022. Studies are initiated to evaluate whether commercial development options exist for the discovery.

Alternative performance measures

Reconciliations

EBITDA	Q1 2022	Q4 2021	Q1 2021	2021
Amounts in NOK `000	3 months	3 months	3 months	12 months
Profit / loss (-) from operating activities	1 347 853	714 835	67 714	2 297 860
Add: depreciation, depletion and amortisation	157 780	177 000	172 245	672 450
Add: impairment	-362 597	366 632	-	-363 765
EBITDA	1 143 036	1 258 467	239 959	2 606 545

EBITDAX	Q1 2022	Q4 2021	Q1 2021	2021
Amounts in NOK `000	3 months	3 months	3 months	12 months
Profit / loss (-) from operating activities	1 347 853	714 835	67 714	2 297 860
Add: depreciation, depletion and amortisation	157 780	177 000	172 245	672 450
Add: impairment / reversal of impairment	-362 597	366 632	-	-363 765
Add: exploration and evaluation expenses	92 676	88 662	108 736	342 972
EBITDAX	1 235 712	1 347 129	348 695	2 949 517

Production expense per boe	Q1 2022	Q4 2021	Q1 2021	2021
Amounts in NOK `000	3 months	3 months	3 months	12 months
Productions expense	287 294	290 754	176 335	860 419
Less: processing tariff income	-24 146	-24 263	-13 087	-61 960
Less: joint utilisation of resources	-5 944	-13 054	-6 188	-23 036
Less: preparation for operation asset under construction	-	-1 397	-5 322	-17 884
Divided by: produced volumes (boe)	1 341 671	1 475 448	1 490 075	5 668 579
Production expense NOK per boe	191.7	170.8	101.8	133.6

Net interest-bearing debt	31.03.2022	31.12.2021	31.03.2021
Amounts in NOK `000			
Interest bearing loans, bonds	2 000 577	2 294 873	2 401 961
Other interest bearing liabilities	440 710	454 853	-
Other interest bearing liabilities, current	38 845	38 593	-
Less: Cash and cash equivalents	-2 469 576	-2 038 745	-977 925
Net interest-bearing debt	10 556	749 574	1 424 036

Net interest-bearing debt excl. other interest bearing liabilities	31.03.2022	31.12.2021	31.03.2021
Amounts in NOK `000			
Interest bearing loans, bonds	2 000 577	2 294 873	2 401 961
Less: Cash and cash equivalents	-2 469 576	-2 038 745	-977 925
Net interest-bearing debt excl. other interest bearing liabilities	-468 999	256 128	1 424 036

Definitions

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

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

Net interest-bearing debt is book value of current and non-current interest-bearing 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.



OKEA 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 discipline.

OKEA ASA

Kongens gate 8
7011 Trondheim

www.okea.no