



2022

Q2 Quarterly and half year
report



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Second quarter 2022 summary

Highlights

- No actual serious incidents at operated assets
- Production of 16,039 (14,908) boepd
- Operating income of NOK 1,332 (1,513) million
- EBITDA of NOK 928 (1,143) million
- Profit before tax of NOK 532 (1,287) million and net profit of NOK 28 (213) million. The reduction was mainly due to lower realised gas prices and unrealised FX loss following a weakened NOK against USD
- Cash increase of NOK 289 million on top of dividend payment of NOK 93 million and prepayment to Wintershall Dea of NOK 97 million
- A material asset deal with Wintershall Dea agreed in May with expected completion in the fourth quarter of 2022. The transaction will be financed by existing cash balances
- Discovery confirmed in Hamlet exploration well. Development project initiated with goal of FID by YE 2022

Important subsequent events:

- On 13 July OKEA announced dividend payment of NOK 103.9 million (NOK 1 per share) to be paid in September
- On 13 July OKEA also announced a voluntarily early redemption of the OKEA02 bond at the call price of 102.75

(Amounts in parentheses refer to previous quarter)

Financial and operational summary

	Unit	Q2 2022	Q1 2022	Q2 2021	Full year 2021
Total operating income	MNOK	1,332	1,513	607	3,882
EBITDA ¹⁾	MNOK	928	1,143	311	2,607
EBITDAX ¹⁾	MNOK	954	1,236	420	2,950
Profit/loss (-) before income tax	MNOK	532	1,287	863	2,106
Net profit / loss (-)	MNOK	28	213	200	603
Net cash flow from operations	MNOK	699	1,072	634	2,515
Net cash flow used in investments	MNOK	-304	-285	-197	-941
Net cash flow used in financing activities	MNOK	-196	-336	-77	-422
Net interest-bearing debt (IBD) ¹⁾	MNOK	-49	11	1,070	750
Net IBD ex. other int. bearing liabilities¹⁾	MNOK	-576	-469	1,070	256
Net production	Boepd ²⁾	16,039	14,908	13,210	15,530
Third-party volumes available for sale ³⁾	Boepd ²⁾	849	765	0	147
Over/underlift/inventory adjustments	Boepd ²⁾	-931	-229	-162	166
Net sold volume	Boepd ²⁾	15,957	15,444	13,048	15,843
Production expense per boe ¹⁾	NOK/boe	234.7	191.7	158.9	133.5
Realised liquids price	USD/boe	100.3	89.6	63.8	65.3
Realised gas price	USD/boe	82.4	189.8	55.1	105.2

¹⁾ Definitions of alternative performance measures are available on page 36 of this report

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

³⁾ 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 second quarter was NOK 1,332 (1,513) million, whereof NOK 1,254 (1,516) million related to revenue from oil and gas sales. The average realised liquids price was USD 100.3 (89.6) per boe which was lower than the average market price for the quarter due to timing of the lifting at Draugen in April occurring at a lower price point than the average market price for the quarter. The average realised price for gas was USD 82.4 (189.8) per boe. The company's current gas production is sold to the UK at terms linked to NBP day-ahead prices. In the second quarter, gas prices were highly volatile and NBP traded at an unprecedented discount compared to TTF (Netherlands). In addition, due to the planned shutdown at GjØa in the beginning of the quarter, more gas volumes were sold in a period where the prices were lower than the average price for the quarter. Total sold volumes were 1,452 (1,390) thousand boe.

Other operating income/loss (-) amounted to NOK 78 (-3) million and comprise tariff income at GjØa of NOK 26 (24) million, income from joint utilisation of logistic resources of NOK 12 (6) million, and a net gain from gas forward contracts of NOK 41 (-33) million.

Production expenses amounted to NOK 381 (287) million, corresponding to NOK 234.7 (191.7) per boe. The increase in production expense per boe was mainly due to increased production expenses at Yme related to well-recompletion work and continued low production as the asset is still in the start-up and commissioning phase. In addition, and in accordance with plan, Gjøa was shut down for eight days in the beginning of April.

Changes in over-/underlift positions and production inventory amounted to NOK 61 (33) million. Produced volumes exceeded sold volumes in the quarter by 931 (229) boepd. In addition, sold volumes from third-party compensation received from Duva (tie-in to Gjøa) was 849 (765) boepd.

Exploration and evaluation expenses amounted to NOK 26 (93) million and mainly relate to cost relating to APA 2022 of NOK 7 (3) million and various field evaluation activities of NOK 19 (21) million. The higher expenses in the previous quarter mainly related to the Ginny exploration well of NOK 66 million.

Impairment (-) / reversal of impairment amounted to NOK 0 (363) million in the quarter. The reversal of previous impairment on Yme in the first quarter was mainly due to significantly improved forward prices for oil.

General and administrative expenses amounted to NOK 58 (23) million and represent OKEA's share of costs after allocation to licence activities. The increase compared to previous quarter was mainly due to consultant fees relating to asset acquisition from Wintershall Dea Norge AS and the long-term incentive program for senior management.

Net financial items amounted to NOK -231 (-61) million, whereof NOK -51 (-52) million was expensed interest and NOK -177 (0) million was net foreign exchange loss following a weakening of NOK against the USD by ~14% in the quarter. The weakening of NOK causes an increase in NOK value of the USD nominated bond loans which is partly offset by a foreign exchange gain on USD nominated bank deposits. For further details on financial items, reference is made to note 14.

Profit / loss (-) before tax amounted to NOK 532 (1,287) million.

Tax expenses (-) / tax income (+) amounted to NOK -504 (-1,074) million and represents an effective tax rate of 95% (83%). The deviation from the expected 78% was mainly due to the high foreign exchange loss which is deductible at a lower tax rate (22%).

Net profit / loss (-) for the quarter was NOK 28 (213) million. Earnings per share were NOK 0.27 (2.05).

Statement of financial position

Goodwill amounted to NOK 801 (805) million consisting of NOK 638 (641) million in technical goodwill and NOK 163 (163) million in ordinary goodwill. The minor decrease in technical goodwill was due to adjustments in the PPA based on the final pro et contra settlement on 30 June following the acquisition of 2.223% working interest in the Ivar Aasen asset being completed on 31 March.

Oil and gas properties amounted to NOK 5,129 (5,191) million at the end of the quarter. The net decrease mainly comprises depreciation of NOK 159 (151) million and change in asset retirement obligation asset value of NOK 93 (11) million, partly offset by investments in Draugen modifications, the Hasselmus development and Yme for a total of NOK 192 (135) million.

Right-of-use assets amounted to NOK 224 (231) million and mainly relates to logistical resources on operated assets and lease of offices.

Non-current asset retirement reimbursement right amounted to NOK 2,559 (2,767) 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 following a general increase in market interest rates. Current asset retirement right amounted to NOK 14 (65) million.

Trade and other receivables amounted to NOK 1,060 (996) million which mainly related to accrued revenue, working capital from joint venture licences, underlift of petroleum products and prepayments, including NOK 97 million in prepaid consideration related to the acquisition of assets from Wintershall Dea.

Cash and cash equivalents amounted to NOK 2,758 (2,470) million. The increase from previous quarter was due to net cash flow from operating activities exceeding cash used in investment activities including the dividend payment of NOK 93 (0) million, interest payments of NOK 76 (29) million and buy-back of bonds of NOK 10 (289) million. Net taxes paid amounted to NOK 386 (194) million.

Financial investments amounted to NOK 210 (209) 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 253 (260) million whereof NOK 122 (127) million mainly related to oil inventory at Draugen.

Equity amounted to NOK 1,856 (1,922) million, corresponding to an equity ratio of 14% (15%). The decrease from previous quarter was due to a dividend payment of NOK 93 million, partly offset by net profit in the period.

