



# › Presentation of second quarter 2022

OKEA ASA

13 July 2022

# Cautionary statement

- This presentation contains forward looking information
- Forward looking information is based on management assumptions and analysis
- Actual experience may differ, and those differences may be material
- Forward looking information is subject to significant uncertainties and risks as they relate to events and/or circumstances in the future
- This presentation must be read in conjunction with the second quarter report and the disclosures therein
- A full disclaimer is included at the end of this presentation

# OKEA second quarter 2022 results

## Highlights

### Operations

- Production 16,039 boepd
- Solid production performance from Draugen and Gjøa in the quarter
- Planned shut-down for tie-ins/maintenance at Gjøa completed in April
- Ramp up of production plant and start-up of new wells at Yme progressing at slower pace than anticipated

### Financials

- Operating income of NOK 1,332 million
- EBITDA of NOK 928 million
- Net profit of NOK 28 million
- Cash increase of NOK 289 million; dividend of NOK 93 million in June

### Well-positioned for value-accretive growth

- Second dividend payment in September of NOK 1 per share
- Net debt free; full redemption of OKEA02 in July
- Acquisition of a substantial portfolio of assets from Wintershall Dea
- Discovery confirmed in the Hamlet exploration well; development project initiated with goal of FID by end 2022
- Hasselmus gas project and power from shore – progressing as planned



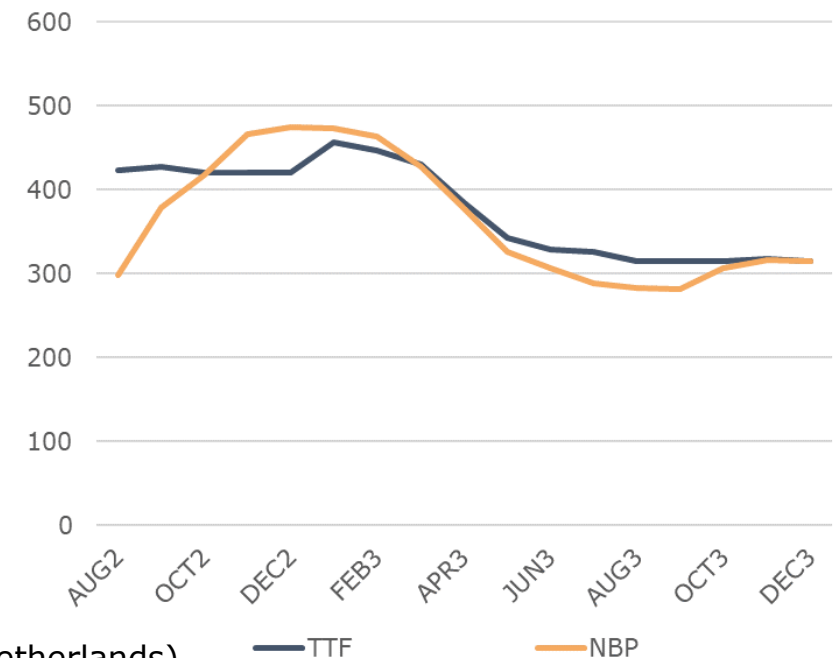
# Turmoil in European gas markets

## Growing difference between UK and European continental gas prices

Actuals (day-ahead) 2022



Forwards (as per close 8 July 22)

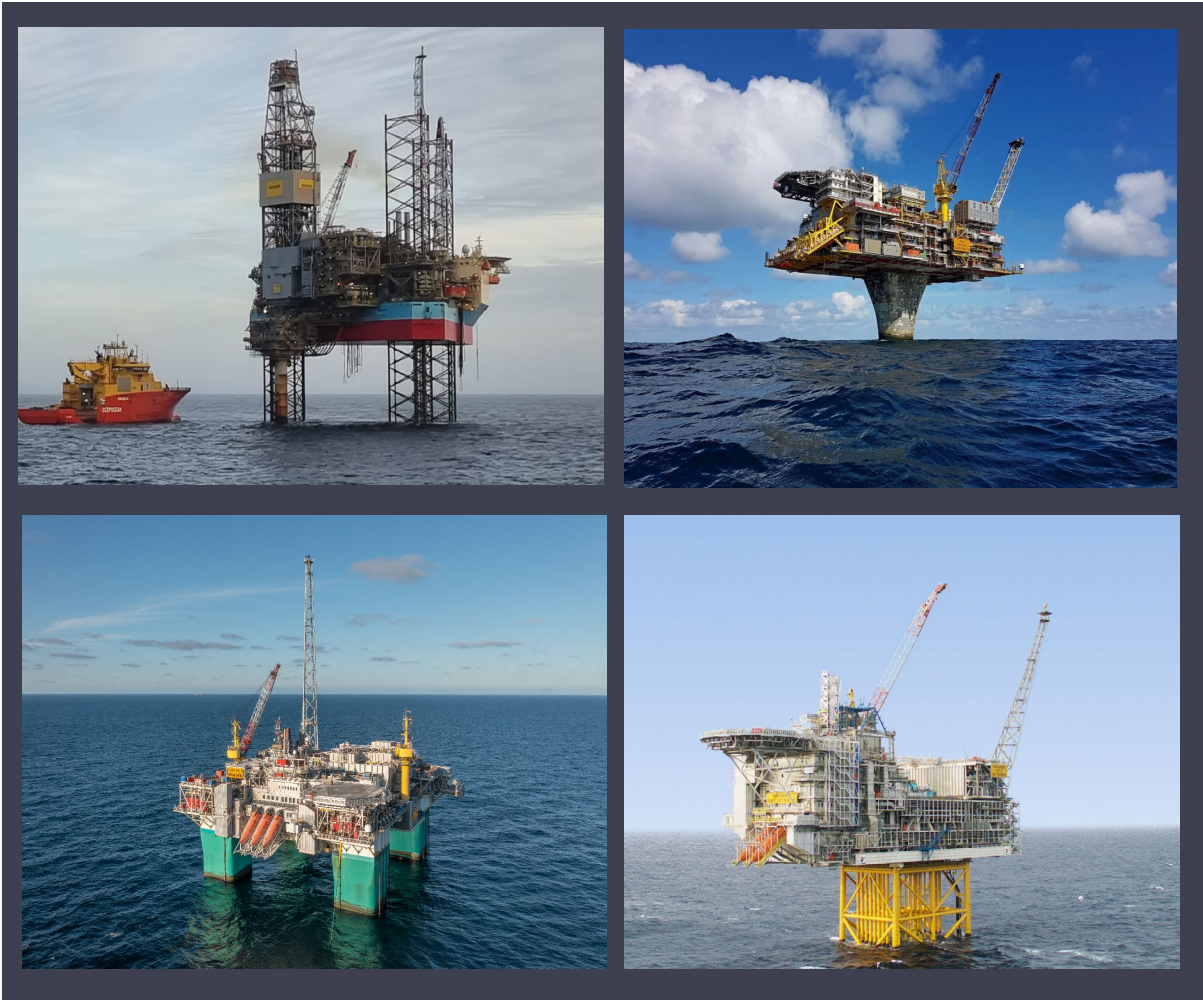
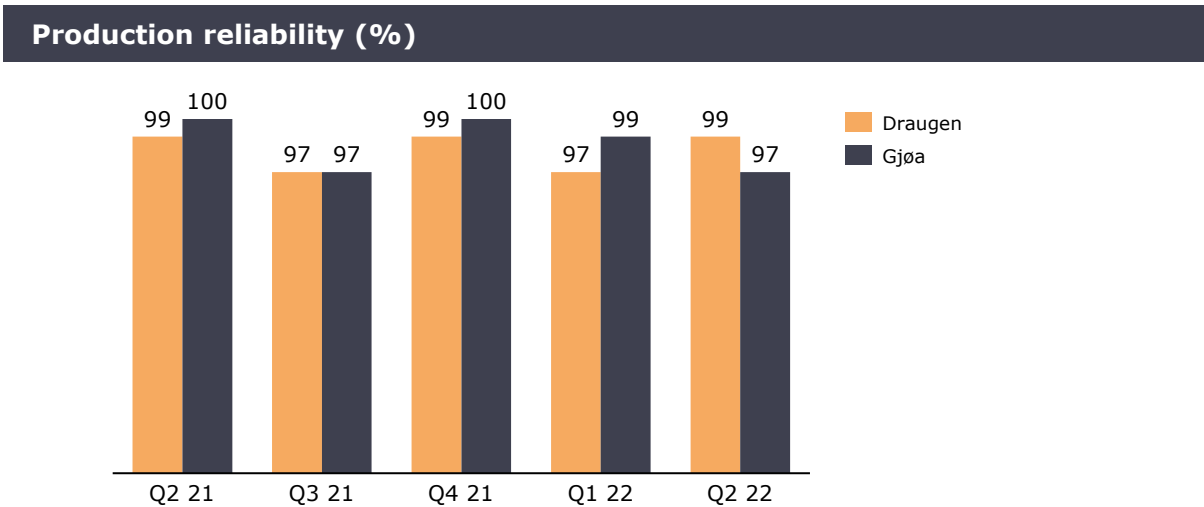
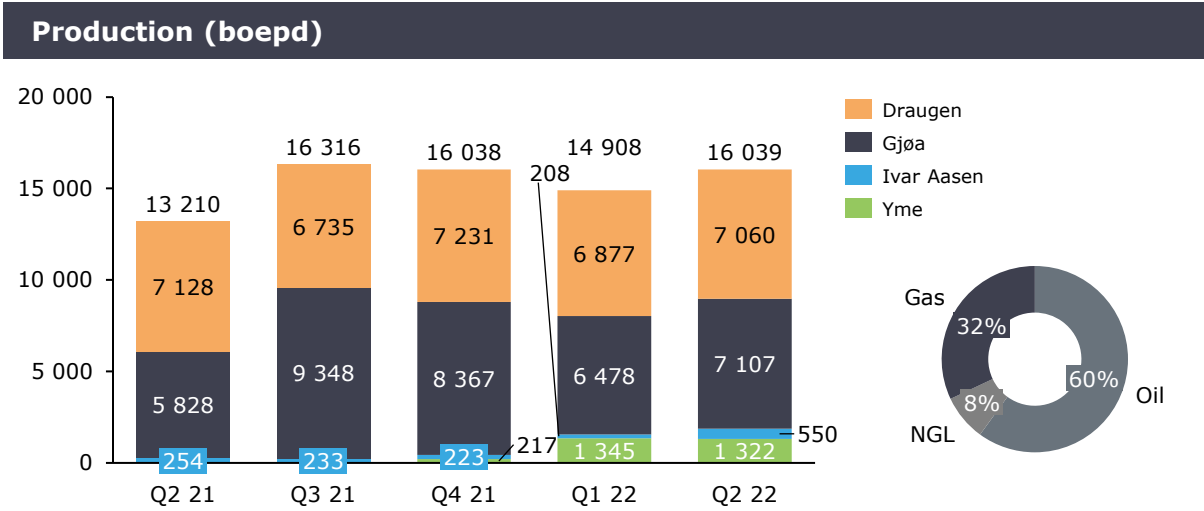


