2019Q3

Quarterly Report

Third quarter 2019 summary

Highlights

- Production of 18,125 (376) boepd
- High production regularity on Draugen of 97%, up from 86% previous quarter
- Operating income of NOK 622 (97) million
- Profit from operating activities of NOK 227 (36) million
- Net profit / loss (-) before tax was NOK 1 (-30) million
- Cash flow from operations of NOK 723 (-3) million
- Consent for drilling two appraisal wells on Draugen to be drilled in Q4 2019

(Amounts in brackets refer to corresponding period previous year)

Financial and operational summary

	Unit	Q3 2019	Q2 2019	Q3 2018	Full year 2018*
Revenue from crude oil and gas sales	NOKm	612	1 042	22	150
EBITDA [1)]	NOKm	404	594	42	149
Profit/loss (-) before income tax	NOKm	1	311	-30	-300
Profit/loss (-) before tax per share	NOK/share	0.01	3.65	-0.81	-7.67
Net profit / loss (-)	NOKm	-77	18	-64	-156
Cash flow from operations	NOKm	723	616	-3	235
Cash flow from investments	NOKm	-216	-81	-17	-2,257
Draugen	Boepd [2)]	9,648	9,241	N/A	10,898
Gjøa	Boepd [2)]	8,135	10,496	N/A	11,108
Ivar Aasen	Boepd [2)]	342	308	376	363
Total net production	**Boepd** [2)]	**18,125**	**20,045**	**376**	**22,369**
Over/underlift/inventory adj.	Boepd [2)]	-1,429	5,229	123	-13,590
Net Sold volume	Boepd [2)]	16,696	25,274	499	8,779
Production expense per boe [3)]	NOK/boe	79.7	102.4	71.2	118.7
Realized Liquids price	USD/boe	56.4	60.7	63.9	67.8
Realized Gas price	USD/scm	0.11	0.15	0.28	0.29

1) EBITDA is defined as earnings before interest and other financial items, taxes, depreciation, depletion, amortization and impairments

2) Boepd is defined as barrels of oil equivalents per day (Full year 2018 for Draugen and Gjøa includes December figures only)

3) Production expense per boe is calculated as "(Production expense less tariff income) / produced volumes"

* Restated

Financial review

Statement of Comprehensive Income

(Amounts in brackets refer to corresponding period previous year)

Total operating income in the third quarter was NOK 622 (97) million. The increase from previous year was caused by the acquisition of the interests in the Draugen and Gjøa licences in November 2018.

Other operating income / loss (-) amounted to NOK 10 (-40) million. In Q3 2019 the amount mainly relates to tariff income from Gjøa while the Q3 2018 amount relates to a loss from oil options.

Production expenses amounted to NOK 144 (2) million, equating to NOK 79.7 (71.2) per boe. Net OKEA produced volumes were 18,125 boepd in Q3 2019 compared to 376 boepd in Q2 2018.

Changes in over/underlift positions and production inventory amounted to NOK 41 (-3) million. The effect in Q3 2019 is caused by produced volumes exceeding sold volumes by 1,429 boepd.

Exploration expenses amounted to NOK 102 (11) million in the quarter. The amount in Q3 2019 mainly relates to purchase of seismic data of NOK 37 million and various exploration activities including expenses per end of Q3 2019 related to the dry well Kathryn on PL910 of NOK 16 million and the well Infill Ø on Draugen of NOK 14 million.

Impairments amounted to NOK 0 (0) million.

Depreciation in the third quarter was NOK 177 (6) million. The increase compared to the third quarter last year is related to the acquisition of the Draugen and Gjøa assets.

Net Employee benefit expenses were NOK 2 (6) million and Other operating expenses amounted to NOK 12 (33) million and both represent OKEA's share of costs after allocations to licence activities.

Net financial items amounted to NOK -225 (-66) million, and the increase was mainly related to exchange rate loss of NOK 154 million driven by an increase of around 7 per cent in the NOK/USD rate from 30 June to 30 September 2019.

Profit / loss (-) before income tax amounted to NOK 1 (-30) million in Q3 2019.

Net profit / loss (-) for the period was NOK -77 (-64) million after taxes of NOK 79 (34) million. Earnings per share were NOK -0.76 (-1.73).

