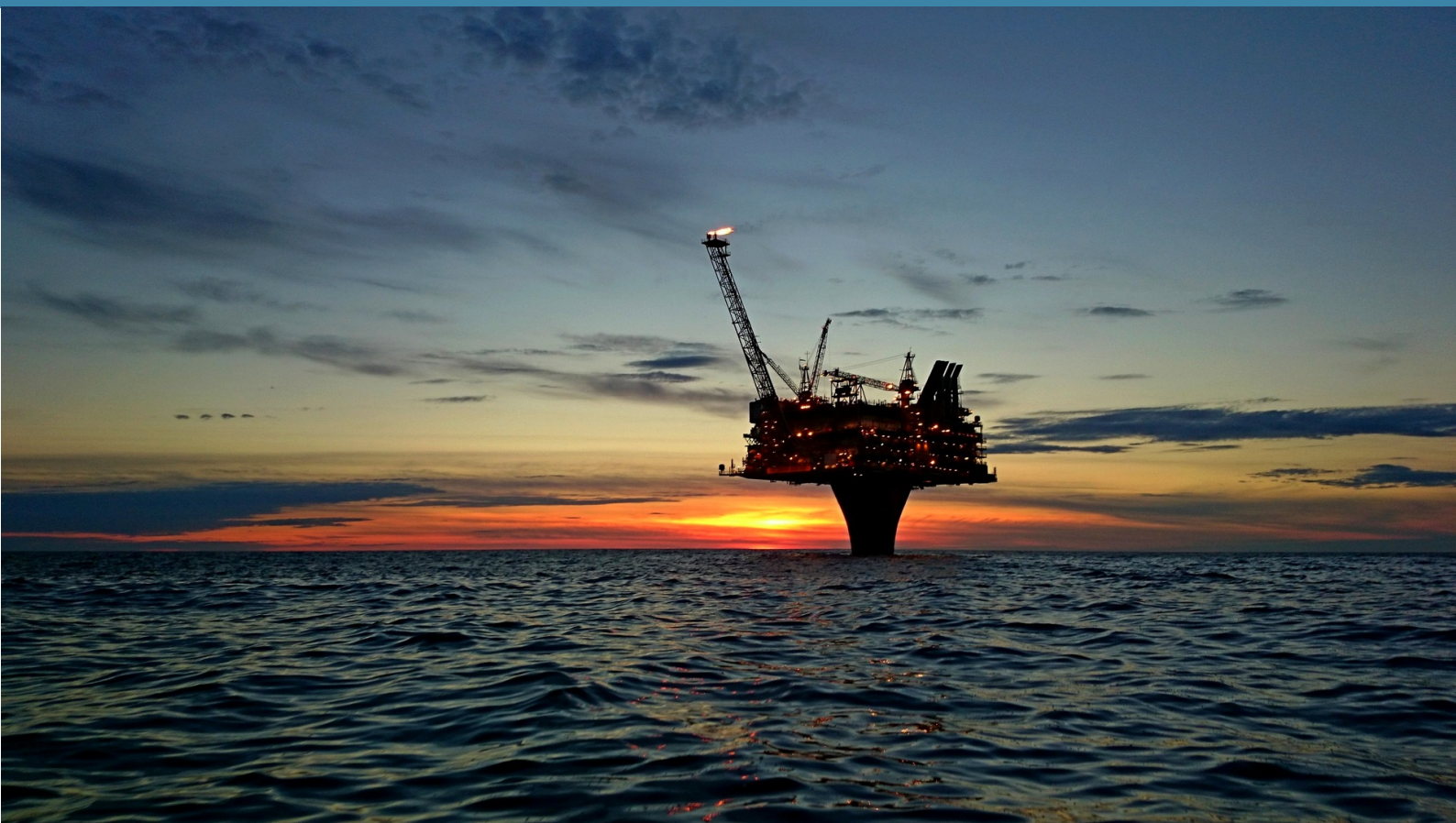




2022

Q3 Quarterly
report



okea.no

Third quarter 2022 summary

Highlights

- No serious incidents at operated assets
- Production of 16,064 (16,039) boepd
- Record high operating income of NOK 2,143 (1,332) million
- Record high EBITDA of NOK 1,636 (928) million
- Impairment of NOK 609 (0) million of the Yme asset mainly driven by reduced reserves
- Profit before tax of NOK 738 (532) million
- Net profit after tax of NOK 104 (28) million
- Net cash positive of NOK 1,371 (576) million; excluding debt relating to the Inspirer rig
- Transfer of operatorship of Brage asset progressing as per schedule

Important subsequent events:

- On 26 October OKEA announced dividend payment of NOK 103.9 million (NOK 1 per share) to be paid on or about 15 December. The board also announced its intention to distribute NOK 1 per share each quarter also in 2023. The 2023 dividends are subject to authorisation from the general meeting and may be revised due to changes in the market environment, company situation and/or value accretive opportunities available.

(Amounts in parentheses refer to previous quarter)

Financial and operational summary

	Unit	Q3 2022	Q2 2022	Q3 2021	Full year 2021
Total operating income	MNOK	2,143	1,332	1,026	3,882
EBITDA ¹⁾	MNOK	1,636	928	797	2,607
EBITDAX ¹⁾	MNOK	1,654	954	834	2,950
Profit/loss (-) before income tax	MNOK	738	532	526	2,106
Net profit / loss (-)	MNOK	104	28	97	603
Net cash flow from operations	MNOK	1,183	699	470	2,515
Net cash flow used in investments	MNOK	-116	-304	-166	-941
Net cash flow used in financing activities	MNOK	-1,248	-196	-141	-422
Net interest-bearing debt (IBD) ¹⁾	MNOK	-799	-49	874	750
Net IBD ex. other int. bearing liabilities¹⁾	MNOK	-1,371	-576	874	256
Net production	Boepd ²⁾	16,064	16,039	16,315	15,530
Third-party volumes available for sale ³⁾	Boepd ²⁾	431	849	165	147
Over/underlift/inventory adjustments	Boepd ²⁾	769	-931	499	166
Net sold volume	Boepd ²⁾	17,264	15,957	16,979	15,843
Production expense per boe ¹⁾	NOK/boe	253.1	234.7	108.2	133.5
Realised liquids price	USD/boe	106.6	100.3	67.4	65.3
Realised gas price	USD/boe	194.8	82.4	97.1	105.2

¹⁾ Definitions of alternative performance measures are available on page 34 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 third quarter was a record high NOK 2,143 (1,332) million, whereof NOK 2,114 (1,254) million related to revenue from oil and gas sales. The average realised liquids price was USD 106.6 (100.3) per boe while the average realised price for gas was USD 194.8 (82.4) per boe. Total sold volumes were 1,588 (1,452) thousand boe.

Other operating income/loss (-) was NOK 30 (78) million and comprises tariff income at GjØa of NOK 42 (26) million, income from joint utilisation of logistic resources of NOK 9 (12) million, and a net loss from gas forward contracts of NOK -21 (gain of 40) million.

Production expenses amounted to NOK 425 (381) million, corresponding to NOK 253.1 (234.7) per boe. The production expense was high in the quarter mainly due completion of a planned scale squeeze campaign and high prices for gas import at Draugen in addition to continued high production expenses at Yme during ramp-up. The production expense per boe was additionally driven by low volumes from Yme.