Non-current provision for asset retirement obligations amounted to NOK 3,645 (3,958) million. The reduction was mainly due to an increase in the discount rate following a general increase in market interest rates. Current asset retirement obligation amounted to NOK 17 (81) million. The total obligation is largely offset by the total asset retirement reimbursement right outlined above.

Total interest-bearing bond loans amounted to NOK 2,182 (2,001) million, whereof NOK 995 (0) million is classified as current liabilities as OKEA02 matures on 28 June 2023 and NOK 1,187 (2,001) million related to OKEA03 is classified as non-current liabilities. In the second quarter, OKEA bought back a nominal amount equivalent to NOK 105 (285) million of OKEA02 including NOK 95 million in the mandatory offer triggered by the dividend payment in June. The NOK 95 million was payable on 7 July and was reclassified to trade and other payables at 30 June. Reference is made to note 22 for further details.

Total other interest-bearing liabilities amounted to NOK 527 (480) million, whereof the non-current share was NOK 482 (441) million and the current share was NOK 44 (39) million. The amount represents OKEA's share of the net present value of the future obligations under the bareboat charter (BBC) agreement for Yme on 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 209 (216) million and a current liability of NOK 44 (44) million and represents the liability of the right-of-use assets as described above.

Trade and other payables amounted to NOK 943 (834) million and mainly relate to working capital from joint venture licences, prepayments from customers and accrued expenses. The buy-back of OKEA02 for a nominal amount of NOK 95 million of OKEA02 late June is due for payment in July and hence reclassified to a payable on 30 June.

Income tax payable was NOK 1,298 (1,364) million and mainly consists of the remaining tax payable for 2021 and accrued tax for the first half of 2022.

Statement of cash flows

Net cash flows from operating activities amounted to NOK 699 (1,072) million, including taxes paid of NOK -386 (-194) million. The reduction was due to higher taxes paid compared to previous quarter and lower revenue due to lower realised gas prices.

Net cash flows used in investment activities amounted to NOK -304 (-285) million of which investment in oil and gas properties amounted to NOK -186 (-133) million, mainly relating to Draugen modifications, the Hasselmus development and Yme. Cash used in the drilling campaign at Hamlet amounted to NOK 25 million. In addition, NOK 97 million was pre-paid in relation to the acquisition of assets from Wintershall Dea Norge AS on 23 May.

Net cash flows used in financing activities amounted to NOK -196 (-336) million and mainly relates to a dividend payment of NOK -93 (0) million. In addition, a partial buy-back of the OKEA02 bond loan of NOK -10 (-289) million and interest of NOK -76 (-29) million was paid in the quarter.

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 approximately 30% of the estimated net after tax exposure for natural gas for the third quarter of 2022 at an average price of 275 GBp/th, 30% for the fourth quarter of 2022 at an average price of 349 GBp/th and 10% for the first quarter of 2023 at an average price of 317 GBp/th.

New tax regime enacted on 17 June

On 17 June, the government enacted a new tax regime applicable for petroleum producers which is applicable from 1 January 2022. The main feature of the legislation is that investments in field facilities, production wells and pipelines can be expensed when incurred in the special petroleum tax (SPT). Such expensing will replace the current 6 years depreciation for SPT and uplift. Calculated ordinary corporate tax (22%) will be deductible in the SPT base. In order to maintain an overall tax rate of 78%, a technical increase is therefore made of the SPT rate from 56% to 71.8%.

The temporary tax regime which was adopted in 2020 will still apply for qualifying projects with certain technical adjustments.

In effect, the SPT is converted into a neutral cash flow tax with immediate deductions for capital expenses incurred, but without any additional depreciation (uplift). For OKEA, this results in a significant liquidity improvement in the near term, but a lower tax shield / higher tax expense over time.

Operational review

Net production to OKEA in the quarter was 16,039 (14,908) boepd. Solid performance from Draugen and Gjøa contributed to the production increase of 1,131 boepd compared to previous quarter despite eight days of planned shutdown at Gjøa in April. OKEA's working interest in Ivar Aasen also increased from 0.554% to 2.777% with effect from 1 April. These effects were partly offset by ramp-up at Yme being slower than anticipated.

	Unit	Q2 2022	Q1 2022	Q2 2021	Full year 2021
Draugen – production reliability ⁵⁾	%	99	97	99	98
Draugen – production availability ⁶⁾	%	98	96	93	93
Gjøa – production reliability	%	97	99	100	99
Gjøa – production availability	%	89	86	66	85
Yme – production availability	%	N/A	N/A	N/A	N/A
Ivar Aasen – production availability	%	99	99	95	97
Draugen – production	Boepd	7,060	6,877	7,128	7,084
Gjøa – production	Boepd	7,107	6,478	5,828	8,137
Yme – production	Boepd	1,322	1,345	N/A	54
Ivar Aasen – production	Boepd	550	208	254	255
Total net production	Boepd	16,039	14,908	13,210	15,530
Draugen – sold volume	Boepd	6,949	6,592	7,030	6,874
Gjøa – sold volume	Boepd	6,611	7,034	5,984	8,130
Yme – sold volume	Boepd	1,448	1,011	N/A	35
Ivar Aasen – sold volume	Boepd	100	42	34	656
Third-party volumes available for sale*	Boepd	849	765	-	147
Total net sold volume	Boepd	15,957	15,444	13,048	15,843
Total over/underlift/inventory adj.	Boepd	-931	-229	-162	166

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.

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

Draugen (operator, 44.56%)

Net production to OKEA from Draugen was 7,060 (6,877) boepd in the quarter. Production availability was 98% (96%) and production reliability was 99% (97%).

The good performance at Draugen resulted from high reliability, improved performance from the platform wells following a scale squeeze campaign, and optimisation measures on the subsea pump.

A successful «light well intervention» to prepare for plug and abandonment on two subsea wells was completed in May. Project activities are ongoing offshore in preparation for the Hasselmus gas project and demolition scope for the power from shore project.

Gjøa (partner, 12.00%)

Net production to OKEA from Gjøa was 7,107 (6,478) boepd in the quarter and production reliability was 97% (99%). Production in the second quarter was impacted by eight days of shutdown in April to complete the planned maintenance which commenced on 18 March. The majority of the shutdown scope related to tie-in activities for Duva and Nova for which Gjøa as host will be compensated in-kind for the deferred production.

Delivered and sold compensation volumes from Duva in the quarter was 849 (765) boepd. Development of the Nova tie-in is progressing well with expected production start in the second half of 2022.

Work to mature the Hamlet discovery towards a final investment decision by the end of 2022 is ongoing.

Yme (partner, 15.00%)

Net production to OKEA from Yme in the second quarter was 1,322 (1,345) boepd.

The Mobile Offshore Drilling and Production Unit 'Inspirer' is currently producing from all four available production wells. Two additional production wells are currently being re-completed in accordance with plan and will start production during the third quarter of 2022. Gas and condensate are injected into the reservoir.

At per the date of this report, the production system is operating as intended.

Production performance at Yme for the first half of 2022 has been below expectations. Recompletion of production wells has taken more time than anticipated and a leakage in the recirculation line between the Inspirer platform and the subsea storage tank caused a shutdown of production from 12 April until 5 May. A temporary solution has been established and Yme is currently producing directly to a shuttle tanker. A permanent repair is planned for the third quarter of 2022.

Simultaneous drilling campaigns on both Beta North and Yme Gamma will be executed during H2 22.

The drilling rig Valaris Viking arrived at Beta North location at the end of June and has started the drilling of two new production wells and one injector well. Drilling of two new production wells and one injector well at Yme Gamma is expected to start in the third quarter of 2022 from Inspirer.

Total production from Yme is expected to have a steep ramp up from August and is expected to reach plateau production in December 2022.

Ivar Aasen (partner, 2.777%)

Net production to OKEA from Ivar Aasen was 550 (208) boepd and production availability was 99% (99%).