Comparison Q3 2019 and Q2 2019

Revenue from oil and gas sales was NOK 612 million in Q3 compared to NOK 1 042 million in Q2 2019. The decrease was caused by a reduction of sold volumes from 25,274 boepd in Q2 2019 to 16,696 boepd in Q3 2019, in addition to a reduction of realized prices. There was only one lifting of oil on Draugen in Q3 compared to two liftings in Q2 2019. Furthermore, the lifting in Q3 2019 was carried out by a smaller shuttle tanker than previous quarters.

Production expenses in the third quarter 2019 equated to NOK 79.7 per boe while in Q2 production expenses were NOK 102.4 per boe. The reduction in Q3 was caused by revised transport and processing costs for Gjøa included in Q2 and reclassification of field evaluation and exploration well planning at Draugen from production expense to exploration expenditures in Q3.

In Q3 2019 Impairment was NOK 0 million compared to NOK 43 million in Q2 2019. The reduction from Q2 is mainly caused by improved future production and cost profiles on Gjøa.

Profit / loss (-) before income tax amounted to NOK 1 million in Q3 compared to NOK 311 million in Q2, after deduction of net financial items of NOK -225 million in Q3. Net financial loss in Q3 was mainly due to loss on net exchange rate of NOK 154 million in Q3 compared to a gain of NOK 13 million in Q2. Year to date Q3 2019 profit before tax amounted to NOK 454 million.

Net profit / loss (-) was NOK -77 million in Q3 compared to NOK 18 million in Q2.

Statement of financial position

(Amounts in brackets refer to 31 December 2018 – restated as described in note 3)

Goodwill amounted to NOK 1 430 (1 526) million and the reduction was caused by impairment of technical goodwill in Q1 and Q2 as described in note 3 and 9. No impairment was recorded in Q3.

Right-of-use assets were recognised for the first time in 2019 caused by implementation of IFRS 16. At the end of third quarter this amounts to NOK 172 million.

Cash and cash equivalents were NOK 1 799 (395) million. The increase in cash and cash equivalents is mainly due to positive cash flow from operations and proceeds from share issue, offset by cash spending on investment and financing activities.

Spare parts, equipment and inventory amounted to NOK 212 (316) million. The reduction was mainly caused by realization of oil inventory at Draugen in 2019 that was acquired and measured at fair market value as part of the Shell transaction in 2018, combined with reduced volumes at the end of the second quarter 2019.

Equity amounted to NOK 1 679 (1 456) million at the end of second quarter. The increase was mainly caused by the net proceeds after tax from the share issue of NOK 290 million the second quarter offset by net loss for YTD Q3 2019 of NOK 69 million.

Provisions for asset retirement obligations amounted to NOK 3 945 (3 859) million.

Interest-bearing loans and borrowings were NOK 2 663 (2 529) million and increased due to the strengthened USD compared to NOK since year end 2018.

Lease liability effect from application of the new accounting standard on Leasing, IFRS 16 is split into non-current liability of NOK 127 (0) million and current liability of NOK 46 (0) million.

Trade and other payables amounted to NOK 1 107 (1 146) million decreased mainly because of reduction in accrued consideration from acquisitions of interests in licences and other accrued expenses.

Statement of Cash flows

(All amounts in brackets refer to corresponding period previous year)

Net cash flows from operating activities was NOK 723 (-3) million. The increase was mainly caused by cash generated from the assets Draugen and Gjøa which OKEA acquired effective from 30 November 2018.

Net cash flows from investment activities was NOK -216 (-17) million, of which investments in Oil & Gas Properties amounted to NOK -203 (-73) million for the quarter, mainly related to the Yme New Development.

Net cash flow from financing activities amounted to NOK -37 (4) million, of which interest paid in Q3 2019 was NOK -37 million.

Operational review

(All amounts in brackets refer to corresponding period previous year)

OKEA produced 18,125 (376) boepd in the third quarter of 2019. The average realized liquid price was USD 56.4 (63.9) per barrel, while gas revenues were recognized at market value of USD 0.11 (0.28) per standard cubic metre (scm). The price fluctuation between quarters is mainly driven by reduced prices for gas in Europe over the last year.

Draugen (Operator, 44.56%)

Q3 production from Draugen was 9,648 boepd net to OKEA compared to 9,241 boepd net in Q2. This represents an increase of approximately 4 per cent. The increased production this quarter is mainly due to the shut-in production in Q2 from the upgrade of Safety and Automation Systems (SAS), and well A2 & A3 Christmas trees replacement.

In the third quarter an efficient and safe replacement campaign for the downhole safety valve for well A1 was delivered on plan.