Changes in over-/underlift positions and production inventory amounted to an expense of NOK -18 (income of 61) million. Sold volumes exceeded produced volumes by 769 (-931) boepd in the quarter. In addition, sold volumes from third-party compensation received from Duva and Nova (tie-ins to GjØa) amounted to 431 (849) boepd.

Exploration and evaluation expenses amounted to NOK 19 (26) million and mainly related to cost for the APA 2022 of NOK 6 (7) million and various field evaluation activities of NOK 12 (19) million.

A non-cash impairment charge of NOK 609 (0) million was recognised on the Yme asset in the quarter. The impairment was mainly driven by a reserves revision which is further described in the Yme section below. Tax income relating to the impairment amounted to NOK 475 (0) million, resulting in a net after tax impact of NOK 134 (0) million.

General and administrative expenses amounted to NOK 45 (58) million and represent OKEA's share of costs after allocation to licence activities. The expense was high in the quarter mainly due to transition activities related to the transfer of operatorship of the Brage asset. Expense in the previous quarter included non-recurring expenses relating to the acquisition of assets from Wintershall Dea.

Net financial items amounted to NOK -113 (-231) million, whereof NOK -52 (-51) million was expensed interest. and NOK -41 (-177) million was a net foreign exchange loss following a weakening of NOK against the USD by ~9% in the quarter. The foreign exchange loss relates to the USD nominated debt, partly offset by USD nominated cash. In addition, NOK -17 (-2) million in call premium was expensed in relation to the early redemption of OKEA02 in July. For further details on financial items, reference is made to note 14.

Profit / loss (-) before tax amounted to NOK 738 (532) million.

Tax expenses (-) / tax income (+) amounted to NOK -633 (-504) million and represents an effective tax rate of 86% (95%). The deviation from the expected 78% was mainly due to financial items which is deductible at a low tax rate.

Net profit / loss (-) for the quarter was NOK 104 (28) million. Earnings per share were NOK 1.01 (0.27).

Statement of financial position

Goodwill amounted to NOK 801 (801) million consisting of NOK 638 (638) million in technical goodwill and NOK 163 (163) million in ordinary goodwill.

Oil and gas properties amounted to NOK 4,718 (5,129) million at the end of the quarter. The decrease was due to the impairment of the Yme asset of NOK 609 (0) million and depreciation of producing assets of NOK 170 (159) million. This reduction was partly offset by investments in the Hasselmus development, Draugen modifications and Yme of a total of NOK 321 (192) million. In addition, asset retirement obligation assets increased by NOK 47 (-93) million following recognition of removal obligations relating to the production wells at Hasselmus and Yme Beta North.

Right-of-use assets amounted to NOK 217 (224) million and mainly relates to logistical resources on operated assets and lease of offices.

Non-current asset retirement reimbursement right amounted to NOK 2,486 (2,559) million which relates to Shell's obligation to cover decommissioning costs for Draugen and GjØa. The reduction was mainly due to an increase in the discount rate following a general increase in market interest rates.

Trade and other receivables amounted to NOK 1,347 (1,060) million which mainly related to accrued revenue, working capital from joint venture licences, underlift of petroleum products and prepayments, including NOK 97 (97) million in prepaid consideration related to the acquisition of assets from Wintershall Dea.

Cash and cash equivalents amounted to NOK 2,668 (2,758) million. The strong cash generation from operations in the quarter was mainly used for early repayment of OKEA02 of NOK 1,102 (10) million and dividend payments to shareholders of NOK 104 (93) million.

Financial investments amounted to NOK 9 (210) million and relate to liquid investments in low-risk money-market funds and combination funds. NOK 201 (0) million was realised in the quarter and transferred to bank deposit.

Spare parts, equipment and inventory amounted to NOK 229 (253) million whereof NOK 85 (122) million related to oil inventory mainly at Draugen.

Equity amounted to NOK 1,857 (1,856) million, corresponding to an equity ratio of 15% (14%). The net increase from previous quarter was due net profit after tax exceeding the dividend payment of NOK 104 million.

Non-current provision for asset retirement obligations amounted to NOK 3,621 (3,645) million. The reduction was mainly due to an increase in the discount rate following a general increase in market interest rates. The obligation is largely offset by the asset retirement reimbursement right outlined above.

Interest-bearing bond loans amounted to NOK 1,298 (2,182) million. The reduction was mainly due to an early repayment of the remaining outstanding amount of OKEA02 (USD 100 million) in the quarter. Reference is made to note 22 for further details.

Total other interest-bearing liabilities amounted to NOK 572 (527) million, whereof the non-current portion was NOK 522 (482) million and the current portion was NOK 50 (44) 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 202 (209) 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 1,193 (943) million and mainly relate to working capital from joint venture licences, prepayments from customers and accrued expenses.

Income tax payable was NOK 1,749 (1,298) million and mainly consists of the remaining tax payable for 2021 and accrued tax for 2022 partly offset by taxes paid of NOK 509 (386) million.

Statement of cash flows

Net cash flows from operating activities amounted to NOK 1,183 (699) million, including taxes paid of NOK -509 (-386) million. The increase compared to previous quarter was mainly due to higher realised prices for both liquids and gas.

Net cash flows used in investment activities amounted to NOK -116 (-304) million of which investment in oil and gas properties amounted to NOK -312 (-186) million, mainly relating to the Hasselmus gas development, Draugen modifications and Yme. This was partly offset by cash realised on financial investments of NOK 201 (0) million.

Net cash flows used in financing activities amounted to NOK -1,248 (-196) million and mainly relates to the early redemption of OKEA02 of NOK -1,102 (-10) million and dividend payment of NOK -104 (-93) million.

Financial risk management

OKEA uses derivative financial instruments and forward sales 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 fourth quarter of 2022 at an average price of 349 GBp/th, 20% for the first quarter of 2023 at an average price of 417 GBp/th and 10% for the second quarter of 2023 at an average price of 505 GBp/th.

Operational review

OKEA's net production in the third quarter was 16,064 (16,039) boepd. Draugen, Gjøa and Ivar Aasen are producing according to plan. The lower production at Draugen compared to previous quarter was due to a planned scale squeeze and a wire-line campaign. Production from Yme is well below plan due to continuing startup challenges. In the third quarter, a leakage in the topsides piping system resulted in a shutdown of about six weeks. Yme was back in production in early October.

	Unit	Q3 2022	Q2 2022	Q3 2021	Full year 2021
Draugen – production reliability ⁵⁾	%	94	99	97	98
Draugen – production availability ⁶⁾	%	89	98	87	93
Gjøa – production reliability	%	100	97	97	99
Gjøa – production availability	%	98	89	92	85
Yme – production availability	%	N/A	N/A	N/A	N/A
Ivar Aasen – production availability	%	98	99	98	97
Draugen – production	Boepd	6,338	7,060	6,735	7,084
Gjøa – production	Boepd	7,353	7,107	9,348	8,137
Yme – production	Boepd	1,354	1,322	N/A	54
Ivar Aasen – production	Boepd	1,019	550	233	255
Total net production	Boepd	16,064	16,039	16,315	15,530
Draugen – sold volume	Boepd	6,923	6,949	6,548	6,874
Gjøa – sold volume	Boepd	7,647	6,611	10,214	8,130
Yme – sold volume	Boepd	1,452	1,448	N/A	35
Ivar Aasen – sold volume	Boepd	811	100	52	656
Third-party volumes available for sale*	Boepd	431	849	165	147
Total net sold volume	Boepd	17,264	15,957	16,979	15,843
Total over/underlift/inventory adj.	Boepd	769	-931	499	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 and Nova received and sold (tie-in to Gjøa)

Draugen (operator, 44.56%)

Net production to OKEA from Draugen was 6,338 (7,060) boepd in the quarter. Production availability was 89% (98%) and production reliability was 94% (99%).