Ivar Aasen experienced a full production shut down from 27 March due to an electrical failure on Edvard Grieg as Ivar Aasen relies on Edvard Grieg for final processing and export. The production resumed 21 April at reduced capacity and with full capacity from 24 May. Oil and gas production and export at Ivar Aasen has since been stable.

An Increased Oil Recovery (IOR) 2022 campaign to bring new wells onstream is on schedule to commence in third quarter 2022, with a plan for a subsequent IOR 2023 in development. The development of the tie-in field Hanz is progressing according to schedule.

Acquisition of a material portfolio of assets from Wintershall Dea

On 23 May, OKEA entered into an agreement to acquire a material portfolio of producing and near-term producing assets from Wintershall Dea with effective date 1 January 2022.

The acquired portfolio comprises 35.2% operated working interest (WI) in the Brage Unit, 6.4615% WI in the Ivar Aasen Unit and 6% WI in the Nova field which adds net 2P reserves of 13.2 mmboe and net 2C resources of 10.6 mmboe. The expected additional production to OKEA for 2022 is estimated to 5,000 - 6,000 boepd and is expected to grow to at least 7,000 boepd in 2023-24 with material additional near-term production potential from large inventory of drilling opportunities.

The initial aggregate post-tax cash consideration amounts to USD 117.5 million including tax balances. In addition to the fixed consideration, OKEA shall pay to Wintershall Dea an additional contingent consideration based on an upside sharing arrangement subject to oil price level and oil production performance during the period 2022-24. Wintershall Dea will retain responsibility for 80% of OKEA's share of total decommissioning costs related to the Brage Unit.

The transaction will be financed through OKEA's existing cash resources and is conditional upon Norwegian governmental approval. Completion, including transfer of operatorship of the Brage Unit, is expected in the fourth quarter of 2022.

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 in process to complete the detailed design for the topside scope. The first topside installation is planned to commence in the third quarter of 2022. The planned subsea installation scope for 2022 including subsea rock installation was completed in May. SIA's (OneSubsea and Subsea 7 alliance) plan for the further subsea scope is progressing according to schedule and COSLPromoter is on schedule to start drilling of the Hasselmus production well in July.

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 which is operated by Equinor.

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. FEED studies are in the final stages of completion for onshore, cable and topside facilities.

The public consultation period of the concession application according to the Energy Act and Ocean Energy Act has ended, and response to consultation has been provided to The Norwegian Water Resources and Energy Directorate (NVE). NVE is expected to deliver a recommendation to the MPE in the third quarter of 2022. A public consultation process of the Environmental Impact Assessment (EIA) for the Petroleum Act has been initiated, with comments due by 12 September 2022.

The power from shore project will reduce 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 is currently evaluating the Aurora discovery and Selene prospect based on new seismic data acquired in the fourth quarter of 2021. The new seismic data has enabled improved interpretation and mapping of the reservoirs which has enhanced confidence in the modelled volume estimates. 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 Gjøa is planned for 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.

Hamlet (partner, 12.00%)

Work to mature the Hamlet discovery towards a final investment decision by the end of 2022 is ongoing. The development concept involves two production wells tied back to the Gjøa platform via existing infrastructure with a targeted production start in 2025.

Exploration licences

Calypso (PL938, WI 30%), a Neptune-operated exploration well, is scheduled to be drilled in the fourth quarter of 2022.

Work programmes in the new APA-awarded licences were initiated in the second quarter. OKEA is also working on preparing applications for licence opportunities in the 2022 APA round with application deadline on 12 September.

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

Environment, Social and Governance (ESG)

There were no actual serious incidents, no recordable injuries and no serious discharges or emissions in OKEA's activities and operations in the second quarter of 2022.

OKEA continues to monitor the geo-political situation following the invasion of Ukraine, to assess the need for mitigating measures to minimise impact on the company's operations and projects, especially with regards to security threats, global supply chain constraints and cyber risk.

As a smaller operator on the NCS, collaboration with peers and suppliers and sharing best practice is key to continuous improvement and development. Within the ESG space, OKEA is therefore participating in the establishment of a sustainability network for smaller companies on the NCS, in addition to participating in a quarterly joint industry roundtable on climate risk.

A key focus area in coming months is preparation for the transfer of operatorship of the Brage field from Wintershall Dea, also in respect of environmental, social and governance aspects. Along with the operatorship at Brage follows a competent and experienced organisation which will be integrated into the OKEA organisation. The transition also includes transfer of systems and processes necessary to continue safe operation of the Brage field. A joint transition project organisation has been established to ensure a safe and efficient transfer of the operator responsibilities and transition is progressing according to schedule.

Report for the first half of 2022

Financial review

	Unit	H1 2022	H1 2021
Total operating income	MNOK	2,845	1,131
EBITDA	MNOK	2,071	551
Net profit / loss (-)	MNOK	241	223
Cash flow from operations	MNOK	1,771	1,042
Cash flow from investments	MNOK	-590	-467
Cash flow from financing activities	MNOK	-531	-110

(Amounts in parentheses refer to first half of 2021)

Total operating income for the first half of the year amounted to NOK 2,845 (1,131) million. The increase was mainly due to significantly higher realised prices for both liquids of USD 95.1 (56.3) boe and gas of USD 134.6 (47.2) boe. Total sold volumes was 2,842 (2,555) thousand boe. The increase in volumes was mainly due to Yme production start-up and an increased working interest on Ivar Aasen from 1 April 2022, partly offset by general field decline on Draugen.

Production expenses amounted to NOK 668 (389) million, equivalent to NOK 214.1 (127.4) per boe. The increase was mainly due to the start of production of a new asset, Yme, in October 2021. The increase in cost per barrel was mainly due to Yme still being in the start-up and commissioning phase in the first half of 2022 and thus contributing with lower volumes.

EBITDA amounted to NOK 2,071 (551) million and net profit after tax was NOK 241 (223) million. The increase in EBITDA was mainly due to significantly higher realised oil and gas prices. Net profit after tax was impacted

a net FX loss of NOK -177 (-2) million, partly offset by a reversal of impairment on the Yme asset with a net after-tax effect of NOK 80 (161) million.

Cash flow from operations for the period was NOK 1,771 (1,042) million including taxes paid (-) / received of NOK -580 (291) million. The increase compared to previous year was mainly due to the significantly increased petroleum prices, partly offset by tax payments.

Cash flow used in investment activities amounted to NOK -590 (-467) million for the first half of the year which mainly related to investments of NOK 450 (461) million on Yme, the Hasselmus development and drilling of the Ginny and Hamlet exploration wells. Investments in the previous year mainly related to Yme, the P1 project at Gjøa, and drilling of the Jerv and Ilder prospects. In addition, cash paid for the acquisition of the increased working interest in Ivar Aasen and a partial pre-payment relating to the acquisition from Wintershall Dea amounted to NOK 137 (0) million.

Cash flow used in financing activities amounted to NOK -531 (-110) million and includes a partial buy-back of the OKEA02 bond loan of NOK -299 (0) million, dividend payment of NOK -93 (0) million, interest payments on bond loans of NOK -105 (-91) million, repayments on other interest-bearing liabilities of NOK -19 (0) million and lease payments of NOK -14 (-18) million.

Operational review

The first half of 2022 was characterised by strong, but volatile market conditions and several important events for OKEA. On 23 May, OKEA announced a transaction with Wintershall Dea, where OKEA will acquire 35.2% operated WI in the Brage unit, 6.4615% WI in the Ivar Aasen Unit and 6% WI in the Nova field with effective date 1 January 2022. The transaction is conditional upon Norwegian government approval and is expected to be completed in the fourth quarter of 2022.

For Draugen, the production performance was good with high reliability throughout the first half of the year. The Hasselmus gas project is progressing according to schedule.

At the Gjøa field, 22 days of planned shutdown was successfully completed on 8 April. The majority of the shutdown scope related to tie-in activities for Duva and Nova for which Gjøa as host will be compensated in-kind for the deferred production.