A key activity for OKEA in Q3 has been to successfully finalize all preparations for the Q4 drilling campaign in the Draugen license. The objective of the drilling campaign is to add reserves in the area in line with OKEA’s strategy. The two wells are drilled by Odfjell Drilling’s rig Deepsea Nordkapp and drilling commenced on 15 October.

In the quarter, OKEA entered into an agreement with Neptune Energy to enhance utilization of the platform supply vessel currently supporting the Draugen operations. This will reduce Draugen production expense when the contract commences in Q1 2020.

Gjøa (Partner, 12.00%)

Net production to OKEA in Q3 was 8,135 boepd, compared to 10,496 boepd in Q2. Gjøa production regularity was 86% in Q3 compared to 95% in Q2.

The main reason for lower production regularity, in addition to the planned modifications related to tie-in of the Nova Project (10 days), is a technical failure on a plate heat exchanger that was discovered during the inspection program executed as part of Nova modifications in August. The operator, Neptune Energy, initiated corrective action and executed the repair program in a safe and efficient manner to minimize production impact. The technical failure on the plate heat exchanger caused a two-day extended shut-in. Gjøa was successfully put on production in August after the shut-in.

In addition, Gjøa was impacted by the unexpected shut-down of the Fife Ethylene Plant (FEP) at Mossmorran in August. As a consequence, the Shell Esso Gas and Associated Liquids (SEGAL) pipeline system will have reduced capacity going forward and will defer some of OKEA's production from the Gjøa asset. Gassco and the SEGAL operator is working together to assess and minimize the impact of the reduced capacity, and OKEA is monitoring the development daily. Due to optimization of gas flow across NCS, measures taken in the SEGAL system, and OKEA's strategy of buying additional capacity at fixed prices through Gassco, OKEA has been able to lift between 80 and 100% of their normal offtake since mid-September. OKEA estimates the same going forward, though the situation can change rapidly. Current information indicates full capacity to be obtained by mid-December 2019.

Ivar Aasen (Partner, 0.554%)

Net production to OKEA in Q3 was 342 boepd, compared to 308 boepd in Q2. Production regularity on Ivar Aasen was 91,5% in Q3, up from 89% in Q2. The main driver for the increase is related to the turbine challenges at Edvard Grieg in Q2 partly offset by issues on the water injection pumps at Ivar Aasen in Q3. The 11% increase in production is mainly due to the start-up of a new production well in late June and higher production regularity. The new well initially lifted production significantly, but volume declined faster than expected. Drilling of D-15 Skagerak was completed in Q3 and was put in production early October.

Development projects

Yme (Partner, 15.00%)

The Yme New Development project is well underway with upgrade of the Jack-up Rig Maersk Inspirer at Aker Solutions yard in Egersund. The onshore completion of the rig is planned to be in March 2020. Both lifetime extension scope and field specific scope is being executed at yard.

An important milestone for the project was achieved in September 2019, when the Wellhead Module was installed offshore on the existing Yme caisson. To utilize time between Wellhead module installation and offshore arrival of the Maersk Inspirer, a separate rig campaign commenced October 2019. The Rowan Viking rig (Valaris JU-290) will be applied as accommodation unit with a contract period of 3-5 months. The purpose of this rig campaign is to execute the scheduled hook-up scope and carry-over work for the Wellhead module, and thereby minimizing the remaining hook-up scope after Maersk Inspirer is jacked-up offshore.

The Yme New Development project is on track for first oil in Q2 2020 and will at plateau add a production of 5,700 boepd net to OKEA.

Exploration licences

A multi-client 3D seismic survey was completed by PGS ASA over the PL958 area, north-east of Draugen in August, pre-funded by the PL958 licensees (OKEA operator 50%). These data, once processed and delivered, will form the basis for mapping of exploration targets in the licence. Fast-track data are expected to be delivered by the end of 2019, with the full data set delivered in the middle of 2020.

Operatorship of the PL973 exploration licence (OKEA 30%), south of Grevling, was transferred to Chrysaor Norge AS in September. Site surveys for two exploration well locations in the licence were completed successfully in July and August.

The Kathryn exploration well in PL910, east of Yme (OKEA 16.667%), was spudded at the end of September. The well was concluded as a dry well in October, as no traces of hydrocarbons were encountered.

Grevling / Storskrymten (Operator, 55.00% / 78.57%)

The Grevling and Storskrymten discoveries are being further matured as one project towards a planned Decision Gate 2 in Q1 2020. The licence partnership has accordingly agreed a work program and budget for 2019 in order to mature the concepts of a Jack-Up Mobile Offshore Production Unit and re-development of an FPSO towards the same decision gate.