The lower production compared to previous quarter was mainly due to planned activities for scale squeeze of subsea wells as well as a wireline logging campaign on the platform wells. The wireline campaign verified good barrier condition for life extension of gas-lifted platform wells at Draugen. In addition, reliability in July was low due to production trips following deluge testing and modification work. In the fourth quarter a three-day safety stop (ESD test) and scale squeeze of platform wells is planned which will impact the production from Draugen in the coming quarter.

The Hasselmus well was successfully drilled by COSLPromoter and is estimated to be in production from fourth quarter of 2023. Topside pre-fabrication and installation at Draugen has commenced. Production start is planned for Q4 23 with gross plateau gas production of more than 4,400 boepd.

Gjøa (partner, 12.00%)

Net production to OKEA from Gjøa was 7,353 (7,107) boepd in the quarter and production reliability was 100% (97%). Production in the third quarter was impacted by 2 days of planned maintenance in September.

Production from the tie-back Nova started in July. Delivered and sold compensation volumes from Duva and Nova was 431 (849) boepd in the quarter. The reduction in compensation volumes in the third quarter was due to delivery of compensation volumes from Duva completed by end of July and Nova still being in ramp-up.

Work to mature a potential development of Gjøa Nord, including the Hamlet discovery, as a tie-back to Gjøa is progressing as planned. Final investment decision is planned by the end of 2022 .

Yme (partner, 15.00%)

Net production to OKEA from Yme was 1,354 (1,322) boepd in the quarter.

Yme is now producing to the subsea storage tank, and the tank and offloading system are functioning as intended. The Mobile Offshore Drilling and Production Unit 'Inspirer' is currently producing from five production wells.

Production performance at Yme has been well below expectations with low plant availability throughout the year. Recompletion of production wells has taken more time than anticipated and an incident with leakage in the topsides piping system caused a shutdown of production for approximately six weeks during the quarter.

Water-cut from the producing wells has also been higher than expected. This effect has been increasing during the quarter which is further limiting the total production potential. Expected production from Yme in 2022 is therefore further reduced. Plateau production has been reduced to 6,600 boepd net OKEA and is expected to be reached in the first half of 2023.

The Beta North drilling campaign, employing the Valaris Viking drilling rig, is ongoing and expected to be finalized in the first quarter of 2023. Beta North is a subsea tie-back to Yme and includes 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 fourth quarter of 2022 from Inspirer; the drilling campaign has been postponed due to delay of the recompletion program and is expected to be completed in the second quarter of 2023.

In 2023, the reduced oil production due to early water breakthrough and lower plant availability is expected to be partly compensated by production from the new wells. In the long-term, however, a reduction in reserves, in the order of 2 mmbbl net OKEA for the period 2022-2035, is expected. As a number of the planned production wells are yet to be drilled, an inherent uncertainty remains in the reserves estimate. It may, however, be possible to compensate for some of the reduction through infill drilling or similar measures in the future.

Ivar Aasen (partner, 2.777%)

Net production to OKEA from Ivar Aasen was 1,019 (550) boepd and production availability was 98% (99%).

An Increased Oil Recovery (IOR) 2022 campaign to bring new wells on stream is ongoing, with a plan for a subsequent IOR 2024 in development.

Power from shore at Ivar Aasen is expected to start by year end 2022 which will provide reliable power supply at the field and significantly reduce the environmental footprint of the operations.

Transfer of operatorship on Brage and completion of acquisition of assets from Wintershall Dea

The transfer of operatorship of the Brage asset, and non-operated working interest in Nova and Ivar Aasen, from Wintershall Dea to OKEA is progressing as per schedule with a targeted completion on 1 November. OKEA has received an approval of the Application for Consent from the Petroleum Safety Authority as well as the final approval of the transaction from the Ministry of Petroleum and Energy and Ministry of Finance. A dedicated project organisation is working to complete all transition activities to secure a safe and efficient continuation of the Brage production and drilling operations under OKEA management from November onwards.

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. The production well and the pre-lay rock installation for the subsea infrastructure has been successfully completed. The first topside installations at Draugen have started and will continue until planned production start of Hasselmus.

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 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 completed for onshore, cable and topside facilities.

The public consultation process of the concession application 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 Ministry of Petroleum and Energy (MPE) in the fourth quarter.

The Environmental Impact Assessment (EIA) as required by the Petroleum Act is completed, and a consultation response will be provided to the MPE as part of the PDO.

On 6 October, the Norwegian government presented the proposed national budget for 2023 which included a proposal to reduce the uplift for the temporary tax regime from 17.69% to 12.4% with effect from 1 January 2023. This change, if approved by the Norwegian parliament, will adversely impact the financial parameters on the power from shore project.

The power from shore project will reduce annual CO₂ emissions from Draugen alone by approximately 200,000 tonnes which corresponds to a reduction of more than 90%.

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 Gjølå is under evaluation. The potential 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 2027.

Gjølå Nord (partner, 12.00%)

Work to mature the Gjølå Nord project, including the Hamlet discovery, towards a final investment decision by the end of 2022 is ongoing. The development concept involves tie-back of production wells to the Gjølå platform via existing infrastructure with a targeted production start in 2025.

Exploration licences

OKEA entered into a licence swap agreement with Equinor Energy AS (Equinor) to acquire a 20% working interest in the Equinor-operated PL1014 exploration licence, containing the Arkenstone prospect, in exchange for a 10% working interest in the OKEA-operated PL1119 licence, including the Mistral prospect. The licensees of PL1119 have also applied for transfer of the operatorship of the licence from OKEA to Equinor.

The transactions and transfer of operatorship are conditional upon governmental approval and are expected completed in the fourth quarter 2022. A decision to drill exploration wells in both licences is also expected to be taken in the fourth quarter.

Applications for the 2022 APA licensing round targets building OKEA's portfolio of exploration opportunities further and was submitted in the quarter.

Drilling of the Neptune-operated Calypso exploration well (PL938, WI 30%), is scheduled to start in November 2022.

Environment, Social and Governance (ESG)

There were no actual serious incidents and no serious discharges or emissions in OKEA's activities and operations in the third quarter.

As a response to the Nord Stream pipeline sabotage and a series of reported drone observations on the NCS, OKEA has increased its security level. A series of actions and activities according to the OKEA security management framework have consequently been implemented. The need for further response and actions is continuously assessed in collaboration with the industry, Norwegian Authorities and other relevant parties.

Continuous improvement is important in OKEA. In recent months, extensive work on further developing and improving the company's ESG processes and reporting has been carried out. Position Green Group (previously the Governance Group) has undertaken an external review and benchmarking of OKEA's sustainability reporting for 2021 where OKEA received the grade A, up from A- for the 2020 report.

Subsequent events

Announcement of fourth quarter dividend and 2023 dividend plan

On 26 October OKEA announced dividend payment of NOK 103.9 million (NOK 1 per share) to be paid on or about 15 December. The board also stated an intention to distribute NOK 1 per share each quarter in 2023. Dividend payments in 2023 is subject to an authorisation from the general meeting and may be revised due to changes in the market environment, company situation and/or value accretive opportunities available.