Production performance at Yme for the first half has been below expectations. Recompletion of production wells has taken more time than anticipated and a leakage in the recirculation line between the Inspirer platform and the subsea storage tank caused a shutdown of production from 12 April until 5 May. A temporary solution has been established and Yme is currently producing directly to a shuttle tanker. A permanent repair is planned for the third quarter of 2022.

In April, OKEA announced a discovery of oil and gas in the Hamlet exploration well in the Gjøa licence. Work to mature the Hamlet discovery towards a final investment decision by the end of 2022 is ongoing. The development concept involves two production wells tied back to the Gjøa platform via existing infrastructure with a targeted production start in 2025.

Risks and uncertainties

Investment in OKEA involves risks and uncertainties as described in the company's annual report for 2021. The company's revenues, cash flow, reserve and resource estimates, profitability and rate of growth depend on international and regional prices of oil and gas which may fluctuate significantly based on factors beyond the company's control.

The company is also exposed to other financial risks including, but not limited to, fluctuations in exchange rates, increased interest rates and capital requirements. Reference is made to note 29 in OKEA's annual report for 2021 for further details on financial risks.

Subsequent events

Announcement of Q3 dividend

On 13 July OKEA announced dividend payment of NOK 103.9 million (NOK 1 per share) to be paid in September. The board also reaffirmed its intention to distribute the same amount in the fourth quarter of 2022.

Full voluntary redemption of OKEA02

On 13 July OKEA also announced a full voluntary redemption of the OKEA02 bond. With a remaining net outstanding of USD 100 million to be called at the current premium of 102.75, the net cash / cost saving after tax is estimated to about NOK 55 million compared to settle the debt at maturity in June 2023.

Outlook

The invasion of Ukraine has impacted the petroleum prices in a tight energy market with significant volatility at relatively high price levels during the quarter and unprecedented price differentials in the European gas market.

The second quarter has been eventful. The acquisition from Wintershall Dea which was announced on 23 May will increase production, reserves and resources by 30-40% and adds another operatorship to OKEA's portfolio. The transition process is progressing according to plan with expected completion in the fourth quarter of 2022. The acquisition represents a step change in both asset base and cash flow and will be fully financed by existing cash resources.

On the same day, OKEA also launched a dividend plan for 2022, and NOK 93.5 million (0.90 NOK per share) was distributed to shareholders in June. On the date of this report, OKEA also announced a cash dividend of NOK 103.9 million (NOK 1.00 per share) to be distributed to shareholders in September. The board also reaffirmed its intention to distribute the same amount in the fourth quarter of 2022.

On the date of this report, OKEA also announced a voluntarily redemption of all remaining OKEA02 bonds. With a remaining net outstanding of USD 100 million to be called at the current premium of 102.75, the net cash / cost saving after tax is estimated to about NOK 55 million compared to settle the debt at maturity in June 23.

In June, a new tax regulation was enacted by the Norwegian Parliament with effect from 1 January 2022. For OKEA, this results in a lower tax shield over time, but a significant liquidity improvement in the near term.

Due to continued challenges in the ramp-up phase for Yme, OKEA's production guiding for 2022 has been reduced from 18,500 – 20,000 boepd to 16,000 – 17,000 boepd (excluding the additional volumes from the Wintershall Dea transaction with effective date 1 January 2022).

Production outlook for 2023 is expected to increase from 17,000 – 19,000 boepd to 25,000 – 27,000 boepd. The increase is mainly due to the acquisition of assets from Wintershall Dea, but also to an increased contribution from Yme as plateau production is currently expected to take full effect in 2023.

Capex guiding, excluding capitalised interest, for 2022 remains NOK 950 – 1,150 million (excluding capex relating to the Wintershall Dea transaction).

Liftings already completed in the third quarter, includes net to OKEA 48 kbbl from Yme. We also expect a lifting of 633 kbbl from Draugen in July, 60 kbbl from Ivar Aasen in July, and 157 kbbl from Gjøa in August. No further liftings are planned in the third quarter for Draugen, Gjøa or Ivar Aasen. Due to Yme still being in the start-up phase, no further guidance on timing or volumes expected lifted from Yme is provided for the third 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 the 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 outlook further enhanced in the near term by the tax amendments enacted in June. The board considers that the company is well positioned to continue to execute on the growth strategy.



Financial statements with notes Q2 2022

Statement of comprehensive income

		01.01-30.06			01.01-31.12		
		Q2 2022	Q1 2022	Q2 2021	2022	2021	2021
Amounts in NOK '000		Note	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)
Revenues from crude oil and gas sales	6	1 253 704	1 515 627	594 468	2 769 331	1 130 646	3 780 641
Other operating income / loss (-)	6, 25	78 021	-2 634	12 252	75 387	139	101 232
Total operating income		1 331 726	1 512 993	606 720	2 844 718	1 130 785	3 881 873
Production expenses	7	-380 990	-287 294	-212 653	-668 285	-388 988	-860 419
Changes in over/underlift positions and production inventory	7	61 063	32 594	38 041	93 656	55 019	23 087
Exploration and evaluation expenses	8	-26 009	-92 676	-108 897	-118 685	-217 633	-342 972
Depreciation, depletion and amortisation	10	-165 151	-157 780	-143 870	-322 931	-316 115	-672 450
Impairment (-) / reversal of impairment	10, 11, 12	-0	362 597	730 397	362 597	730 397	363 765
General and administrative expenses	13	-58 065	-22 581	-12 039	-80 646	-28 051	-95 024
Total operating expenses		-569 153	-165 140	290 979	-734 293	-165 372	-1 584 014
Profit / loss (-) from operating activities		762 572	1 347 853	897 698	2 110 425	965 412	2 297 860
Finance income	14	26 423	21 872	19 691	48 295	39 385	79 884
Finance costs	14	-80 332	-82 715	-41 707	-163 047	-76 585	-197 001
Net exchange rate gain/loss (-)	14	-177 047	35	-12 480	-177 012	-2 068	-74 761
Net financial items		-230 956	-60 808	-34 496	-291 764	-39 268	-191 877
Profit / loss (-) before income tax		531 616	1 287 045	863 203	1 818 661	926 144	2 105 982
Taxes (-) / tax income (+)	9	-503 836	-1 073 792	-662 735	-1 577 628	-703 037	-1 502 673
Net profit / loss (-)		27 780	213 253	200 468	241 033	223 107	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
Total other comprehensive income, net of tax		-	-	-	-	-	-507
Total comprehensive income / loss (-)		27 780	213 253	200 468	241 033	223 107	602 802
Weighted average no. of shares outstanding basic		103 870 350	103 870 350	102 972 205	103 870 350	102 738 725	102 921 489
Weighted average no. of shares outstanding diluted		103 950 350	103 950 350	103 917 205	103 950 350	103 683 725	102 921 489
Earnings per share (NOK per share) - Basic		0.27	2.05	1.95	2.32	2.17	5.86
Earnings per share (NOK per share) - Diluted		0.27	2.05	1.93	2.32	2.15	5.86