Health, safety and the environment (HSE)

No serious incidents have been experienced in OKEA's operations during Q3, 2019. OKEA has in the third quarter prepared drilling operations in the Draugen license, ensuring high quality of HSE activities related to the planning, preparation and execution of the operations. The preparations aim at ensuring robust and safe operations, and the prevention of undesirable incidents to occur. The preparations also involve establishing location specific emergency preparedness and oil spill contingency plans for the operations, as well as further development of the emergency preparedness organization to be well prepared to handle a long-term incident, if such an unlikely event should occur. As part of the drilling planning and preparations, OKEA has also performed environmental studies and mapped the seabed to ensure that the activity is prepared and executed in a way that will cause no harm to corals or other environmental resources.

OKEA submitted the "Application for Consent to Drill" (AfD) to the Petroleum Safety Authority (PSA) on 30 July. As a part of the PSA consent process, PSA performed an audit of OKEA's drilling organization, procedures and preparations. The PSA audit resulted in no deviations, and on 17 September PSA granted OKEA the consent to drill well in advance of the scheduled drilling commencement date.

OKEA has late Q3 successfully performed and completed the Annual Senior Management review, addressing the Company's achievements, results and experiences through the year since the Company became the operating company of Draugen. The review covered among other quality, health, safety and environment related aspects, with especial attention towards identifying further improvement initiatives. Identified improvement measures will be matured further and implemented into the Company activity plans for 2020, to ensure the objective of obtaining continuous improvements in all our activities.

Outlook

OKEA aims to become the next growth company on the Norwegian Continental Shelf, building on

- A diversified portfolio with material upside potential identified
- A nimble low-cost strategy focused on profitable production growth
- Low-cost field development of sub-100 million boe discoveries
- Highly skilled and experienced operating organization
- Actively looking for the right value adding Merger & Acquisition opportunities

Draugen

An important part of OKEA's strategy is developing resources in and around the Draugen Area. In mid-October, the company started the drilling campaign for the appraisal wells Infill Ø (6407/9-11) and Skumnisse (6407/9-12). The results from the Infill Ø gave an improved understanding of reservoir drainage but did not prove commercial remaining volumes at the well location. Results from the Skumnisse well are expected later in Q4 2019.

OKEA will continue the ongoing improvement work ("The OKEA Way") on the operations of Draugen. This include amongst other, digitalization and efficient use of new technology, efficient and tailored working procedures and smart collaboration with suppliers.

Gjøa

The P1 development project in the Gjøa license is progressing well and first production is expected late 2020 or early 2021. Project scope includes a new subsea template with three production wells targeting gross 32 mmboe in reserves. The project is preparing the rig Deepsea Yantai for appraisal drilling of P1. In addition, the licence is preparing for tie-in of the new fields Duva and Nova with corresponding shutdown in 2020. Furthermore, optimizing the production within the daily capacity restrictions caused by technical issues at Fife Ethylene Plant at Mossmorran, will be prioritised in Q4 2019.

Yme

The Yme new development project is on track for first oil in Q2 2020 and will at plateau add a production of 5,700 boepd net to OKEA.

Grevling

Activities are ongoing to further develop the project towards the next milestone - Decision Gate 2 (DG2) in Q1 2020.