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 the year and unprecedented price differentials in the European gas market. This critical situation has resulted in record high revenues for OKEA; but also a significant and heightened focus on security measures.

The acquisition of a material portfolio of assets from Wintershall Dea, will increase production, reserves and resources by 30-40% and adds another operatorship to OKEA's portfolio. The transition is progressing according to plan and is expected completed on 1 November. The acquisition represents a step change in both asset base and cash flow and will be fully financed by existing cash resources.

In the third quarter, OKEA distributed a cash dividend of NOK 103.9 million (NOK 1.00 per share). 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 December, which brings the total dividend paid in 2022 to NOK 301.3 million (NOK 2.90 per share). The board also stated an intention to distribute NOK 1.00 per share each quarter also in 2023. In addition, OKEA reduced outstanding bond debt by USD 100 million during the quarter by a voluntary early redemption of the OKEA02 bond.

Performance at Yme has been well below expectations due to low plant availability as well as increasing water-cut in the producing wells which has resulted in a reduction in the estimated reserves of 2 mmmboe net to OKEA. Due to the challenges at Yme, an impairment loss of NOK 609 million was recognised in the quarter and the

production guiding for 2022 is reduced from 16-17,000 boepd to 15-16,000 boepd (excluding the additional volumes from the Wintershall Dea transaction with effective date 1 January 2022). Production outlook for 2023 remains at 25-27,000 boepd as the reduced oil production from Yme due to early water breakthrough and lower plant availability is expected to be partly compensated by production from the new wells.

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

In the fourth quarter, 67 thousand boe net to OKEA was lifted from Yme in October. In addition, a planned lifting at Draugen of 652 thousand boe November and a planned lifting for Gjøa of 158 thousand boe net to is expected in November. Further guidance on lifting is not provided on Yme in the ramp up phase, nor on the assets acquired from Wintershall Dea prior to completion of the transaction.

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, the outstanding debt has been reduced, and the board considers that the company is well positioned to continue to execute on the growth strategy.



Financial statements with notes Q3 2022

Statement of comprehensive income

01.01-30.09

01.01-31.12

		Q3 2022	Q2 2022	Q3 2021	2022	2021	2021
Amounts in NOK '000	Note	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)
Revenues from crude oil and gas sales	6	2 113 513	1 253 704	1 016 933	4 882 845	2 147 579	3 780 641
Other operating income / loss (-)	6, 25	29 944	78 021	9 463	105 331	9 602	101 232
Total operating income		2 143 458	1 331 726	1 026 396	4 988 176	2 157 181	3 881 873
Production expenses	7	-425 468	-380 990	-180 677	-1 093 752	-569 665	-860 419
Changes in over/underlift positions and production inventory	7	-18 721	61 063	8 650	74 935	63 669	23 087
Exploration and evaluation expenses	8	-18 553	-26 009	-36 677	-137 238	-254 310	-342 972
Depreciation, depletion and amortisation	10	-176 185	-165 151	-179 335	-499 116	-495 450	-672 450
Impairment (-) / reversal of impairment	10, 11, 12	-609 030	-	-	-246 433	730 397	363 765
General and administrative expenses	13	-44 863	-58 065	-20 745	-125 509	-48 796	-95 024
Total operating expenses		-1 292 820	-569 153	-408 784	-2 027 113	-574 156	-1 584 014
Profit / loss (-) from operating activities		850 638	762 572	617 612	2 961 063	1 583 025	2 297 860
Finance income	14	30 839	26 423	19 751	79 134	59 136	79 884
Finance costs	14	-102 636	-80 332	-43 348	-265 683	-119 933	-197 001
Net exchange rate gain/loss (-)	14	-41 213	-177 047	-67 754	-218 225	-69 821	-74 761
Net financial items		-113 010	-230 956	-91 350	-404 775	-130 619	-191 877
Profit / loss (-) before income tax		737 628	531 616	526 262	2 556 288	1 452 406	2 105 982
Taxes (-) / tax income (+)	9	-633 170	-503 836	-429 214	-2 210 798	-1 132 251	-1 502 673
Net profit / loss (-)		104 457	27 780	97 048	345 490	320 154	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 (-)		104 457	27 780	97 048	345 490	320 154	602 802
Weighted average no. of shares outstanding basic		103 870 350	103 870 350	103 005 350	103 870 350	102 828 576	102 921 489
Weighted average no. of shares outstanding diluted		103 950 350	103 950 350	103 005 350	103 950 350	102 828 576	102 921 489
Earnings per share (NOK per share) - Basic		1,01	0,27	0,94	3,33	3,11	5,86
Earnings per share (NOK per share) - Diluted		1,00	0,27	0,94	3,32	3,11	5,86

Statement of financial position

Amounts in NOK '000	Note	30.09.2022 (unaudited)	30.06.2022 (unaudited)	31.12.2021 (audited)	30.09.2021 (unaudited)
ASSETS					
Non-current assets					
Goodwill	11, 12	801 011	801 011	768 946	768 946
Exploration and evaluation assets	11	80 496	78 654	10 759	19 794
Oil and gas properties	10	4 717 682	5 129 040	4 684 752	4 585 287
Buildings	10	-	-	-	79 782
Furniture, fixtures and office equipment	10	12 471	10 986	11 143	11 831
Right-of-use assets	10	216 880	224 136	234 199	161 824
Asset retirement reimbursement right	15	2 486 121	2 558 574	3 024 562	3 088 440
Total non-current assets		8 314 661	8 802 401	8 734 362	8 715 904
Current assets					
Trade and other receivables	17, 25	1 347 063	1 060 052	1 053 338	714 455
Financial investments	26	9 100	210 126	209 961	-
Spare parts, equipment and inventory	20	228 735	253 220	253 318	227 327
Tax refund, current	9	-	-	-	9 368
Asset retirement reimbursement right, current	15	-	13 682	83 412	-
Cash and cash equivalents	18	2 668 452	2 758 124	2 038 745	1 504 336
Total current assets		4 253 350	4 295 204	3 638 774	2 455 487
TOTAL ASSETS		12 568 011	13 097 605	12 373 136	11 171 391
EQUITY AND LIABILITIES					
Equity					
Share capital	16	10 387	10 387	10 387	10 301
Share premium		1 730 505	1 834 376	1 927 859	1 912 462
Other paid in capital		19 140	19 110	19 064	19 249
Retained earnings/loss (-)		96 963	-7 494	-248 527	-531 174
Total equity		1 856 996	1 856 379	1 708 783	1 410 837
Non-current liabilities					
Asset retirement obligations	19	3 621 192	3 644 780	4 133 177	4 252 714
Pension liabilities		42 114	41 104	37 311	34 478
Lease liability	23	201 913	209 156	220 266	125 604
Deferred tax liabilities	9	1 961 657	2 288 515	1 735 720	1 685 649
Interest bearing bond loans	22, 27	1 297 576	1 187 330	2 294 873	2 378 676
Other interest bearing liabilities	23	522 256	482 150	454 853	-
Total non-current liabilities		7 646 709	7 853 034	8 876 200	8 477 122
Current liabilities					
Trade and other payables	21, 25	1 192 660	942 644	786 535	803 824
Interest bearing bond loans, current	22, 27	-	994 835	-	-
Other interest bearing liabilities, current	23	49 874	44 380	38 593	-
Income tax payable	9	1 748 779	1 297 547	773 020	417 971
Lease liability, current	24	44 106	44 106	43 032	36 220
Asset retirement obligations, current	19	-	17 103	104 265	-
Public dues payable		28 888	47 578	42 708	25 417
Total current liabilities		3 064 306	3 388 192	1 788 153	1 283 433
Total liabilities		10 711 015	11 241 226	10 664 353	9 760 554
TOTAL EQUITY AND LIABILITIES		12 568 011	13 097 605	12 373 136	11 171 391