Statement of financial position

Amounts in NOK '000	Note	30.06.2022 (unaudited)	31.03.2022 (unaudited)	31.12.2021 (audited)	30.06.2021 (unaudited)
ASSETS					
Non-current assets					
Goodwill	11, 12	801 011	804 657	768 946	768 946
Exploration and evaluation assets	11	78 654	52 105	10 759	22 037
Oil and gas properties	10	5 129 040	5 190 899	4 684 752	4 558 398
Buildings	10	-	-	-	80 938
Furniture, fixtures and office equipment	10	10 986	10 366	11 143	12 879
Right-of-use assets	10	224 136	231 392	234 199	168 075
Tax refund, non-current	9	-	-	-	-
Asset retirement reimbursement right	15	2 558 574	2 767 430	3 024 562	3 068 749
Total non-current assets		8 802 401	9 056 850	8 734 362	8 680 022
Current assets					
Trade and other receivables	17, 25	1 060 052	996 499	1 053 338	533 652
Financial investments	26	210 126	209 326	209 961	-
Spare parts, equipment and inventory	20	253 220	260 083	253 318	231 199
Tax refund, current	9	-	-	-	9 368
Asset retirement reimbursement right, current	15	13 682	65 077	83 412	-
Cash and cash equivalents	18	2 758 124	2 469 576	2 038 745	1 346 099
Total current assets		4 295 204	4 000 562	3 638 774	2 120 319
TOTAL ASSETS		13 097 605	13 057 412	12 373 136	10 800 341
EQUITY AND LIABILITIES					
Equity					
Share capital	16	10 387	10 387	10 387	10 301
Share premium		1 834 376	1 927 859	1 927 859	1 912 462
Other paid in capital		19 110	19 085	19 064	18 846
Retained earnings/loss (-)		-7 494	-35 274	-248 527	-628 222
Total equity		1 856 379	1 922 057	1 708 783	1 313 386
Non-current liabilities					
Asset retirement obligations	19	3 644 780	3 958 108	4 133 177	4 231 765
Pension liabilities		41 104	40 093	37 311	33 648
Lease liability	23	209 156	216 399	220 266	131 855
Deferred tax liabilities	9	2 288 515	2 091 152	1 735 720	1 627 947
Interest bearing bond loans	22, 27	1 187 330	2 000 577	2 294 873	2 416 204
Other interest bearing liabilities	23	482 150	440 710	454 853	-
Total non-current liabilities		7 853 034	8 747 039	8 876 200	8 441 419
Current liabilities					
Trade and other payables	21, 25	942 644	834 070	786 535	947 903
Interest bearing bond loans, current	22, 27	994 835	-	-	-
Other interest bearing liabilities, current	23	44 380	38 845	38 593	-
Income tax payable	9	1 297 547	1 364 331	773 020	28 213
Lease liability, current	24	44 106	44 106	43 032	36 220
Asset retirement obligations, current	19	17 103	81 346	104 265	-
Public dues payable		47 578	25 619	42 708	33 199
Total current liabilities		3 388 192	2 388 316	1 788 153	1 045 536
Total liabilities		11 241 226	11 135 355	10 664 353	9 486 954
TOTAL EQUITY AND LIABILITIES		13 097 605	13 057 412	12 373 136	10 800 341

Statement of changes in equity

Amounts in NOK '000	Share capital	Share premium	Other paid in capital	Retained earnings/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	-	-	-	223 107	223 107
Share issues, cash	50	-	-	-	50
Share based payment	-	-	7 504	-	7 504
Equity at 30 June 2021	10 301	1 912 462	18 846	-628 222	1 313 386
Equity at 1 July 2021	10 301	1 912 462	18 846	-628 222	1 313 386
Total comprehensive income/loss (-) for the period	-	-	-	379 695	379 695
Share issues, cash	87	15 397	-	-	15 484
Share based payment	-	-	218	-	218
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	-	-	-	241 033	241 033
Dividend paid	-	-93 483	-	-	-93 483
Share based payment	-	-	47	-	47
Equity at 30 June 2022	10 387	1 834 376	19 110	-7 494	1 856 379

Statement of cash flows

					01.01-30.06	01.01-31.12	
		Q2 2022	Q1 2022	Q2 2021	2022	2021	2021
Amounts in NOK `000	Note	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)
Cash flow from operating activities							
Profit / loss (-) before income tax		531 616	1 287 045	863 203	1 818 661	926 144	2 105 982
Income tax paid/received	9	-386 058	-193 780	194 214	-579 839	291 321	355 429
Depreciation, depletion and amortization	10	165 151	157 780	143 870	322 931	316 115	672 450
Impairment / reversal of impairment	10, 11, 12	0	-362 597	-730 397	-362 597	-730 397	-363 765
Expensed exploration expenditures temporary capitalised**	8, 11	-1 462	64 864	78 495	63 402	166 687	184 855
Accretion asset retirement obligations/reimbursement right	14, 15, 19	2 174	939	1 258	3 113	2 517	5 034
Asset retirement costs from billing (net after reimbursement)	15, 19	-12 849	-4 584	-	-17 432	-	-3 770
Interest expense	14	48 287	50 497	18 493	98 785	30 013	94 256
Gain / loss on financial investments		-800	634	-	-165	-	39
Change in trade and other receivables, and inventory		38 661	48 623	-15 074	87 284	-22 818	-564 623
Change in trade and other payables		56 338	8 007	71 279	64 345	51 533	-94 307
Change in foreign exchange interest bearing debt and other non-current items		258 197	14 555	8 579	272 752	10 823	123 823
Net cash flow from / used in (-) operating activities		699 256	1 071 983	633 921	1 771 239	1 041 938	2 515 403
Cash flow from investment activities							
Investment in exploration and evaluation assets**	11	-25 086	-106 211	-66 345	-131 297	-159 781	-166 671
Business combinations, cash paid	27, 17	-90 697	-45 915	-	-136 612	-	-
Investment in oil and gas properties	10, 14	-186 357	-132 557	-125 751	-318 915	-300 777	-664 129
Investment in furniture, fixtures and office machines	10	-2 114	-800	-4 474	-2 914	-6 162	-8 705
Cash used on (-)/received from financial investments	26	-	-	-	-	-	-210 000
Proceeds from sales of buildings	10, 24	-	-	-	-	-	109 000
Net cash flow from / used in (-) investment activities		-304 255	-285 483	-196 570	-589 738	-466 721	-940 504
Cash flow from financing activities							
Repayment/buy-back of bond loans	22	-10 057	-289 079	-	-299 136	-	-216 948
Repayment of other interest bearing liabilities	23	-8 934	-10 259	-	-19 193	-	-
Interest paid		-76 170	-28 993	-67 567	-105 163	-91 386	-195 788
Payments of lease debt	24	-7 243	-7 235	-9 090	-14 479	-18 179	-25 001
Dividend payments		-93 483	-	-	-93 483	-	-
Net proceeds from share issues		-	-	-	-	50	15 534
Net cash flow from / used in (-) financing activities		-195 887	-335 567	-76 657	-531 454	-109 515	-422 203
Net increase/ decrease (-) in cash and cash equivalents		199 113	450 933	360 694	650 047	465 703	1 152 696
Cash and cash equivalents at the beginning of the period		2 469 576	2 038 745	977 925	2 038 745	871 210	871 210
Effect of exchange rate fluctuation on cash held*		89 434	-20 102	7 480	69 332	9 186	14 839
Cash and cash equivalents at the end of the period		2 758 124	2 469 576	1 346 099	2 758 124	1 346 099	2 038 744

* 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 second quarter and first half 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 12 July 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	Q2 2022	Q1 2022	Q2 2021	01.01-30.06		01.01-31.12
				2022	2021	2021
Sale of liquids	849 703	696 728	445 134	1 546 431	833 769	2 198 055
Sale of gas	404 001	818 899	149 334	1 222 900	296 877	1 582 586
Total petroleum revenues	1 253 704	1 515 627	594 468	2 769 331	1 130 646	3 780 641
Sale of liquids (boe*)	902 412	869 787	844 835	1 772 199	1 764 742	3 935 445
Sale of gas (boe*)	549 656	520 196	342 549	1 069 853	790 439	1 847 140
Total sale of petroleum in boe*	1 452 068	1 389 984	1 187 384	2 842 052	2 555 181	5 782 585