- Since the beginning of the quarter NBP (UK) prices been sold to discount compared to TTF (Netherlands)
  - Appears to be driven by LNG import capacity, limited gas inventories, and restricted export capacity
- Forward prices converge by winter 2022/2023
- OKEA's current gas production (Gjøa and Ivar Aasen) is exported and sold to the UK
- Optionality to export gas to continental Europe and UK from Brage and Hasselmu



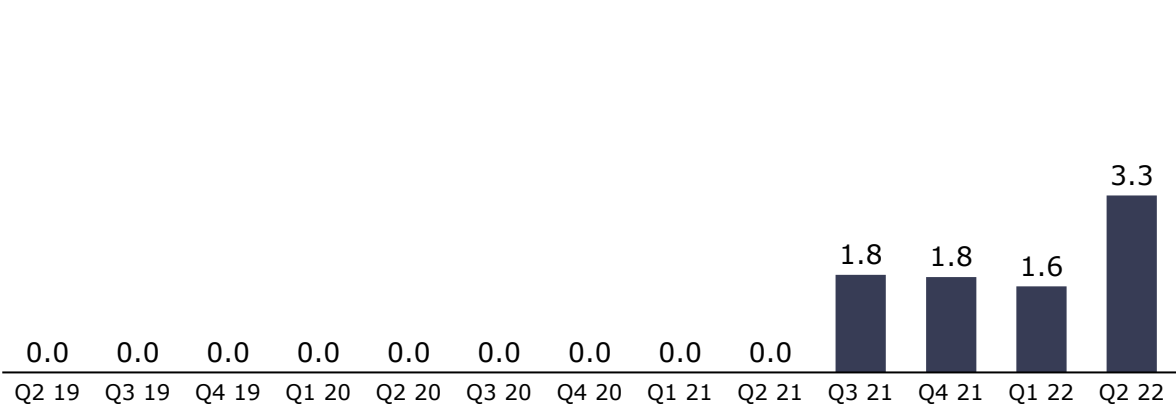
# Production volumes and reliability

Strong performance from Draugen and Gjølå



# Safety and emissions

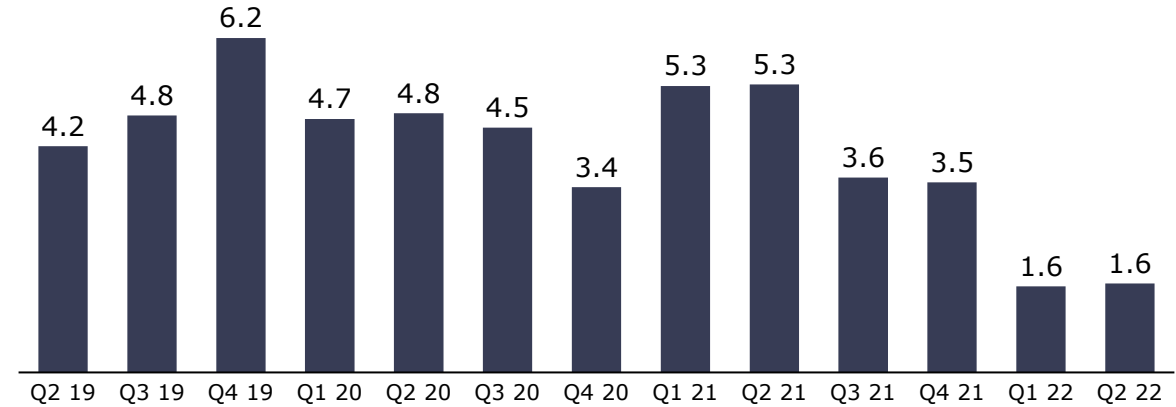
Serious incident frequency (SIF) – per million work-hours\*



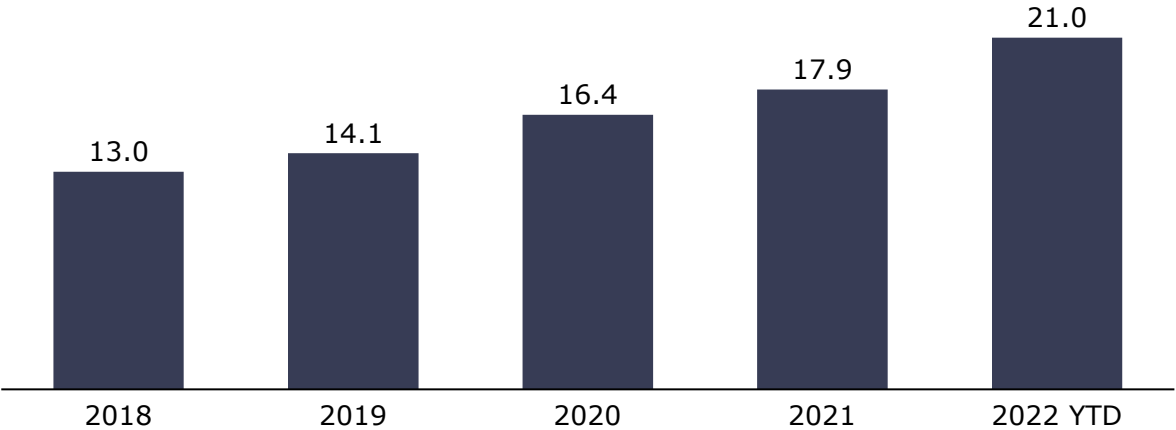
Number of hydrocarbon leaks > 0.1 kg/second