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	-	-	-	320 154	320 154
Share issues, cash	50	-	-	-	50
Share based payment	-	-	7 907	-	7 907
Equity at 30 September 2021	10 301	1 912 462	19 249	-531 174	1 410 837
Equity at 1 October 2021	10 301	1 912 462	19 249	-531 174	1 410 837
Total comprehensive income/loss (-) for the period	-	-	-	282 648	282 648
Share issues, cash	87	15 397	-	-	15 484
Share based payment	-	-	185	-	-185
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	-	-	-	345 490	345 490
Dividend paid	-	-197 354	-	-	-197 354
Share based payment	-	-	76	-	76
Equity at 30 September 2022	10 387	1 730 505	19 140	96 963	1 856 996

Statement of cash flows

					01.01-30.09	01.01-31.12	
		Q3 2022	Q2 2022	Q3 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		737 628	531 616	526 262	2 556 288	1 452 406	2 105 982
Income tax paid/received	9	-508 796	-386 058	18 247	-1 088 634	309 568	355 429
Depreciation, depletion and amortization	10	176 185	165 151	179 335	499 116	495 450	672 450
Impairment / reversal of impairment	10, 11, 12	609 030	-	-	246 433	-730 397	-363 765
Expensed exploration expenditures temporary capitalised	8, 11	-1	-1 462	1 328	63 401	168 015	184 855
Accretion asset retirement obligations/reimbursement right	14, 15, 19	3 549	2 174	1 258	6 662	3 775	5 034
Asset retirement costs from billing (net after reimbursement)	15, 19	-5 140	-12 849	-	-22 572	-	-3 770
Interest expense	14	50 920	48 287	17 886	149 705	47 900	94 256
Gain / loss on financial investments		237	-800	-	71	-	39
Change in trade and other receivables, and inventory		-262 526	38 661	-176 931	-175 242	-199 749	-564 623
Change in trade and other payables		298 931	56 338	-174 619	363 277	-123 086	-94 307
Change in foreign exchange interest bearing debt and other non-current items		82 933	258 197	77 606	355 685	88 429	123 823
Net cash flow from / used in (-) operating activities		1 182 951	699 256	470 373	2 954 189	1 512 311	2 515 403
Cash flow from investment activities							
Investment in exploration and evaluation assets	11	-1 841	-25 086	915	-133 138	-158 867	-166 671
Business combinations, cash paid	27, 17	-	-90 697	-	-136 612	-	-
Investment in oil and gas properties	10, 14	-311 730	-186 357	-166 002	-630 644	-466 779	-664 129
Investment in furniture, fixtures and office machines	10	-3 037	-2 114	-1 055	-5 951	-7 217	-8 705
Cash used on (-)/received from financial investments	26	200 789	-	-	200 789	-	-210 000
Proceeds from sales of buildings	10, 24	-	-	-	-	-	109 000
Net cash flow from / used in (-) investment activities		-115 819	-304 255	-166 142	-705 556	-632 863	-940 504
Cash flow from financing activities							
Repayment/buy-back of bond loans	22	-1 102 395	-10 057	-108 005	-1 401 531	-108 005	-216 948
Repayment of other interest bearing liabilities	23	-10 185	-8 934	-	-29 379	-	-
Interest paid		-24 154	-76 170	-23 442	-129 317	-114 827	-195 788
Payments of lease debt	24	-7 243	-7 243	-9 090	-21 722	-27 269	-25 001
Dividend payments		-103 870	-93 483	-	-197 354	-	-
Net proceeds from share issues		-	-	-	-	50	15 534
Net cash flow from / used in (-) financing activities		-1 247 848	-195 887	-140 536	-1 779 302	-250 051	-422 203
Net increase/ decrease (-) in cash and cash equivalents							
		-180 716	199 113	163 695	469 331	629 397	1 152 696
Cash and cash equivalents at the beginning of the period		2 758 124	2 469 576	1 346 099	2 038 745	871 210	871 210
Effect of exchange rate fluctuation on cash held		91 044	89 434	-5 458	160 376	3 729	14 839
Cash and cash equivalents at the end of the period		2 668 452	2 758 124	1 504 336	2 668 452	1 504 336	2 038 746

Notes to the interim financial statements

Note 1 General and corporate information

These financial statements are the unaudited interim condensed financial statements of OKEA ASA for the third quarter of 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 25 October 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	Q3 2022	Q2 2022	Q3 2021	01.01-30.09		01.01-31.12
				2022	2021	2021
Sale of liquids	1 158 889	849 703	650 511	2 705 320	1 484 280	2 198 055
Sale of gas	954 624	404 001	366 423	2 177 524	663 299	1 582 586
Total petroleum revenues	2 113 513	1 253 704	1 016 933	4 882 845	2 147 579	3 780 641
Sale of liquids (boe*)	1 101 992	902 412	1 100 827	2 874 191	2 865 568	3 935 445
Sale of gas (boe*)	486 267	549 656	461 233	1 556 120	1 251 672	1 847 140
Total sale of petroleum in boe*	1 588 260	1 452 068	1 562 060	4 430 312	4 117 240	5 782 585

*Barrels of oil equivalents

Other operating income

Amounts in NOK `000	Q3 2022	Q2 2022	Q3 2021	01.01-30.09		01.01-31.12
				2022	2021	2021
Gain / loss (-) from put/call options, oil	-	-	-	-	-32 766	-32 766
Gain / loss (-) from forward contracts, gas	-20 793	39 773	-5 312	-13 744	-5 312	49 002
Tariff income Gjøl	41 528	26 216	13 393	91 889	37 697	61 960
Joint utilisation of logistics resources	9 210	12 032	1 382	27 186	9 982	23 036
Total other operating income/loss (-)	29 944	78 021	9 463	105 331	9 602	101 232

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

Production expenses

Amounts in NOK `000	Q3 2022	Q2 2022	Q3 2021	01.01-30.09		01.01-31.12
				2022	2021	2021
From licence billings - producing assets	380 805	339 058	167 767	969 352	501 858	753 181
From licence billings - assets under construction - various preparations for operation	-	-	3 483	-	16 487	17 884
Other production expenses (insurance, transport)	41 446	38 983	9 426	114 889	51 320	89 354
G&A expenses allocated to production expenses	3 217	2 950	-	9 511	-	-
Total production expenses	425 468	380 990	180 677	1 093 752	569 665	860 419

Changes in over/underlift positions and production inventory

Amounts in NOK `000	Q3 2022	Q2 2022	Q3 2021	01.01-30.09		01.01-31.12
				2022	2021	2021
Changes in over/underlift positions	17 807	66 629	17 761	113 967	77 707	15 852
Changes in production inventory	-36 528	-5 567	-9 111	-39 032	-14 039	7 236
Total changes income/loss (-)	-18 721	61 063	8 650	74 935	63 669	23 087