*Barrels of oil equivalents

Other operating income

Amounts in NOK `000	Q2 2022	Q1 2022	Q2 2021	01.01-30.06		01.01-31.12
				2022	2021	2021
Gain / loss (-) from put/call options, oil	-	-	-1 378	-	-32 766	-32 766
Gain / loss (-) from forward contracts, gas	39 773	-32 724	-	7 049	-	49 002
Tariff income Gjæa	26 216	24 146	11 217	50 361	24 304	61 960
Joint utilisation of logistics resources	12 032	5 944	2 413	17 976	8 600	23 036
Total other operating income/loss (-)	78 021	-2 634	12 252	75 387	139	101 232

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

Production expenses

Amounts in NOK `000	Q2 2022	Q1 2022	Q2 2021	01.01-30.06		01.01-31.12
				2022	2021	2021
From licence billings - producing assets	339 058	249 489	184 300	588 547	334 091	753 181
From licence billings - assets under construction - various preparations for operation	-	-	7 682	-	13 004	17 884
Other production expenses (insurance, transport)	38 983	34 460	20 671	73 443	41 893	89 354
G&A expenses allocated to production expenses	2 950	3 345	-	6 294	-	-
Total production expenses	380 990	287 294	212 653	668 285	388 988	860 419

Changes in over/underlift positions and production inventory

Amounts in NOK `000	Q2 2022	Q1 2022	Q2 2021	01.01-30.06		01.01-31.12
				2022	2021	2021
Changes in over/underlift positions	66 629	29 531	39 554	96 160	59 946	15 852
Changes in production inventory	-5 567	3 063	-1 513	-2 504	-4 928	7 236
Total changes income/loss (-)	61 063	32 594	38 041	93 656	55 019	23 087

Note 8 Exploration and evaluation expenses

Amounts in NOK '000	Q2 2022	Q1 2022	Q2 2021	01.01-30.06		01.01-31.12
				2022	2021	2021
Share of exploration and evaluation expenses from participation in licences excluding dry well impairment, from billing	19 413	20 810	27 210	40 223	48 154	95 278
Share of exploration expenses from participation in licences, dry well write off, from billing *	-1 462	64 864	78 495	63 402	166 687	184 855
Seismic and other exploration and evaluation expenses, outside billing	7 878	6 636	3 192	14 514	2 792	62 839
G&A expenses allocated to exploration expenses	181	365	-	546	-	-
Total exploration and evaluation expenses	26 009	92 676	108 897	118 685	217 633	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	Q2 2022	Q1 2022	Q2 2021	01.01-30.06		01.01-31.12
				2022	2021	2021
Change in deferred taxes current year	-189 382	-333 944	-629 219	-523 326	-687 389	-796 958
Taxes payable current year	-310 284	-739 848	-20 405	-1 050 133	-20 405	-711 980
Tax payable adjustment previous year	-4 170	-	-	-4 170	-	1 508
Tax refund current year	-	-	-17 867	-	-	-
Tax refund adjustment previous year	-	-	4 757	-	4 757	4 757
Total taxes (-) / tax income (+) recognised in the income statement	-503 836	-1 073 792	-662 735	-1 577 628	-703 037	-1 502 673

Reconciliation of income taxes

Amounts in NOK '000	Q2 2022	Q1 2022	Q2 2021	01.01-30.06		01.01-31.12
				2022	2021	2021
Profit / loss (-) before income taxes	531 616	1 287 045	863 203	1 818 661	926 144	2 105 982
Expected income tax at tax rate 78%	-414 661	-1 003 895	-673 298	-1 418 555	-722 392	-1 642 666
Permanent differences, including impairment of goodwill	-13 990	-36 386	-2 259	-50 376	-6 572	-2 419
Effect of sale and leaseback transaction	-	-	-	-	-	39 839
Effect of uplift	23 619	17 974	28 611	41 593	63 326	196 977
Financial and onshore items	-90 502	-51 486	-19 045	-141 988	-38 560	-94 459
Change valuation allowance	-	-	-2 637	-	-4 732	-4 887
Adjustments previous year and other	-8 302	-	5 893	-8 302	5 893	4 941
Total income taxes recognised in the income statement	-503 836	-1 073 792	-662 735	-1 577 628	-703 037	-1 502 673
Effective income tax rate	95 %	83 %	77 %	87 %	76 %	71 %

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

Amounts in NOK '000	30.06.2022	31.03.2022	31.12.2021	30.06.2021
Tangible and intangible non-current assets	-3 426 655	-3 343 576	-2 939 348	-2 800 591
Provisions (net ARO), lease liability, pensions and gain/loss account	1 272 106	1 387 251	1 352 475	1 295 747
Interest bearing loans	-2 481	-2 736	-3 429	-5 268
Current items (spareparts and inventory)	-131 485	-132 091	-145 419	-118 609
Tax losses carried forward, onshore 22%	4 887	4 887	4 887	4 732
Uplift, offshore 56%	-	-	-	774
Valuation allowance (uncapitalised deferred tax asset)	-4 887	-4 887	-4 887	-4 732
Total deferred tax assets / liabilities (-) recognised	-2 288 515	-2 091 152	-1 735 720	-1 627 947

The tax calculation in Q2 2022 is based on the new cash flow based petroleum tax legislation enacted by the the Norwegian Parliament in June 2022. The main feature of the 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 years depreciation for SPT and uplift.

Specifiacion of tax payable

Amounts in NOK '000	Total
Tax payable at 1 January 2022	773 020
Tax paid	-579 839
Tax payable adjustment previous year	4 170
Tax payable current year recognised in the income statement	1 050 133
Tax payable recognised in business combination (see note 27)	50 063
Tax payable at 30 June 2022	1 297 547

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
Cost at 1 April 2022	7 460 082	-	-	21 312	333 846	7 815 240
Additions	191 894	-	-	2 114	-	194 009
Additions through business combination (see note 27)	(1 744)	-	-	-	-	-1 744
Reclassification from inventory	-	-	-	-	-	-
Removal and decommissioning asset	-93 109	-	-	-	-	-93 109
Disposals	-	-	-	-4 284	-	-4 284
Cost at 30 June 2022	7 557 124	-	-	19 142	333 846	7 910 113
Accumulated depreciation and impairment at 1 April 2022	-2 269 183	-	-	-10 946	-102 453	-2 382 582
Depreciation	-158 901	-	-	-1 495	-4 755	-165 151
Impairment (-) / reversal of impairment	-0	-	-	-	-	-0
Disposals	-	-	-	4 284	-	4 284
Additional depreciation of IFRS 16 Right-of- use assets presented gross related to leasing contracts entered into as licence operator	-	-	-	-	-2 501	-2 501
Accumulated depreciation and impairment at 30 June 2022	-2 428 084	-	-	-8 157	-109 710	-2 545 950
Carrying amount at 30 June 2022	5 129 040	-	-	10 986	224 136	5 364 162

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
Cost at 1 April 2022	52 105	1 150 257	416 415	1 566 672
Additions	25 086	-	-	-
Additions through business combination (see note 27)	-	-3 646	-	-3 646
Reclassification to oil and gas properties under development	-	-	-	-
Expensed exploration expenditures temporarily capitalised	1 462	-	-	-
Cost at 30 June 2022	78 654	1 146 612	416 415	1 563 027
Accumulated impairment at 1 April 2022	-	-508 818	-253 198	-762 016
Impairment	-	-	-	-
Accumulated impairment at 30 June 2022	-	-508 818	-253 198	-762 016
Carrying amount at 30 June 2022	78 654	637 794	163 217	801 011

Note 12 Impairment / reversal of impairment

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

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

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

Below is an overview of the key assumptions applied in the impairment test as of 30 June 2022:

Year	Oil USD/BOE*	Gas GBP/therm*	Currency rates USD/NOK
2022	108.7	3.09	9.9
2023	91.0	2.60	9.9
2024	76.9	1.48	9.2
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 Q1 2022.

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 no impairment of assets, technical and ordinary goodwill or ROU assets was required in the three month period ending on 30 June 2022.

In Q1 2022 NOK 363 million was recognised as reversal of previous impairment of the Yme asset driven by significantly improved forward prices of oil.