Zero hydrocarbon leaks > 0.1 kg/second  
last 3 years

Total recordable injury frequency (TRIF) – per million work-hours



CO<sub>2</sub>-emissions - kg per boe produced\*\*



# Draugen – WI 44.56%



Production  
7,060 boepd

Reserves\*  
27.9 mmboe

- Net production 7,060 boepd and production reliability 99%; solid performance resulting in increased production
- LWI campaign to prepare for plug and abandonment of two subsea wells successfully completed
- Hasselmus project progressing according to plan
  - Subsea installation scope for 2022 completed
  - Drilling of well to start in July
  - Topsides pre-fabrication and installation at Draugen to start in Q3
  - Production start is planned for Q4 23 with gross plateau gas production of more than 4 400 boepd
- Power from shore project – joint for Draugen and Njord
  - Final stage of FEED studies
  - Public consultation process NVE ongoing





# Gjøa – WI 12%



Production  
7,107 boepd

Reserves\*  
7.5 mmboe

- Net production 7,107 boepd and production reliability 97%; solid performance resulting in increased production
- Planned shut-down successfully completed on 8 April; mainly relating to tie-in work for Nova, Duva and Vega for which Gjøa will be compensated for the deferred production
- Discovery confirmed in the Hamlet exploration well; development project initiated with goal of FID by end 2022
  - Operator's preliminary estimate 8-24 mmboe recoverable





## Yme – WI 15%



Production  
1,322 boepd



Reserves\*  
10.7 mmboe

- Net production 1,322 boepd; ramp up process progressing slower than plan due to production interruptions relating to commissioning and the minor leak reported during Easter
- Production from four available wells in the quarter; re-completion of two additional wells ongoing for production in Q3 22
- Beta North drilling campaigns commenced in Q2 22 and Gamma program to commence in Q3 22
- With the new wells onstream in H2 22, plateau production is expected by year end



Photo: Repsol

# Ivar Aasen – WI 2.777%



Production  
550 boepd



Reserves\*  
2.1 mmboe

- Net production 550 boepd and production availability of 99%
- Acquisition of 2.223% working interest in the Ivar Aasen field from Neptune Energy Norge AS completed on 31 March 2022
- Shut down on 27 March due to power supply disruption from Edvard Grieg
  - Production at reduced rates from 21 April
  - Back in full production from 24 May



Photo: Aker BP

# Delivering on growth strategy

## Finding value with complementary Wintershall Dea assets



Photo: Wintershall Dea



35.2% operated working interest (WI) in Brage; Partner-operated 6.4615% WI in Ivar Aasen and 6.0% WI in Nova



Fixed consideration of USD 117.5 million with additional contingent payment structure subject to oil price and oil production during 2022-24<sup>2</sup>



80% of Brage decommissioning cost retained by Wintershall Dea



13.2 mmboe 2P reserves and 10.6 mmboe 2C resources<sup>1</sup>; 33% increase in OKEA's 2022E exit production



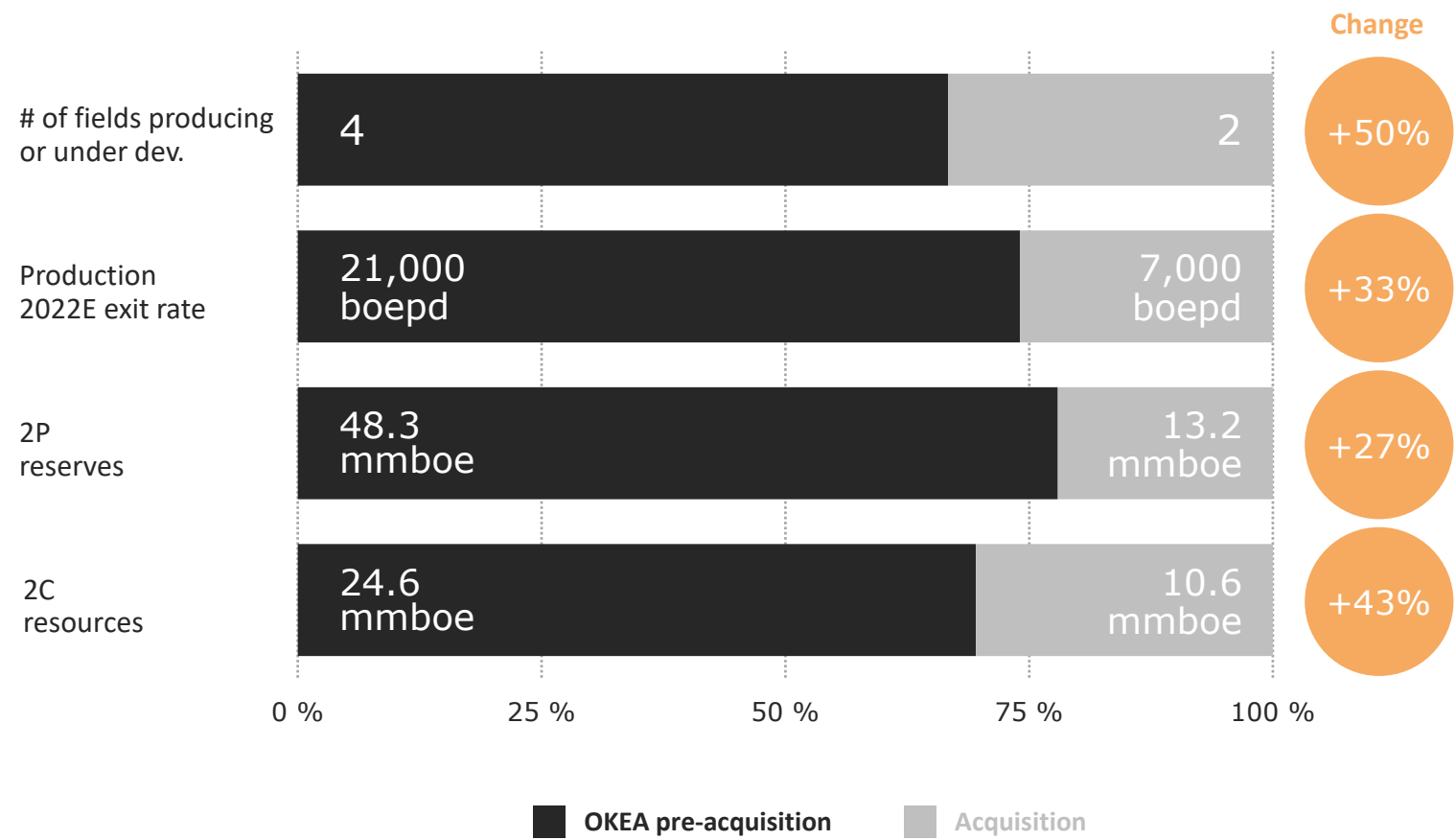
Annual cost synergies estimated to USD 4–7 million across OKEA's operated assets; Significant production upside potential at Brage to be realised through infill drilling

1) OKEA estimates

2) The contingent consideration will be paid if the average oil price for each of the six half year periods during 2022-24 exceeds USD 80/bbl and the aggregated net oil production volumes exceeds certain pre-defined production levels. The split on the price exceeding 80 USD/bbl is 70% net after tax to Wintershall Dea and 30% to OKEA in 2022 and a 50/50 net after tax split in 2023-24.