Note 8 Exploration and evaluation expenses

Amounts in NOK '000	Q3 2022	Q2 2022	Q3 2021	01.01-30.09		01.01-31.12
				2022	2021	2021
Share of exploration and evaluation expenses from participation in licences excluding dry well impairment, from billing	12 145	19 413	26 620	52 368	74 774	95 278
Share of exploration expenses from participation in licences, dry well write off, from billing *	-1	-1 462	1 328	63 401	168 015	184 855
Seismic and other exploration and evaluation expenses, outside billing	6 216	7 878	8 730	20 730	11 521	62 839
G&A expenses allocated to exploration expenses	193	181	-	739	-	-
Total exploration and evaluation expenses	18 553	26 009	36 677	137 238	254 310	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	Q3 2022	Q2 2022	Q3 2021	01.01-30.09		01.01-31.12
				2022	2021	2021
Change in deferred taxes current year	326 858	-189 382	-57 703	-196 468	-745 092	-796 958
Taxes payable current year	-960 028	-310 284	-371 511	-2 010 161	-391 917	-711 980
Tax payable adjustment previous year	-0	-4 170	-	-4 170	-	1 508
Tax refund current year	-	-	-	-	-	-
Tax refund adjustment previous year	-	-	-	-	4 757	4 757
Total taxes (-) / tax income (+) recognised in the income statement	-633 170	-503 836	-429 214	-2 210 798	-1 132 251	-1 502 673

Reconciliation of income taxes

Amounts in NOK '000	Q3 2022	Q2 2022	Q3 2021	01.01-30.09		01.01-31.12
				2022	2021	2021
Profit / loss (-) before income taxes	737 628	531 616	526 262	2 556 288	1 452 406	2 105 982
Expected income tax at tax rate 78.004% (2021: 78%)	-575 379	-414 661	-410 484	-1 994 007	-1 132 876	-1 642 666
Permanent differences, including impairment of goodwill	-19 581	-13 990	2 437	-69 884	-4 136	-2 419
Effect of sale and leaseback transaction	-	-	-	-	-	39 839
Effect of uplift	28 775	23 619	33 666	70 368	96 992	196 977
Financial and onshore items	-66 882	-90 502	-53 448	-208 869	-92 008	-94 459
Effect of new tax rates	-104	-	-	-104	-	-
Change valuation allowance	-	-	-1 384	-	-6 116	-4 887
Adjustments previous year and other	-0	-8 302	-	-8 302	5 893	4 941
Total income taxes recognised in the income statement	-633 170	-503 836	-429 214	-2 210 798	-1 132 251	-1 502 673
Effective income tax rate	86 %	95 %	82 %	86 %	78 %	71 %

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

Amounts in NOK '000	30.09.2022	30.06.2022	31.12.2021	30.09.2021
Tangible and intangible non-current assets	-3 159 941	-3 426 655	-2 939 348	-2 865 570
Provisions (net ARO), lease liability, pensions and gain/loss account	1 298 279	1 272 106	1 352 475	1 297 484
Interest bearing loans	-1 697	-2 481	-3 429	-4 849
Current items (spareparts and inventory)	-98 298	-131 485	-145 419	-113 102
Tax losses carried forward, onshore 22%	4 887	4 887	4 887	6 116
Uplift, offshore 56%	-	-	-	387
Valuation allowance (uncapitalised deferred tax asset)	-4 887	-4 887	-4 887	-6 116
Total deferred tax assets / liabilities (-) recognised	-1 961 657	-2 288 515	-1 735 720	-1 685 649

The tax calculation is from Q2 2022 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 previous 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	-1 088 634
Tax payable adjustment previous year	4 170
Tax payable current year recognised in the income statement	2 010 161
Tax payable recognised in business combination (see note 27)	50 063
Tax payable at 30 September 2022	1 748 779

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	327 389	-	-	2 914	4 442	334 745
Additions through business combination (see note 27)	166 116	-	-	-	-	166 116
Reclassification from inventory	3 033	-	-	-	-	3 033
Removal and decommissioning asset	-104 490	-	-	-	-	-104 490
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 January 2022	-2 480 324	-	-	-9 370	-95 205	-2 584 899
Depreciation	-310 357	-	-	-3 071	-9 503	-322 931
Impairment (-) / reversal of impairment	362 597	-	-	-	-	362 597
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	-	-	-	-	-5 001	-5 001
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
Cost at 1 July 2022	7 557 124	-	-	19 142	333 846	7 910 113
Additions	320 514	-	-	3 037	-	323 551
Additions through business combination (see note 27)	-	-	-	-	-	-
Reclassification from inventory	-	-	-	-	-	-
Removal and decommissioning asset	47 036	-	-	-	-	47 036
Disposals	-	-	-	-	-	-
Cost at 30 September 2022	7 924 674	-	-	22 179	333 846	8 280 699
Accumulated depreciation and impairment at 1 July 2022	-2 428 084	-	-	-8 157	-109 710	-2 545 950
Depreciation	-169 878	-	-	-1 552	-4 755	-176 185
Impairment (-) / reversal of impairment	-609 030	-	-	-	-	-609 030
Disposals	-	-	-	-	-	-
Additional depreciation of IFRS 16 Right-of- use assets presented gross related to leasing contracts entered into as licence operator	-	-	-	-	-2 501	-2 501
Accumulated depreciation and impairment at 30 September 2022	-3 206 992	-	-	-9 708	-116 966	-3 333 666
Carrying amount at 30 September 2022	4 717 682	-	-	12 471	216 880	4 947 033

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	131 297	-	-	-
Additions through business combination (see note 27)	-	32 065	-	32 065
Reclassification to oil and gas properties under development	-	-	-	-
Expensed exploration expenditures temporarily capitalised	-63 402	-	-	-
Cost at 30 June 2022	78 654	1 146 612	416 415	1 563 027
Accumulated impairment at 1 January 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
Cost at 1 July 2022	78 654	1 146 612	416 415	1 563 027
Additions	1 841	-	-	-
Additions through business combination (see note 27)	-	-	-	-
Reclassification to oil and gas properties under development	-	-	-	-
Expensed exploration expenditures temporarily capitalised	1	-	-	-
Cost at 30 September 2022	80 496	1 146 612	416 415	1 563 027
Accumulated impairment at 1 July 2022	-	-508 818	-253 198	-762 016
Impairment	-	-	-	-
Accumulated impairment at 30 September 2022	-	-508 818	-253 198	-762 016
Carrying amount at 30 September 2022	80 496	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 September 2022:

Year	Oil USD/BOE*	Gas GBP/therm*	Currency rates USD/NOK
2022	101.3	2.56	9.8
2023	77.0	4.48	10.8
2024	70.0	2.93	10.6
2025	67.9	1.15	9.4
From 2026	67.6	0.70	9.0

* Prices in real terms

Other assumptions

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

Future capex, opex and abandonment cost are calculated based on the expected production profiles and the best estimate of related cost. For fair value testing the discount rate applied is 10.0% post tax increased from 9.0% applied in the Q2 test mainly due to increased long term interest rates.

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

The valuation of oil and gas properties and goodwill are inherently uncertain due to the judgemental nature of the underlying estimates. This risk has increased due to the current market conditions with rapid fluctuation in supply and demand of oil and gas causing more volatility in prices.