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 Q2 2022 (NOK '000)		Decrease / increase (-) of pre- tax reversal of impairment Q2 2022 (NOK '000)	
		Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Oil and gas price	+/- 10%	-	-	-	-
Currency rate USD/NOK	+/- 1.0 NOK	-	-	-	-
Discount rate	+/- 1% point	-	-	-	-
Environmental cost (CO ₂ and NOx)	+/- 20%	-	-	-	-

Note 13 General and administrative expenses

Amounts in NOK '000	Q2 2022	Q1 2022	Q2 2021	01.01-30.06		01.01-31.12
				2022	2021	2021
Salary and other employee benefits expenses	143 375	127 897	116 133	271 272	236 410	484 758
Consultants and other operating expenses	75 268	53 997	45 361	129 265	82 721	196 276
Allocated to operated licences	-157 140	-155 315	-148 126	-312 455	-289 074	-581 578
Allocated to exploration and production expenses	-3 438	-3 999	-	-7 436	-	-
Reclassified to oil and gas properties under development	-	-	-1 329	-	-2 005	-4 432
Total general and administrative expenses	58 065	22 581	12 039	80 646	28 051	95 024

Note 14 Financial items

Amounts in NOK '000	Q2 2022	Q1 2022	Q2 2021	01.01-30.06		01.01-31.12
				2022	2021	2021
Interest income	3 244	1 670	-	4 914	3	1 120
Unwinding of discount asset retirement reimbursement right (indemnification asset)	23 014	20 202	19 691	43 216	39 382	78 764
Gain on financial investments	165	-	-	165	-	-
Finance income	26 423	21 872	19 691	48 295	39 385	79 884
Interest expense and fees from loans and borrowings	-53 824	-53 435	-49 560	-107 259	-99 109	-210 907
Capitalised borrowing cost, development projects	5 537	2 938	31 067	8 474	69 096	116 709
Interest expense shareholder loan	-	-	-	-	-	-57
Other interest expense	-2 339	-1 641	-331	-3 979	-573	-3 986
Unwinding of discount asset retirement obligations	-25 188	-21 141	-20 949	-46 329	-41 899	-83 797
Loss on buy-back bond loan	-2 046	-4 361	-	-6 407	-	-6 364
Loss on financial investments	634	-634	-	-	-	-39
Other financial expense	-3 107	-4 441	-1 933	-7 547	-4 100	-8 558
Finance costs	-80 332	-82 715	-41 707	-163 047	-76 585	-197 001
Exchange rate gain/loss (-), interest-bearing loans and borrowings	-338 302	18 950	-9 890	-319 352	-7 670	-107 918
Net exchange rate gain/loss (-), other	161 255	-18 916	-2 590	142 339	5 602	33 158
Net exchange rate gain/loss (-)	-177 047	35	-12 480	-177 012	-2 068	-74 761
Net financial items	-230 956	-60 808	-34 496	-291 764	-39 268	-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	-509 204
Asset retirement costs from billing, reimbursement from Shell	-69 730
Unwinding of discount	43 216
Asset retirement reimbursement right at 30 June 2022 (indemnification asset)	2 572 256
Of this:	
Asset retirement reimbursement right, non-current	2 558 574
Asset retirement reimbursement right, current	13 682
Asset retirement reimbursement right at 30 June 2022 (indemnification asset)	2 572 256

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 3.85% (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 30 June 2022	103 870 350
Nominal value NOK per share at 30 June 2022	0.1
Share capital NOK at 30 June 2022	10 387 035

As per 30 June 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	30.06.2022	31.03.2022	31.12.2021	30.06.2021
Accounts receivable and receivables from operated licences*	55 674	66 277	68 275	67 966
Accrued revenue	347 228	415 786	487 424	95 831
Prepayments	129 488	43 739	48 300	20 118
Working capital and overcall, joint operations/licences	197 581	223 390	164 226	102 191
Underlift of petroleum products	301 621	242 698	225 079	244 619
VAT receivable	5 928	3 922	7 317	2 928
Accrued interest income	1 518	686	830	-
Other receivables	21 014	-	-	-
Fair value forward contracts, gas	-	-	51 885	-
Total trade and other receivables	1 060 052	996 499	1 053 338	533 652

* There is no provision for bad debt on receivables.

A prepaid consideration of USD 10 million paid in Q2 2022 in connection with the acquisition of interests in Brage, Ivar Aasen and Nova from Wintershall Dea Norge AS is included in prepayments at 30 June 2022. The transaction is conditional upon Norwegian governmental approval and is expected to be completed in Q4 2022.

Note 18 Cash and cash equivalents

Cash and cash equivalents:

Amounts in NOK '000	30.06.2022	31.03.2022	31.12.2021	30.06.2021
Bank deposits, unrestricted	1 641 192	2 038 904	1 035 711	1 330 736
Bank deposit, time deposit	1 047 960	400 000	980 000	-
Bank deposit, restricted, employee taxes	25 135	10 856	18 033	15 363
Bank deposit, restricted, deposit office leases	14 810	14 810	-	-
Bank deposit, restricted, other	29 028	5 006	5 001	-
Total cash and cash equivalents	2 758 124	2 469 576	2 038 745	1 346 099

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)	78 968
Changes in estimates	-
Effects of change in the discount rate	-613 694
Asset retirement costs from billing	-87 162
Unwinding of discount	46 329
Asset retirement obligations at 30 June 2022	3 661 883
Of this:	
Asset retirement obligations, non-current	3 644 780
Asset retirement obligations, current	17 103
Asset retirement obligations at 30 June 2022	3 661 883

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 3.1% (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	30.06.2022	31.03.2022	31.12.2021	30.06.2021
Inventory of petroleum products	121 754	127 321	124 258	112 094
Spare parts and equipment	131 466	132 763	129 061	119 105
Total spare parts, equipment and inventory	253 220	260 083	253 318	231 199

Note 21 Trade and other payables

Amounts in NOK '000	30.06.2022	31.03.2022	31.12.2021	30.06.2021
Trade creditors	28 537	18 660	117 721	12 513
Accrued holiday pay and other employee benefits	71 849	62 306	110 947	66 204
Working capital, joint operations/licences	565 618	578 626	430 608	508 337
Overlift of petroleum products	11 435	17 455	24 555	-
Accrued interest bond loans	5 231	27 556	5 096	4 494
Prepayments from customers	23 093	3 868	17	263 682
Fair value forward contracts, gas	4 170	3 438	-	-
Loan from shareholder OKEA Holdings Ltd	1 371	1 371	1 371	1 314
Accrued consideration from acquisitions of interests in licences	-	10 000	10 000	10 000
Other accrued expenses	231 340	110 788	86 220	81 360
Total trade and other payables	942 644	834 070	786 535	947 903

Note 22 Interest bearing bond loans

Amounts in NOK '000	Bond loan OKEA02	Bond loan OKEA03	Total
Interest bearing bond loans at 1 January 2022	1 249 257	1 045 616	2 294 873
Amortisation of transaction costs	6 370	3 122	9 492
Bond buy-back	-389 274	-	-389 274
Foreign exchange movement	128 482	138 592	267 074
Interest bearing bond loans at 30 June 2022	994 835	1 187 330	2 182 165
Of this:			
Interest bearing bond loans, non-current	-	1 187 330	1 187 330
Interest bearing bond loans, current	994 835	-	994 835
Interest bearing bond loans at 30 June 2022	994 835	1 187 330	2 182 165

Amounts in NOK '000	Bond loan OKEA02	Bond loan OKEA03	Total
Interest bearing bond loans 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	-299 136	-	-299 136
Total cash flows:	-299 136	-	-299 136
Non-cash changes:			
Amortisation of transaction costs	6 370	3 122	9 492
Foreign exchange movement	128 482	138 592	267 074
Repayment/buy-back of borrowings accrued and included in trade and other payables	-96 546	-	-96 546
Loss / gain (-) on buy-back	6 407	-	6 407
Interest bearing bond loans at 30 June 2022	994 835	1 187 330	2 182 165

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

Maturity date of OKEA02 is 28 June 2023.