Financial Statements with notes Q3 2019

Statement of Comprehensive Income

Amounts in NOK `000	Note	Q3 2019 (unaudited)	Q3 2018 (unaudited)	01.01-30.09. 2019 (unaudited)	01.01-30.09. 2018 (unaudited)	Restated Year 2018
Revenues from crude oil and gas sales	6	611 560	22 417	2 402 045	52 555	149 761
YME compensation contract breach	6	-	115 000	22 098	115 000	115 000
Other operating income / loss (-)	6	10 409	-39 924	31 033	-39 924	44 326
Total operating income		**621 969**	**97 493**	**2 455 176**	**127 631**	**309 087**
Production expenses		-144 095	-2 463	-503 640	-7 089	-96 714
Changes in over/underlift positions and production inventory		41 041	-2 563	-314 829	2 877	133 318
Exploration expenses		-101 588	-11 446	-147 815	-38 181	-74 782
Depreciation, depletion and amortization	8	-176 966	-6 232	-541 347	-17 936	-100 066
Impairment	9	-	-	-96 658	-	-
Employee benefit expenses		-1 711	-6 262	-23 595	-15 849	-34 183
Other operating expenses		-11 839	-32 964	-54 814	-53 412	-87 899
Total operating expenses		**-395 159**	**-61 929**	**-1 682 699**	**-129 590**	**-260 326**
Profit / loss (-) from operating activities		**226 809**	**35 563**	**772 477**	**-1 959**	**48 761**
Finance income	10	25 080	3 800	75 395	5 014	17 300
Finance costs	10	-96 062	-59 744	-280 192	-103 008	-181 853
Net exchange rate gain/loss (-)	10	-154 368	-9 821	-113 355	-10 016	-184 410
Net financial items		**-225 350**	**-65 766**	**-318 152**	**-108 010**	**-348 963**
Profit / loss (-) before income tax		**1 459**	**-30 202**	**454 325**	**-109 969**	**-300 202**
Taxes (-) / tax income (+)	7	-78 587	-34 154	-523 164	13 007	144 488
Net profit / loss (-)		**-77 128**	**-64 356**	**-68 839**	**-96 962**	**-155 715**
Other comprehensive income:						
Total other comprehensive income		**-**	**-**			**-**
Total comprehensive income / loss (-)		**-77 128**	**-64 356**	**-68 839**	**-96 962**	**-155 715**
Weighted average no. of shares outstanding basic*		101 839 050	37 151 440	89 756 250	32 397 799	39 144 548
Weighted average no. of shares outstanding diluted*		101 839 050	37 151 440	89 756 250	32 397 799	39 144 548
Earnings per share (NOK per share) - Basic		-0,76	-1,73	-0,77	-2,99	-3,98
Earnings per share (NOK per share) - Diluted		-0,76	-1,73	-0,77	-2,99	-3,98

* All periods are updated to reflect the split of shares 1/10 registered in Q2 2019

Statement of Financial Position

Amounts in NOK `000	Note	30.09.2019 (unaudited)	30.09.2018 (unaudited)	Restated 31.12.2018
ASSETS				
Non-current assets				
Deferred tax assets	7	-	70 231	-
Goodwill	9	1 429 711	8 057	1 526 370
Exploration and evaluation assets		24 807	6 369	6 324
Oil and gas properties	8	3 837 659	862 326	3 777 130
Buildings	8	89 032	-	92 501
Furniture, fixtures and office equipment	8	9 460	212	3 407
Right-of-use assets	3, 8	172 366	-	-
Other non-current assets	11	2 828 379	28 292	2 754 237
Total non-current assets		**8 391 415**	**975 488**	**8 159 968**
Current assets				
Trade and other receivables	13	480 186	247 959	912 159
Spareparts, equipment and inventory	16	211 575	-	315 500
Restricted cash	14	651	2 162 488	48 327
Cash and cash equivalents	14	1 798 839	56 909	394 670
Total current assets		**2 491 252**	**2 467 356**	**1 670 656**
TOTAL ASSETS		**10 882 667**	**3 442 844**	**9 830 625**
EQUITY AND LIABILITIES				
Equity				
Share capital	12	10 184	3 715	8 220
Share premium		1 912 195	595 991	1 624 104
Not registered share capital		290	-	-
Other paid in capital		2 555	958	1 361
Accumulated loss		-246 220	-118 628	-177 381
Total equity		**1 679 003**	**482 036**	**1 456 304**
Non-current liabilities				
Provisions	15	3 945 471	324 168	3 859 308
Lease liability	3, 19	126 930	-	-
Deferred tax liabilities	7	802 712	-	670 387
Interest-bearing loans and borrowings	18	2 662 605	2 356 758	2 528 589
Total non-current liabilities		**7 537 719**	**2 680 926**	**7 058 285**
Current liabilities				
Trade and other payables	17	1 107 001	234 031	1 145 923
Income tax payable	7	490 727	-	155 722
Lease liability - current	3, 19	45 544	-	-
Current borrowings, exploration loan		-	38 825	-
Shareholder loan		1 141	1 141	1 141
Public dues payable		17 993	2 028	9 840
Provisions, current		3 538	3 856	3 410
Total current liabilities		**1 665 944**	**279 882**	**1 316 036**
Total liabilities		**9 203 664**	**2 960 808**	**8 374 321**
TOTAL EQUITY AND LIABILITIES		**10 882 667**	**3 442 844**	**9 830 625**