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

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

Based on the company's impairment assessments NOK 609 million in impairment of the Yme asset was recognised in the third quarter. The impairment was mainly driven by reduced reserves estimate.

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

Sensitivity analysis

The table below shows what the impairment pre-tax would have been in the third 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 (-) Q3 2022 (NOK '000)		Increase / decrease (-) of pre- tax impairment Q3 2022 (NOK '000)	
		Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Oil and gas price	+/- 10%	88 984	1 129 076	-520 046	520 046
Currency rate USD/NOK	+/- 1.0 NOK	86 256	1 131 804	-522 774	522 774
Discount rate	+/- 1% point	661 341	555 027	52 311	-54 003
Environmental cost (CO ₂ and NOx)	+/- 20%	681 521	536 539	72 491	-72 491

Note 13 General and administrative expenses

Amounts in NOK '000	Q3 2022	Q2 2022	Q3 2021	01.01-30.09		01.01-31.12
				2022	2021	2021
Salary and other employee benefits expenses	123 034	143 375	111 867	394 306	348 276	484 758
Consultants and other operating expenses	67 420	75 268	50 685	196 685	133 406	196 276
Allocated to operated licences	-142 157	-157 140	-140 853	-454 612	-429 927	-581 578
Allocated to exploration and production expenses	-3 434	-3 438	-	-10 870	-	-
Reclassified to oil and gas properties under development	-	-	-954	-	-2 959	-4 432
Total general and administrative expenses	44 863	58 065	20 745	125 509	48 796	95 024

Note 14 Financial items

Amounts in NOK '000	Q3 2022	Q2 2022	Q3 2021	01.01-30.09		01.01-31.12
				2022	2021	2021
Interest income	6 246	3 244	60	11 160	63	1 120
Unwinding of discount asset retirement reimbursement right (indemnification asset)	24 758	23 014	19 691	67 974	59 073	78 764
Gain on financial investments	-165	165	-	-	-	-
Finance income	30 839	26 423	19 751	79 134	59 136	79 884
Interest expense and fees from loans and borrowings	-59 705	-53 824	-51 100	-166 964	-150 209	-210 907
Capitalised borrowing cost, development projects	8 785	5 537	33 214	17 259	102 309	116 709
Interest expense shareholder loan	-	-	-	-	-	-57
Other interest expense	-744	-2 339	-42	-4 724	-615	-3 986
Unwinding of discount asset retirement obligations	-28 307	-25 188	-20 949	-74 636	-62 848	-83 797
Loss on buy-back/early redemption bond loan	-17 127	-2 046	-2 608	-23 535	-2 608	-6 364
Loss on financial investments	-71	634	-	-71	-	-39
Other financial expense	-5 465	-3 107	-1 862	-13 013	-5 962	-8 558
Finance costs	-102 636	-80 332	-43 348	-265 683	-119 933	-197 001
Exchange rate gain/loss (-), interest-bearing loans and borrowings	-149 566	-338 302	-63 370	-468 918	-71 040	-107 918
Net exchange rate gain/loss (-), other	108 353	161 255	-4 383	250 693	1 219	33 158
Net exchange rate gain/loss (-)	-41 213	-177 047	-67 754	-218 225	-69 821	-74 761
Net financial items	-113 010	-230 956	-91 350	-404 775	-130 619	-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	-599 538
Asset retirement costs from billing, reimbursement from Shell	-90 290
Unwinding of discount	67 974
Asset retirement reimbursement right at 30 September 2022 (indemnification asset)	2 486 121
Of this:	
Asset retirement reimbursement right, non-current	2 486 121
Asset retirement reimbursement right, current	-
Asset retirement reimbursement right at 30 September 2022 (indemnification asset)	2 486 121

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 4.10% (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 September 2022	103 870 350
Nominal value NOK per share at 30 September 2022	0,1
Share capital NOK at 30 September 2022	10 387 035

As per 30 September 2022, 80,000 equity-settled warrants are still outstanding. 40,000 of these warrants were exercised in October 2022 and the remaining 40,000 expired in October 2022. 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	30.09.2022	30.06.2022	31.12.2021	30.09.2021
Accounts receivable and receivables from operated licences*	346 353	55 674	68 275	81 463
Accrued revenue	268 844	347 228	487 424	201 213
Prepayments	140 483	129 488	48 300	19 310
Working capital and overcall, joint operations/licences	255 383	197 581	164 226	130 316
Underlift of petroleum products	322 071	301 621	225 079	278 126
VAT receivable	12 239	5 928	7 317	3 967
Accrued interest income	1 690	1 518	830	60
Other receivables	-	21 014	-	-
Fair value forward contracts, gas	-	-	51 885	-
Total trade and other receivables	1 347 063	1 060 052	1 053 338	714 455

* 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 September 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	30.09.2022	30.06.2022	31.12.2021	30.09.2021
Bank deposits, unrestricted	1 994 781	1 641 192	1 035 711	1 093 807
Bank deposit, time deposit	617 148	1 047 960	980 000	400 000
Bank deposit, restricted, employee taxes	12 578	25 135	18 033	10 529
Bank deposit, restricted, deposit office leases	14 810	14 810	-	-
Bank deposit, restricted, other	29 136	29 028	5 001	-
Total cash and cash equivalents	2 668 452	2 758 124	2 038 745	1 504 336

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	83 443
Additions through business combination (see note 27)	78 968
Changes in estimates	-
Effects of change in the discount rate	-740 434
Asset retirement costs from billing	-112 862
Unwinding of discount	74 636
Asset retirement obligations at 30 September 2022	3 621 192
Of this:	
Asset retirement obligations, non-current	3 621 192
Asset retirement obligations, current	-
Asset retirement obligations at 30 September 2022	3 621 192

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 3.35% (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	30.09.2022	30.06.2022	31.12.2021	30.09.2021
Inventory of petroleum products	85 226	121 754	124 258	102 983
Spare parts and equipment	143 509	131 466	129 061	124 344
Total spare parts, equipment and inventory	228 735	253 220	253 318	227 327

Note 21 Trade and other payables

Amounts in NOK '000	30.09.2022	30.06.2022	31.12.2021	30.09.2021
Trade creditors	20 618	28 537	117 721	18 824
Accrued holiday pay and other employee benefits	83 501	71 849	110 947	77 600
Working capital, joint operations/licences	761 291	565 618	430 608	472 605
Overlift of petroleum products	-	11 435	24 555	15 747
Accrued interest bond loans	34 201	5 231	5 096	27 653
Prepayments from customers	77 259	23 093	17	111 160
Fair value forward contracts, gas	24 510	4 170	-	5 312
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
Other accrued expenses	189 909	231 340	86 220	63 609
Total trade and other payables	1 192 660	942 644	786 535	803 824

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	14 889	4 955	19 844
Bond buy-back/early redemption	-1 377 996	-	-1 377 996
Foreign exchange movement	113 850	247 006	360 855
Interest bearing bond loans at 30 September 2022	0	1 297 576	1 297 576
Of this:			
Interest bearing bond loans, non-current	-	1 297 576	1 297 576
Interest bearing bond loans, current	0	-	0
Interest bearing bond loans at 30 September 2022	0	1 297 576	1 297 576

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	-1 401 531	-	-1 401 531
Total cash flows:	-1 401 531	-	-1 401 531
Non-cash changes:			
Amortisation of transaction costs	14 889	4 955	19 844
Foreign exchange movement	113 850	247 006	360 855
Loss / gain (-) on buy-back	23 535	-	23 535
Interest bearing bond loans at 30 September 2022	0	1 297 576	1 297 576

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 OKEA03 is 11 December 2024.