Maturity date of OKEA03 is 11 December 2024.

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	-19 193	-19 193
Foreign exchange movement	52 278	52 278
Other interest bearing liabilities at 30 June 2022	526 530	526 530
Of this:		
Other interest bearing liabilities, non-current	482 150	482 150
Other interest bearing liabilities, current	44 380	44 380
Other interest bearing liabilities at 30 June 2022	526 530	526 530

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	-19 193	-19 193
Total cash flows:	-19 193	-19 193
Non-cash changes:		
Financing Yme Rig	-	-
Foreign exchange movement	52 278	52 278
Other interest bearing liabilities at 30 June 2022	526 530	526 530

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	7 531
Payments of lease debt and interest	-22 009
Total lease debt at 30 June 2022	253 261

Break down of lease liability

Short-term (within 1 year)	44 106
Long-term	209 156
Total lease liability	253 261

Undiscounted lease liabilities and maturity of cash outflows:

Amounts in NOK '000	30.06.2022
Within 1 year	43 902
1 to 5 years	151 691
After 5 years	170 303
Total	365 896

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	30.06.2022	31.03.2022	31.12.2021	30.06.2021
Premium commodity contracts	-	-	-	12 585
Accumulated unrealised gain/loss (-) commodity contracts included in other operating income / loss(-)	-4 170	-3 438	51 885	-12 585
Short-term derivatives included in assets/liabilities (-)	-4 170	-3 438	51 885	0

OKEA uses derivative financial instruments to manage exposures to fluctuations in commodity prices. At 30 June 2022, OKEA had outstanding forward contracts for;

Quantity - therms of gas	Fixed price GBP per therm	Expiration
790 000	2.75	July 2022
870 000	2.75	Aug 2022
830 000	2.75	Sept 2022
710 000	3.30	Oct 2022
820 000	3.54	Nov 2022
825 000	3.61	Dec 2022
235 000	3.41	Jan 2023
230 000	3.19	Feb 2023
235 000	2.91	March 2023

Note 26 Financial investments

Amounts in NOK '000	30.06.2022	31.03.2022	31.12.2021	30.06.2021
Investments in money-market funds and combination funds	210 126	209 326	209 961	-
Total financial investments	210 126	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 39.6 million.

At this stage, the purchase price allocation is preliminary. 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 PPA presented below is based on a updated completion statement compared to the PPA presented in Q1 2022.

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	PPA Q1 2022	Changes	PPA Q2 2022
Assets			
Oil and gas properties	167 860	-1 744	166 116
Net working capital	1 581	-1 670	-89
Total assets	169 441	-3 414	166 027
Liabilities			
Deferred tax liabilities	21 488	7 981	29 469
Asset retirement obligations	92 506	-13 538	78 968
Income tax payable	45 243	4 820	50 063
Total liabilities	159 237	-736	158 501
Total identifiable net assets at fair value	10 204	-2 679	7 525
Total consideration	45 915	-6 325	39 590
Goodwill	35 711	-3 646	32 065
Goodwill consist of:			
Negative ordinary goodwill	-61 338	-2 218	-63 556
Technical goodwill	97 049	-1 428	95 621
Total goodwill	35 711	-3 646	32 065

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 32.1 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 85 million higher and profit before tax would have been approximately NOK 66.3 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 2 207 825 thousand at 30 June 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

On 13 July OKEA announced dividend payment of NOK 103.9 million (NOK 1 per share) to be paid in September. The board also reaffirmed its intention to distribute the same amount in Q4 2022.

On 13 July OKEA also announced a voluntarily redemption of all remaining OKEA02 bonds. With a remaining net outstanding of USD 100 million to be called at the current premium of 102.75, the net cash / cost saving to OKEA is estimated to about NOK 55 million after tax compared to settle the debt at maturity in June 2023.

Alternative performance measures

Reconciliations

EBITDA	Q2 2022	Q1 2022	Q2 2021	2022	2021	2021
Amounts in NOK '000	3 months	3 months	3 months	6 months	6 months	12 months
Profit / loss (-) from operating activities	762 572	1 347 853	897 698	2 110 425	965 412	2 297 860
Add: depreciation, depletion and amortisation	165 151	157 780	143 870	322 931	316 115	672 450
Add: impairment	0	-362 597	-730 397	-362 597	-730 397	-363 765
EBITDA	927 723	1 143 036	311 172	2 070 759	551 131	2 606 545

EBITDAX	Q2 2022	Q1 2022	Q2 2021	2022	2021	2021
Amounts in NOK '000	3 months	3 months	3 months	6 months	6 months	12 months
Profit / loss (-) from operating activities	762 572	1 347 853	897 698	2 110 425	965 412	2 297 860
Add: depreciation, depletion and amortisation	165 151	157 780	143 870	322 931	316 115	672 450
Add: impairment / reversal of impairment	0	-362 597	-730 397	-362 597	-730 397	-363 765
Add: exploration and evaluation expenses	26 009	92 676	108 897	118 685	217 633	342 972
EBITDAX	953 733	1 235 712	420 069	2 189 444	768 764	2 949 517

Production expense per boe	Q2 2022	Q1 2022	Q2 2021	2022	2021	2021
Amounts in NOK '000	3 months	3 months	3 months	6 months	6 months	12 months
Productions expense	380 990	287 294	212 653	668 285	388 988	860 419
Less: processing tariff income	-26 216	-24 146	-11 217	-50 361	-24 304	-61 960
Less: joint utilisation of resources	-12 032	-5 944	-2 413	-17 976	-8 600	-23 036
Less: preparation for operation asset under construction	-	-	-7 682	-	-13 004	-17 884
Divided by: produced volumes (boe)	1 459 581	1 341 672	1 202 100	2 801 254	2 692 170	5 668 579
Production expense NOK per boe	234.7	191.7	158.9	214.2	127.4	133.6

Net interest-bearing debt	30.06.2022	31.03.2022	31.12.2021	30.06.2021
Amounts in NOK '000				
Interest bearing bond loans	1 187 330	2 000 577	2 294 873	2 416 204
Other interest bearing liabilities	482 150	440 710	454 853	-
Interest bearing bond loans, current	994 835	-	-	-
Other interest bearing liabilities, current	44 380	38 845	38 593	-
Less: Cash and cash equivalents	-2 758 124	-2 469 576	-2 038 745	-1 346 099
Net interest-bearing debt	-49 429	10 556	749 574	1 070 105

Net interest-bearing debt excl. other interest bearing liabilities	30.06.2022	31.03.2022	31.12.2021	30.06.2021
Amounts in NOK '000				
Interest bearing bond loans	1 187 330	2 000 577	2 294 873	2 416 204
Interest bearing bond loans, current	994 835	-	-	-
Less: Cash and cash equivalents	-2 758 124	-2 469 576	-2 038 745	-1 346 099
Net interest-bearing debt excl. other interest bearing liabilities	-575 959	-468 999	256 128	1 070 105

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.

Statement from the board of directors and CEO

We hereby confirm, to the best of our knowledge, that the unaudited interim financial statement for the period 1 January to 30 June 2022 of OKEA ASA have been prepared in accordance with IAS 34 Interim Financial Reporting and that the information presented gives a true and fair view of the company's assets, liabilities, financial position and results for the period viewed in their entirety and that the half year report gives a fair view of the information as described in the Securities Trading Act §5-6 fourth paragraph.

The board of directors of OKEA ASA
Trondheim, 12 July 2022

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Board member

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Board member

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Board member

Anne Lene Rømuld
Board member

Saowapap Sumeksri
Board member

Svein Jakob Liknes
CEO



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

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