Statement of Changes in Equity

Amounts in NOK `000	Share capital	Share premium	Not registered share capital	Other paid in capital	Accumulated loss	Total equity
Equity at 1 January 2018	24 738	470 755			-21 667	473 827
Total comprehensive income/loss (-) for the period					-96 962	-96 962
Capital reduction (equity restructuring)	-23 300	-452 590				-475 890
Share issues, conversion of debt (equity restructuring)	1 687	474 203				475 890
Net proceeds from share issues in cash	590	103 622				104 212
Share based payment				958		958
Equity at 30 September 2018	**3 715**	**595 991**	**-**	**958**	**-118 628**	**482 036**
Equity at 1 October 2018	3 715	595 991	-	958	-118 628	482 036
Total comprehensive income/loss (-) for the period					-58 753	-58 753
Net proceeds from share issues in cash	4 505	1 028 113				1 032 619
Share based payment				402		402
Equity at 31 December 2018	**8 220**	**1 624 104**	**-**	**1 361**	**-177 381**	**1 456 304**
Equity at 1 January 2019	8 220	1 624 104	-	1 361	-177 381	1 456 304
Net profit / loss (-) for the period					-68 839	-68 839
Net proceeds from share issues in cash	1 963	288 091	290			290 344
Share based payment				1 194		1 194
Equity at 30 September 2019	**10 184**	**1 912 195**	**290**	**2 555**	**-246 220**	**1 679 003**

Statement of Cash Flows

Amounts in NOK `000	Q3 2019 (unaudited)	Q3 2018 (unaudited)	01.01-30.09. 2019 (unaudited)	01.01-30.09. 2018 (unaudited)	Restated Year 2018
Cash flow from operating activities					
Profit / loss (-) before income tax	1 459	-30 202	454 325	-109 969	-300 202
Income tax paid/received	-49 667	-	-48 074	-	20 885
Depreciation, depletion and amortization	176 966	6 232	541 347	17 936	100 066
Impairment goodwill	0	-	96 658	-	-
Accretion ARO	4 022	1 500	12 021	4 501	10 078
Interest expense	72 777	51 643	182 737	88 113	145 082
Change in trade and other receivables, and inventory	223 025	-128 449	535 898	-127 752	-602 224
Change in trade and other payables	136 947	92 927	-49 200	147 326	693 180
Change in other non-current items	157 045	2 904	107 186	-4 443	168 563
Net cash flow from / used in (-) operating activities	**722 575**	**-3 446**	**1 832 898**	**15 711**	**235 428**
Cash flow from investment activities					
Investment in exploration and evaluation assets	-13 418	-617	-19 076	-617	-573
Business combination, cash paid	-	-	-	-	-2 725 220
Investment in oil and gas properties	-203 343	-73 422	-583 426	-203 879	-386 526
Investment in buildings	-	-	-	-	-1 001
Investment in furniture, fixtures and office machines	-1 260	-	-8 442	-	-3 196
Investment in (-)/release of restricted cash	2 140	56 853	47 675	-1 254 689	859 472
Net cash flow from / used in (-) investment activities	**-215 880**	**-17 185**	**-563 269**	**-1 459 186**	**-2 257 043**
Cash flow from financing activities					
Net proceeds from borrowings, bond loan	-	-	-	1 399 065	1 399 065
Net proceeds from borrowings, exploration loan	-	37 650	-	37 650	37 650
Repayment of borrowings, exploration loan	-	-	-	-	-40 000
Interest paid	-37 408	-33 176	-148 638	-69 728	-143 403
Net proceeds from share issues	290	-	283 177	103 787	1 133 365
Net cash flow from / used in (-) financing activities	**-37 119**	**4 474**	**134 540**	**1 470 774**	**2 386 677**
Net increase/ decrease (-) in cash and cash equivalents	**469 576**	**-16 158**	**1 404 169**	**27 300**	**365 062**
Cash and cash equivalents at the beginning of the period	1 329 263	73 066	394 670	29 609	29 609
Cash and cash equivalents at the end of the period	**1 798 839**	**56 909**	**1 798 839**	**56 909**	**394 670**
Restricted cash at the end of the period	651	2 162 488	651	2 162 488	48 327
Restricted and unrestricted cash at the end of the period	**1 799 491**	**2 219 397**	**1 799 491**	**2 219 397**	**442 997**

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 2019. OKEA ASA (“OKEA” or “the Company”) is a public limited liability company incorporated and domiciled in Norway, with its main office located in Trondheim. OKEA ASA's shares were listed on the Oslo Stock Exchange on 18 June 2019. The Company's ticker is OKEA.