# Attractive growth characteristics

Significant increase in production, reserves and resource base



**Step change in asset base and cash flow**

**Fully financed by existing cash**

**New operatorship in Brage**

**Imminent production start ~Q3 22E on Nova**

**Significant increased opportunity set through material increase in 2C resources**



# Solid strategic fit

OKEA - a leading mid- to late-life NCS operator

## STRATEGY



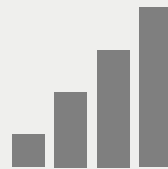
### Near term value creation focus

Focus on shareholder value creation through *right additions to the portfolio*



### An organisation fit for growth

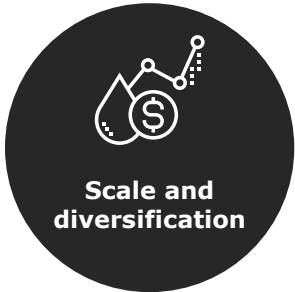
Capitalising on existing capabilities and deliver where we have a *competitive advantage*



### A larger and more robust portfolio

*Strengthening resource base and increasing cost resilience and diversification*

## TRANSACTION CONTRIBUTIONS

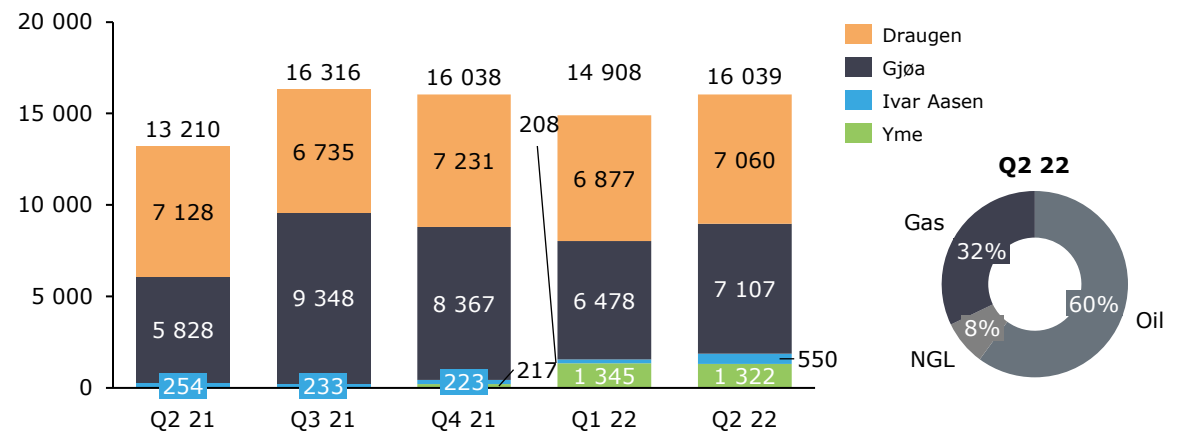




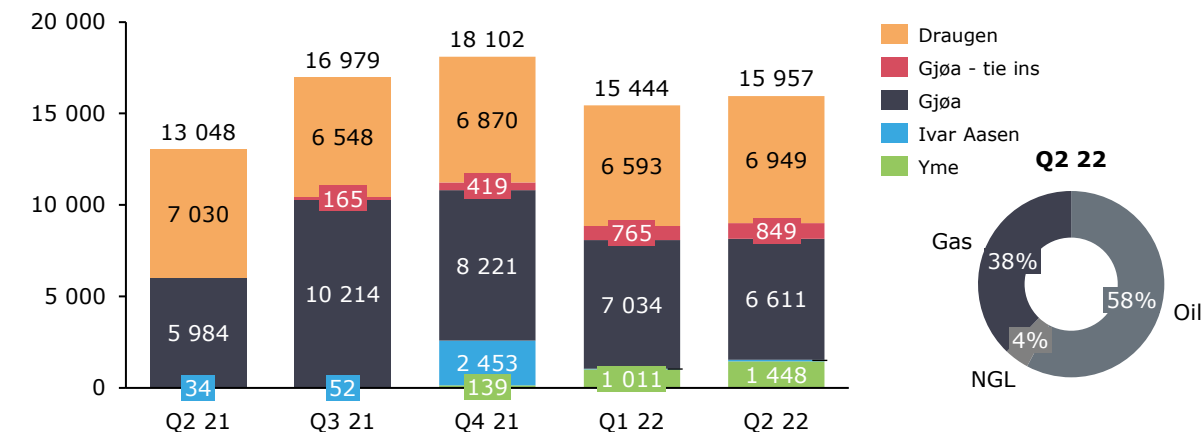
## Financials

# Oil and gas production, sales and revenues - per asset

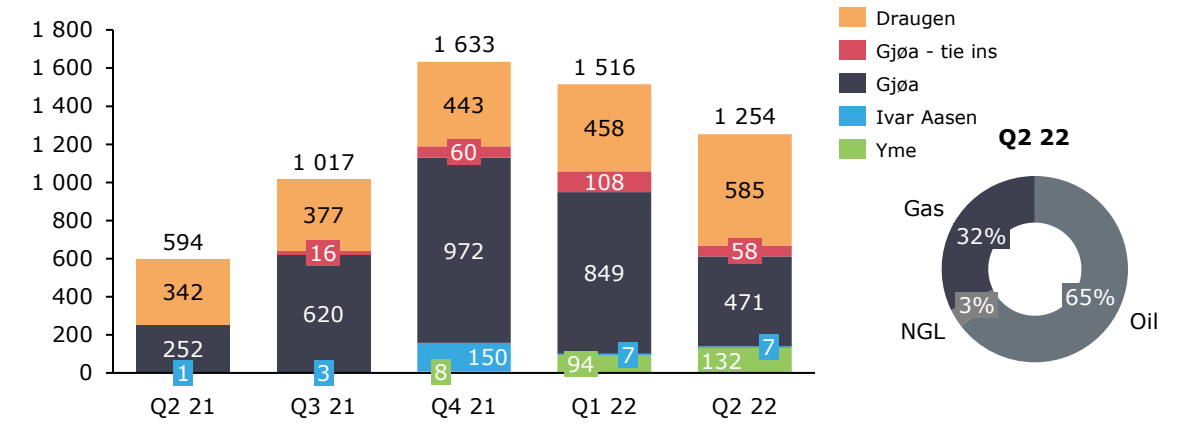
Production (boepd)



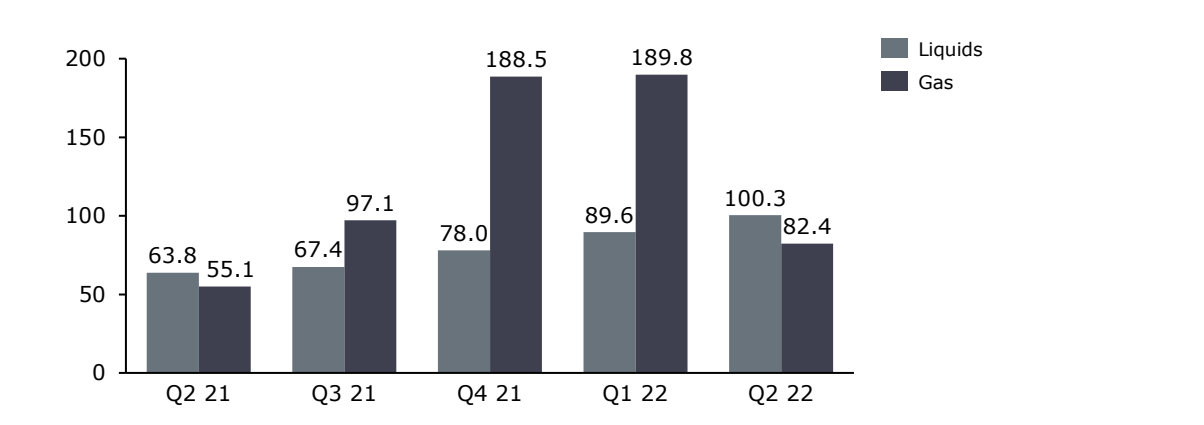
Sold volumes (boepd)



Revenue (NOK million)