In July 2022 OKEA completed a voluntarily redemption of all remaining OKEA02 bonds. The remaining net outstanding of USD 100 million was called at a premium of 102.75. The bonds were settled on 27 July 2022.

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	-29 379	-29 379
Foreign exchange movement	108 063	108 063
Other interest bearing liabilities at 30 September 2022	572 129	572 129
Of this:		
Other interest bearing liabilities, non-current	522 256	522 256
Other interest bearing liabilities, current	49 874	49 874
Other interest bearing liabilities at 30 September 2022	572 129	572 129

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	-29 379	-29 379
Total cash flows:	-29 379	-29 379
Non-cash changes:		
Financing Yme Rig	-	-
Foreign exchange movement	108 063	108 063
Other interest bearing liabilities at 30 September 2022	572 129	572 129

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	11 302
Payments of lease debt and interest	-33 024
Total lease debt at 30 September 2022	246 018

Break down of lease liability

Short-term (within 1 year)	44 106
Long-term	201 913
Total lease liability	246 018

Undiscounted lease liabilities and maturity of cash outflows:

Amounts in NOK '000	30.09.2022
Within 1 year	43 835
1 to 5 years	147 970
After 5 years	163 077
Total	354 881

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

Note 25 Commodity contracts

Amounts in NOK '000	30.09.2022	30.06.2022	31.12.2021	30.09.2021
Premium commodity contracts	-	-	-	-
Accumulated unrealised gain/loss (-) commodity contracts included in other operating income / loss(-)	-24 510	-4 170	51 885	-5 312
Short-term derivatives included in assets/liabilities (-)	-24 510	-4 170	51 885	-5 312

OKEA uses derivative financial instruments to manage exposures to fluctuations in commodity prices. At 30 September 2022, OKEA had outstanding financial forward contracts (without physical delivery of gas) for;

Quantity - therms of gas	Fixed price GBp per therm	Expiration
710 000	329,507	Oct 2022
820 000	353,872	Nov 2022
825 000	361,000	Dec 2022
235 000	341,000	Jan 2023
230 000	319,000	Feb 2023
235 000	291,000	March 2023

In addition OKEA has in Q3 2022 entered into the following non-financial contracts with physical delivery of gas at fixed price;

- 2 409 660 therms of gas in Q1 2023 at fixed price 519.5 GBp/therm
 - 2 438 800 therms of gas in Q2 2023 at fixed price 504.5 GBp/therm
- Revenue from these contracts will be recognised at delivery of the gas.

Note 26 Financial investments

Amounts in NOK '000	30.09.2022	30.06.2022	31.12.2021	30.09.2021
Investments in money-market funds and combination funds	9 100	210 126	209 961	-
Total financial investments	9 100	210 126	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 from Q2 2022 compared to the PPA presented in Q1 2022. There are no changes in Q3 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/Q3 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 loan OKEA03, the fair value is estimated to be NOK 1 315 917 thousand at 30 September 2022. The OKEA03 bond loan is listed on the Oslo Stock Exchange and the fair value is based on the latest quoted market price (level 1 in the fair value hierarchy according to IFRS 13) as per balance sheet date.

Fair value of financial forward contracts gas (without physical delivery) is based on quoted market prices at the balance sheet date (level 2 in the fair value hierarchy). The financial forward contracts gas (without physical delivery) are carried in the statement of financial position at fair value.

Note 29 Events after the balance sheet date

In October 2022 40,000 new shares were issued in connection with exercise of warrants. The company's new share capital is NOK 10,391,035 divided into 103,910,350 shares, each with a par value of NOK 0.10.

There are no subsequent events with significant impacts that have occurred between the end of the reporting period and the date of this report that are not already reflected or disclosed in these financial statements.

Alternative performance measures

Reconciliations

EBITDA	Q3 2022	Q2 2022	Q3 2021	2022	2021	2021
Amounts in NOK `000	3 months	3 months	3 months	9 months	9 months	12 months
Profit / loss (-) from operating activities	850 638	762 572	617 612	2 961 063	1 583 025	2 297 860
Add: depreciation, depletion and amortisation	176 185	165 151	179 335	499 116	495 450	672 450
Add: impairment	609 030	-	-	246 433	-730 397	-363 765
EBITDA	1 635 853	927 723	796 947	3 706 612	1 348 078	2 606 545

EBITDAX	Q3 2022	Q2 2022	Q3 2021	2022	2021	2021
Amounts in NOK `000	3 months	3 months	3 months	9 months	9 months	12 months
Profit / loss (-) from operating activities	850 638	762 572	617 612	2 961 063	1 583 025	2 297 860
Add: depreciation, depletion and amortisation	176 185	165 151	179 335	499 116	495 450	672 450
Add: impairment / reversal of impairment	609 030	-	-	246 433	-730 397	-363 765
Add: exploration and evaluation expenses	18 553	26 009	36 677	137 238	254 310	342 972
EBITDAX	1 654 406	953 733	833 625	3 843 850	1 602 388	2 949 517

Production expense per boe	Q3 2022	Q2 2022	Q3 2021	2022	2021	2021
Amounts in NOK `000	3 months	3 months	3 months	9 months	9 months	12 months
Productions expense	425 468	380 990	180 677	1 093 752	569 665	860 419
Less: processing tariff income	-41 528	-26 216	-13 393	-91 889	-37 697	-61 960
Less: joint utilisation of resources	-9 360	-12 032	-1 382	-27 186	-9 982	-23 036
Less: preparation for operation asset under construction	-	-	-3 483	-	-16 487	-17 884
Divided by: produced volumes (boe)	1 477 922	1 459 581	1 500 961	4 279 176	4 193 131	5 668 579
Production expense NOK per boe	253,1	234,7	108,2	227,8	120,6	133,6

Net interest-bearing debt	30.09.2022	30.06.2022	31.12.2021	30.09.2021
Amounts in NOK `000				
Interest bearing bond loans	1 297 576	1 187 330	2 294 873	2 378 676
Other interest bearing liabilities	522 256	482 150	454 853	-
Interest bearing bond loans, current	-	994 835	-	-
Other interest bearing liabilities, current	49 874	44 380	38 593	-
Less: Cash and cash equivalents	-2 668 452	-2 758 124	-2 038 745	-1 504 336
Net interest-bearing debt	-798 746	-49 429	749 574	874 340

Net interest-bearing debt excl. other interest bearing liabilities	30.09.2022	30.06.2022	31.12.2021	30.09.2021
Amounts in NOK `000				
Interest bearing bond loans	1 297 576	1 187 330	2 294 873	2 378 676
Interest bearing bond loans, current	-	994 835	-	-
Less: Cash and cash equivalents	-2 668 452	-2 758 124	-2 038 745	-1 504 336
Net interest-bearing debt excl. other interest bearing liabilities	-1 370 875	-575 959	256 128	874 340

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

Production expense per boe is defined as production expense less processing tariff income and joint utilisation of resources income for assets in production divided by produced volumes. Expenses classified as production expenses related to various preparation for operations on assets under development are excluded.



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

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