The Company’s overall vision is to be the leading company on the Norwegian Continental Shelf in terms of delivering safe and cost-effective field developments and operational excellence, while maintaining a competent organization with direct management engagement in all of our projects.

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 2018. The annual accounts for 2018 were prepared in accordance with EU`s approved International Financial Reporting Standards (IFRS).

The interim financial statements were approved for issue by the company's Board of Directors on 31 October 2019.

Note 3 Accounting policies and prior periods adjustments

The accounting policies adopted in the preparation of the interim accounts are consistent with those followed in the preparation of the annual accounts for 2018, except for IFRS 16 and the changes described below.

IFRS 16
As described in the company’s annual financial statements for 2018, IFRS 16 Leases entered into force from 1 January 2019. The implementation resulted in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The Company adopted the standard using the modified retrospective approach. The implementation had no impact on net equity and resulted in an increase of NOK 198.4 million in property, plant and equipment with a corresponding increase in liabilities, of which NOK 152.9 million is classified as non-current liabilities and NOK 45.5 million is classified as current liabilities.

The Company has applied a gross presentation related to lease contracts entered into as licence operator.

Change in accounting principle for valuation and presentation of overlift and underlift
The company has previously used a variant of the sales method where changes in overlift and underlift balances have been valued at its net realizable value and the change in over/underlift has been included as “other income”. Due to development in IFRIC discussions, the Company has decided to change to the traditional sales method from 1 January 2019. This means that changes in over/underlift balances are measured at production cost including depreciation and presented as an adjustment to cost. There was no impact on the restatement due to change in the accounting principle recorded for period ended 30 September 2018 in the previously reported numbers.

Adjustments of preliminary Purchase Price Allocation on Gjøa affecting prior periods
During second quarter, the company identified items that require adjustment to the preliminary Purchase Price Allocation (PPA) for the Shell transaction as of 30 November 2018. The estimates for petroleum reserves related to the new P1 project on Gjøa were reduced by the operator prior to the project being sanctioned in February 2019, without corresponding update of the PPA. In addition, there was an error in the calculation of gas processing tariffs. These adjustments were treated as errors and retroactively adjusted in the PPA. These adjustments resulted in a reduction in the net book value allocated to Gjøa of NOK 245.2 million, with a corresponding increase in goodwill of NOK 53.9 million and a decrease in deferred tax liability of NOK 191.2 million compared with the preliminary PPA presented for this transaction in the 2018 annual financial statements.

There has been no changes in Q3. The following table shows the abovementioned effects for YTD 2018 figures:

Amounts in NOK `000	Audited 2018	Change in accounting principle [1)	Effect of updated PPA	Restated 2018
Accounting line in Statement of Comprehensive Income				
Other operating income	88 747	-44 421		44 326
Production expenses	-18 347	-78 366		-96 714
Changes in over/underlift positions and production inv.		133 318		133 318
Depreciation, depletion and amortization	-57 297	-42 769		-100 066
Income taxes	119 342	25 146		144 488
Accounting line in Statement of Financial Position				
Goodwill	1 472 428		53 942	1 526 370
Oil and gas properties	4 022 321		-245 191	3 777 130
Trade and other receivables	944 397	-32 238		912 159
Deferred tax liabilities	886 782	-25 146	-191 249	670 387
Accumulated loss	-170 289	-7 092		-177 381

[1)] Relates to change in principle for valuation and presentation of over/underlift.

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 recognized as assets and liabilities, income and expenses. The estimates, and associated assumptions, are based on historical experience and other factors that are considered to be 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 2018.

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

			01.01-30.09.		
Amounts in NOK `000	**Q3 2019**	**Q3 2018**	**2019**	**2018**	**Year 2018**
Sale of liquids	537 634	20 300	2 038 732	46 019	58 550
Sale of gas	73 926	2 116	363 313	6 536	91 211
Total petroleum revenues	**611 560**	**22 417**	**2 402 045**	**52 555**	**149 761**
Sale of liquids (boe*)	1 074 813	40 070	4 106 802	92 251	171 939
Sale of gas (boe)	461 198	5 849	1 573 299	20 305	232 701
Total Sale of petroleum in boe	**1 536 011**	**45 919**	**5 680 101**	**112 556**	**404 640**

*Barrels of oil equivalents

Other operating income

YME compensation contract breach*	-	115 000	22 098	115 000	115 000
Gain / loss (-) from put options, oil	-820	-39 924	-9 696	-39 924	37 212
Tariff income Gjøa**	11 229	-	40 729	-	-
Sale of licenses	-	-	-	-	7 114
Total other operating income/loss (-)	**10 409**	**75 076**	**53 130**	**75 076**	**159 326**

* The compensation recognized in 2019 is based on the final amount received in Q1 2019. For further information refer to the 2018 Annual Report.