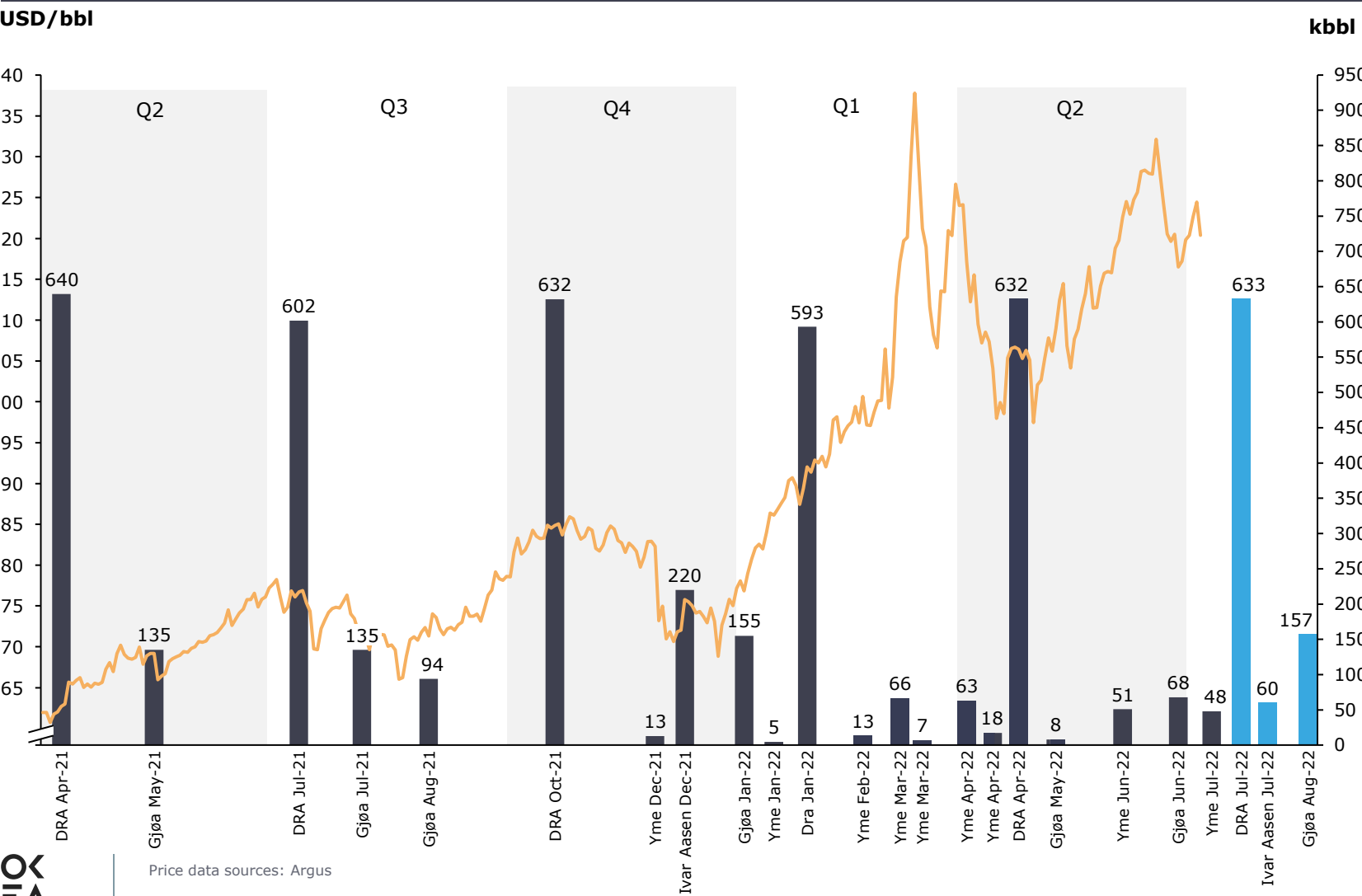
Realised price (liquids and gas USD per boe)



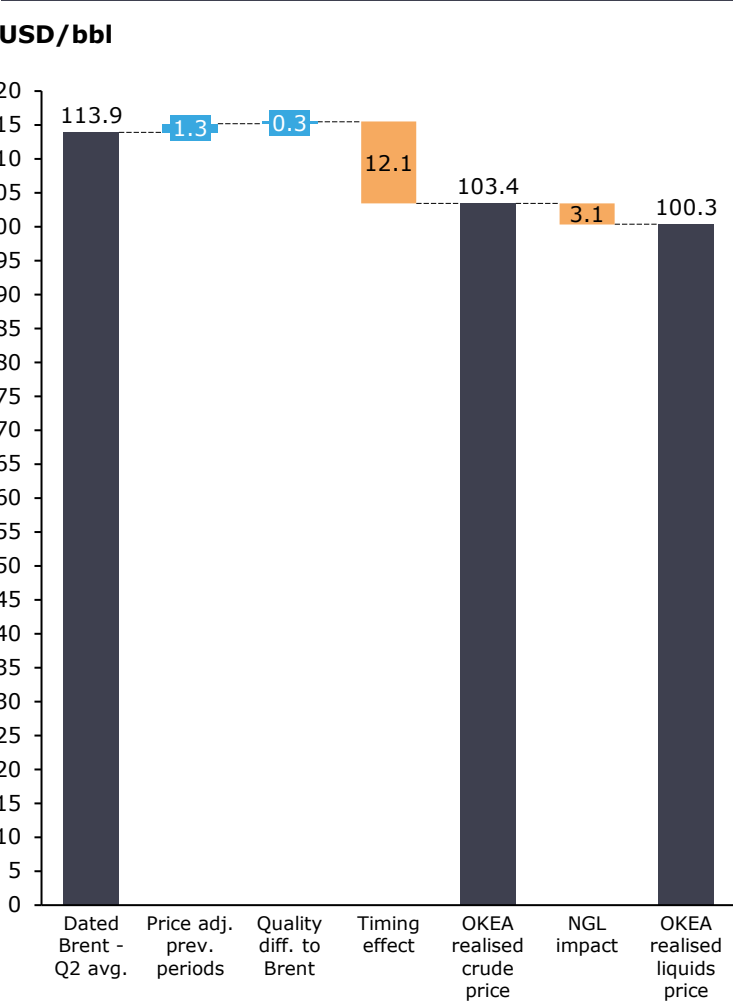
# Realised liquids prices

Volatile liquids prices at high levels

Lifted volumes vs Dated Brent – Q2 2021/2022e



Realised liquids prices vs Dated Brent – Q2 22

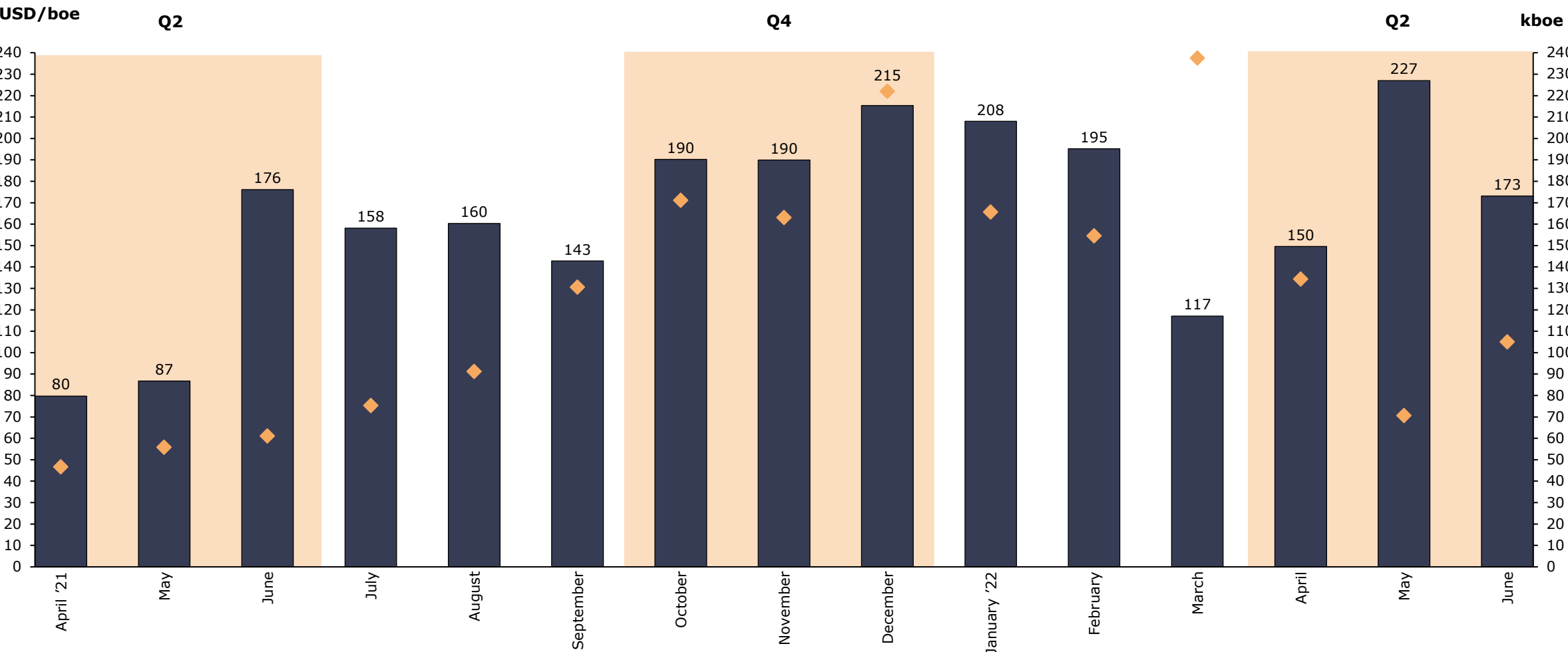




# Gas market prices and sold volumes

Volatile gas prices continues in second quarter

Sold volumes vs average NBP gas market prices – Q2 2021/2022e



Price data sources: Argus

◆ Monthly average USD/boe    ■ Volumes kboe

# Income statement

Figures in NOK million	Q2 22	Q1 22	Q2 21
<b>Total operating income</b>	<b>1 332</b>	<b>1 513</b>	<b>607</b>
Production expenses	-381	-287	-213
Changes in over/underlift positions and inventory	61	33	38
Depreciation	-165	-158	-144
Impairment (-) /reversal of impairment	0	363	730
Exploration, general and adm. expenses	-84	-115	-121
<b>Profit / loss (-) from operating activities</b>	<b>763</b>	<b>1 348</b>	<b>898</b>
Net financial items	-231	-61	-34
<b>Profit / loss (-) before income tax</b>	<b>532</b>	<b>1 287</b>	<b>863</b>
Income taxes	-504	-1 074	-663
<b>Net profit / loss (-)</b>	<b>28</b>	<b>213</b>	<b>200</b>
<b>EBITDA</b>	<b>928</b>	<b>1 143</b>	<b>311</b>

## Q2 22 comments

### Operating income:

- Lower realised gas prices, partly offset by higher sold volumes
- Net gain from hedging of gas price NOK 41 million

### Production expenses:

- NOK/boe of 235 compared to 192 in Q1 22
  - Increase in absolute cost mainly due to well recompletion at Yme
  - Higher cost per boe additionally due to low volumes in the ramp up phase relative to additional cost of operations from Yme

### Exploration, general and administrative expenses:

- NOK 26 million exploration expense
- NOK 58 million SG&A expenses; increase mainly due to corporate costs following acquisition of assets from Wintershall Dea and long-term incentive scheme

### Net financial items:

- NOK weakened by 14% vs USD resulting in net FX loss NOK 177 million:
  - Unrealised FX loss on bond loans and borrowing NOK 338 million
  - Net FX gain on bank deposits NOK 161 million
- Net interest expense amounted to NOK 51 million

### Income taxes:

- Effective tax rate of 95%; high due to net loss on financial items taxed at a low tax rate

# Statement of financial position

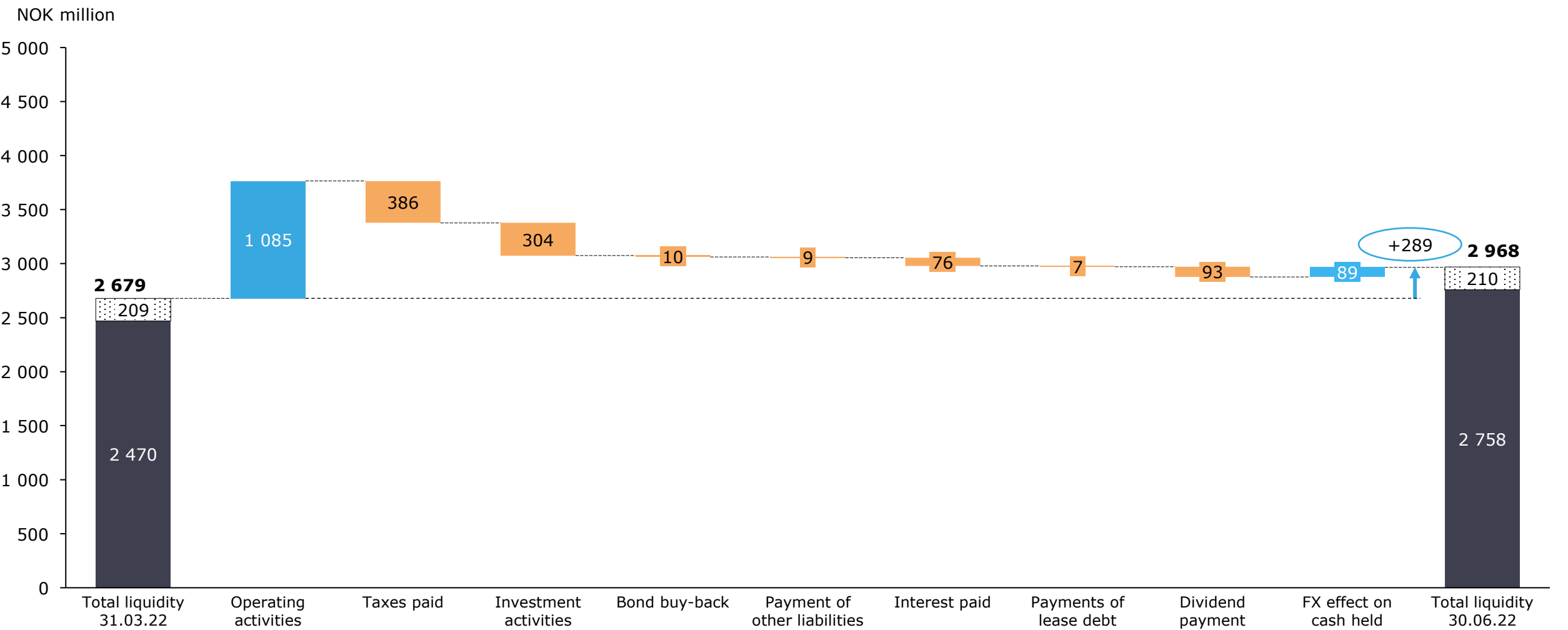
Figures in NOK million

<b>Assets</b>	<b>30.06.2022</b>	<b>31.03.2022</b>	<b>31.12.2021</b>
Goodwill	801	805	769
Oil and gas properties	5 129	5 191	4 685
Asset retirement reimbursement right	2 572	2 833	3 108
Trade and other receivables	1 060	996	1 053
Financial investments	210	209	210
Tax refund, current	0	0	0
Cash and cash equivalents	2 758	2 470	2 039
Other assets	567	554	509
<b>Total assets</b>	<b>13 098</b>	<b>13 057</b>	<b>12 373</b>
<b>Total equity</b>	<b>1 856</b>	<b>1 922</b>	<b>1 709</b>
<b>Liabilities</b>			
Asset retirement obligations	3 662	4 039	4 237
Deferred tax liabilities	2 289	2 091	1 736
Interest bearing bond loans	2 182	2 001	2 295
Other interest bearing liabilities	527	480	493
Trade and other payables	943	834	787
Income tax payable	1 298	1 364	773
Other liabilities	342	326	343
<b>Total liabilities</b>	<b>11 241</b>	<b>11 135</b>	<b>10 664</b>
<b>Total equity and liabilities</b>	<b>13 098</b>	<b>13 057</b>	<b>12 373</b>

## Q2 22 comments

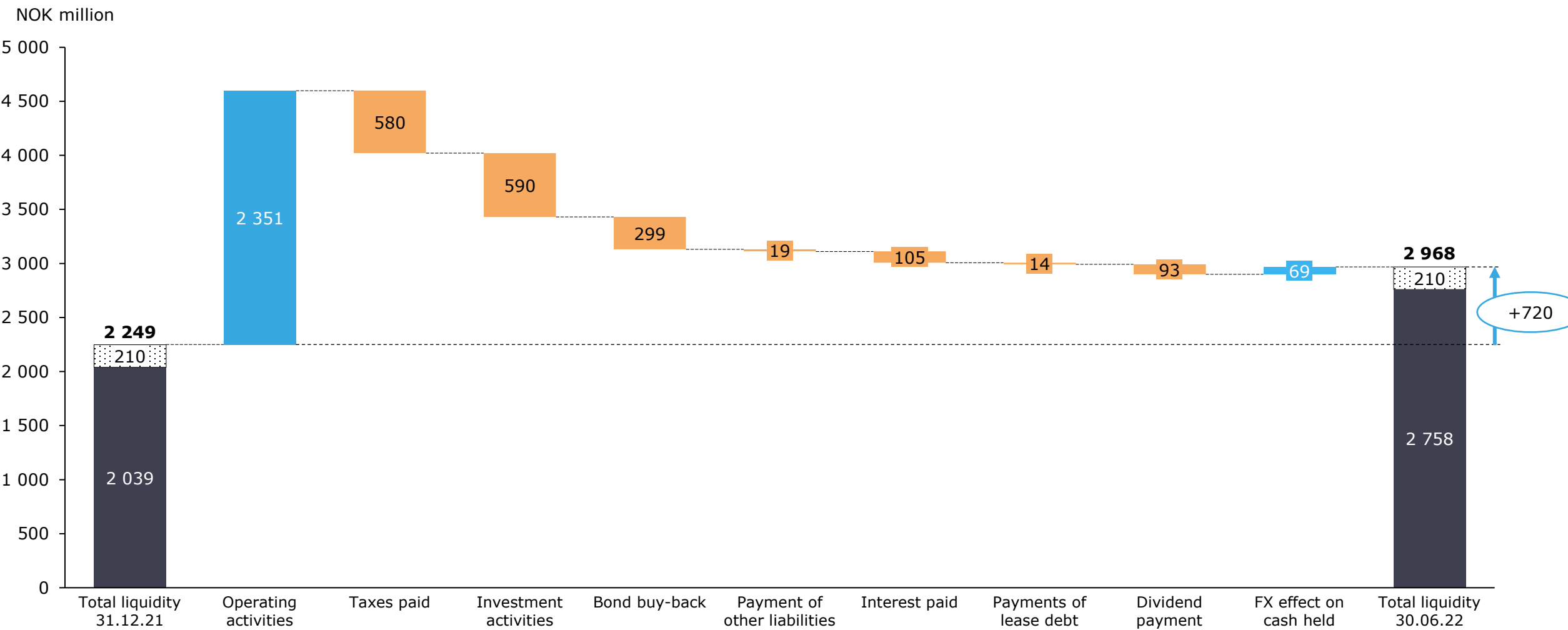
- Total liquidity of NOK 2 968 million
  - Cash and cash equivalents NOK 2 758 million
  - Financial investments NOK 210 million
- Trade and other receivables of NOK 1 060 million
  - Prepaid consideration on Wintershall Dea transaction of NOK 97 million
- Tax payable NOK 1 298 million
- Interest-bearing bond loans of NOK 2 182 million
  - Increase due to unrealised FX loss partly offset by buy-back of NOK 105 million in OKEA02
  - NOK 95 million of the buy back reclassified to trade and other payables
  - OKEA02 due June 2023 and hence classified as current liability as of 30 June
- Other interest-bearing liabilities of NOK 527 million
- Asset retirement obligation of NOK 3 662 million is partly offset by asset retirement reimbursement right of NOK 2 572 million

# Cash development Q2 22





# Cash development YTD 22



# New tax regime enacted by Parliament on 17 June

Effective from 1 January 2022

## Neutral cash flow tax in the special petroleum tax

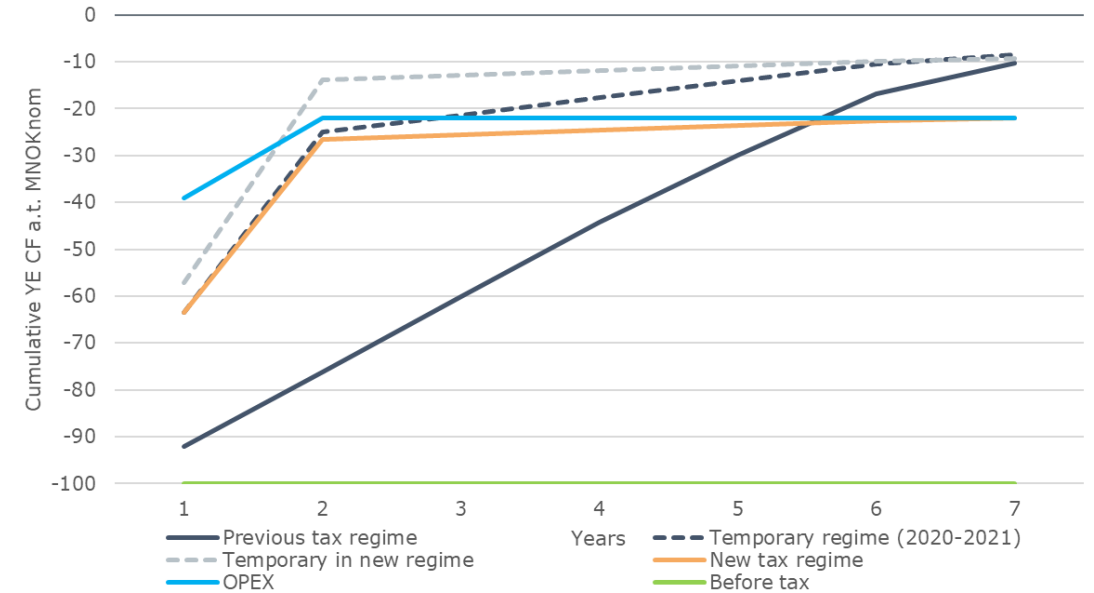
### Key features

- Investments immediately deductible in the special petroleum tax (SPT)
  - Replaces six years' depreciation and removes uplift
- Petroleum tax rate unchanged at 78%; however, a technical change:
  - Offshore corporate tax (22%) deductible in the SPT
  - The SPT rate changes from 56% to 71.8%
- Tax value of losses under the SPT to be paid out as a part of the ordinary yearly tax settlement
- Temporary rules introduced in 2020 continued for qualifying projects, but uplift reduced from 24% to 17.69%

### Impact OKEA

- Significant liquidity improvement near term
- Lower tax shield / higher tax expense over time
- Improves valuation for investments with discount rate >6.85%
- The effect of the new tax regime on projects qualifying for the temporary tax, further improve valuation of projects despite the reduced uplift

## Illustrative example based on NOK 100m expense



### Tax treatment (capex)

- Previous tax regime:
- New tax regime:

### Tax shield

89.6%  
78.0%

### NPV@10%nom

NOK -72m  
NOK -77m

- Temporary regime (2020-2021):
- Temporary in new tax regime:

91.4%  
90.7%

NOK -87m  
NOK -90m

- Opex:
- Before tax:

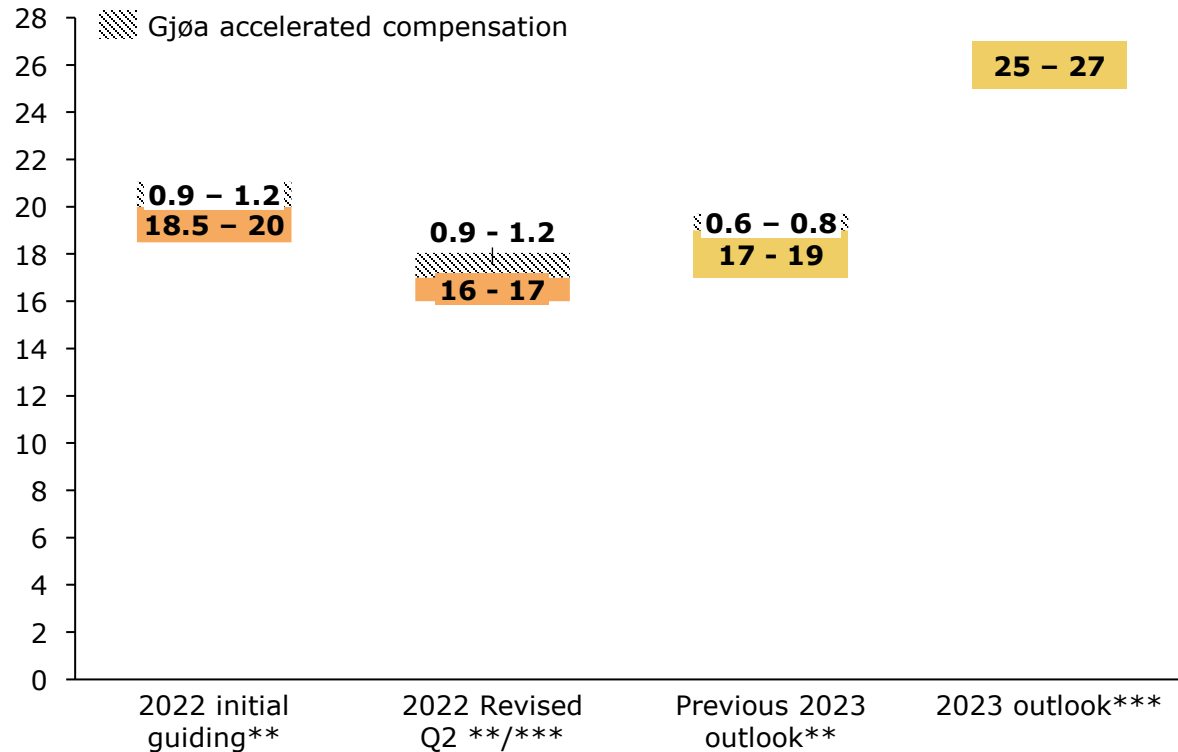
78.0%  
0.0%

NOK -78m  
NOK -100m

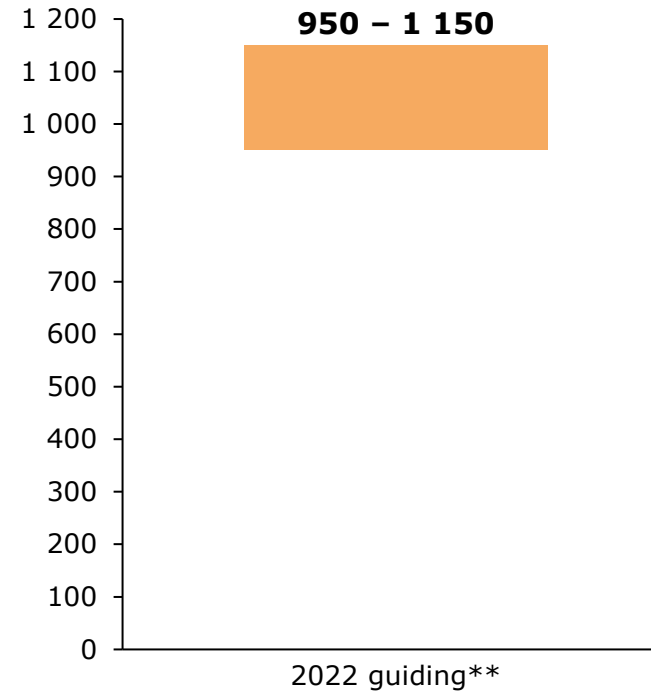
# Production guiding for 2022 revised down; for 2023 revised up

Due to deferral of Yme production and volumes of Wintershall Dea transaction\*\*\*

## Production – thousand boepd



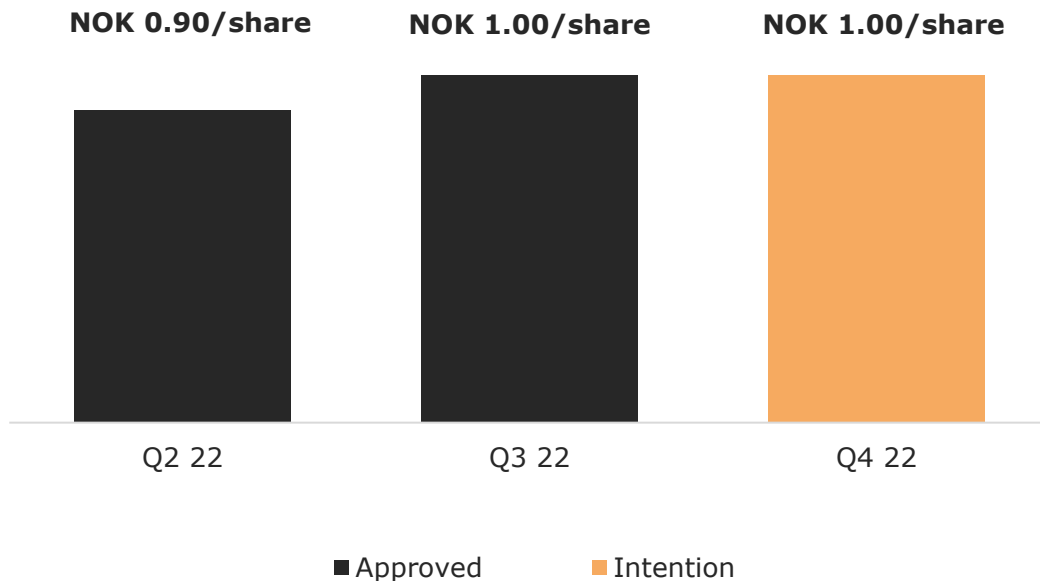
## Capex\* – NOK million



- Duva deferrals compensated by 8% p.a. interest element including short period after Duva production start
- Nova - accelerated compensation volumes from tie-in to Gjøa include 8% interest p.a.; deferred volumes (excl. interest) to be redelivered to Nova over remaining production period at Gjøa. Range shown is net of Gjøa receivable and Nova payable

# Dividend of NOK 1.00 per share and early redemption of OKEA02

Distributing to shareholders and reducing financial expense



## 2022 dividend

- Cash dividend of NOK 93.5m (NOK 0.90 per share) was paid in June
- Distribution of NOK 103.9m (NOK 1.00 per share) in Q3 22 resolved
  - Ex date 2 September; payment date on or about 15 September
- Reaffirming intention to distribute the same amount also in Q4 22
  - In total NOK 301.2 million (NOK 2.90 per share) planned or already distributed in 2022, which is equivalent to the max capacity allowed in bond terms (50% of NPAT)
  - Dividends to be maintained and determined on an annual basis

## Bond buyback

- Voluntary early redemption of OKEA02 bond initiated
  - Remaining outstanding net USD 100m called at current premium of 102.75
  - Repayment to be settled on 27 July
  - Net cash/cost saving of ~ NOK 55m a/tax compared to settle debt at maturity in June 23





## › Summary and outlook

# Summary



Delivering on growth strategy by material acquisition from Wintershall Dea fully funded by existing cash resources

Continued solid performance at Draugen and Gjøa operations

Organic projects progressing well; Hasselmus and Power from shore at Draugen according to plan

Yme ramp up slower than anticipated; reduces production guiding for 2022 and increases guiding for 2023

Solid cash position; initiated cash dividend and reducing debt

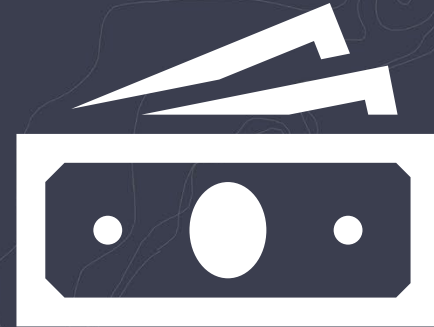
## Q&A



Growth



Value creation



Capital discipline

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