** Tariff income Gjøa of NOK 29.5 million has in previous quarters of 2019 been classified as a reduction of production expenses. This has been reclassified to conform presentation to the current quarters classification as other operating income.

Note 7 Taxes

Income taxes recognised in the income statement

Amounts in NOK `000	Q3 2019	Q3 2018	01.01-30.09. 2019	01.01-30.09. 2018	Year 2018
Change in deferred taxes	-107 328	-40 802	-132 325	-15 285	-494 048
Taxes payable	28 740	-	-392 432	-	638 370
Tax refund current year	-	6 648	-	28 292	-
Tax refund adjustment previous year	-	-	1 592	-	166
Total taxes (-) / tax income (+) recognised in the income statement	**-78 587**	**-34 154**	**-523 164**	**13 007**	**144 488**

Reconciliation of income taxes

Amounts in NOK `000	Q3 2019	Q3 2018	01.01-30.09. 2019	01.01-30.09. 2018	Year 2018
Profit / loss (-) before income taxes	**1 459**	**-30 202**	**454 325**	**-109 969**	**-300 202**
Expected income tax at nominal tax rate, 22% (2018: 23%)	-321	6 947	-99 952	25 293	69 047
Expected petroleum tax, 56% (2018: 55%)	-817	16 611	-254 422	60 483	165 111
Permanent differences, including impairment of goodwill	-6 891	-492	-78 861	-1 061	-965
Effect of uplift	14 928	5 857	28 184	13 048	24 699
Financial and onshore items	-85 486	-53 894	-119 707	-75 573	-115 606
Effect of new tax rates	-	-	-	-	1 138
Change valuation allowance	-	-9 182	-	-9 182	-
Adjustments previous year and other	-	-	1 592	-	1 064
Total income taxes recognised in the income statement	**-78 587**	**-34 154**	**-523 164**	**13 007**	**144 488**
Effective income tax rate	**5385 %**	**-113 %**	**115 %**	**12 %**	**48 %**

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

Amounts in NOK `000	30.09.2019	30.09.2018	31.12.2018
Tangible and intangible non-current assets	-1 900 863	-381 489	-1 586 466
Provisions (net ARO), lease liability and gain/loss account	1 167 156	248 059	1 020 694
Interest-bearing loans and borrowings	-24 719	-14 113	-39 409
Current items	-65 608	6 877	-116 307
Tax losses carried forward, onshore 22%	1 053	1 551	-
Tax losses carried forward, offshore 22%	-	75 114	-
Tax losses carried forward, offshore 56%	-	100 520	-
Uplift, offshore 56%	20 267	42 895	51 100
Valuation allowance (uncapitalised deferred tax asset)	-	-9 182	-
Total deferred tax assets / liabilities (-) recognised	**-802 712**	**70 231**	**-670 387**

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

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

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

Note 8 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 2019	2 972 297	923 081	92 501	3 428	-	3 991 307
Additions	107 130	272 954	-	7 183	199 051	586 318
Removal and decommissioning asset	-	-	-	-		-
Cost at 30 June 2019	**3 079 427**	**1 196 035**	**92 501**	**10 611**	**199 051**	**4 577 625**
Accumulated depreciation and impairment at 1 January 2019	-118 249	-	-	-22	-	-118 270
Depreciation YTD Q2	-352 285	-	-2 313	-1 461	-8 323	-364 381
Additional depreciation of IFRS 16 Right-of-use assets presented gross related to leasing contracts entered into as licence operator	-	-	-	-	-9 396	-9 396
Accumulated depreciation and impairment at 30 June 2019	**-470 533**	**-**	**-2 313**	**-1 483**	**-17 718**	**-492 047**
Carrying amount at 30 June 2019	**2 608 893**	**1 196 035**	**90 188**	**9 128**	**181 333**	**4 085 579**
Cost at 1 July 2019	3 079 427	1 196 035	92 501	10 611	199 051	4 577 625
Additions	68 022	135 320	-	1 260	-	204 602
Removal and decommissioning asset	-	-	-	-		-
Cost at 30 September 2019	**3 147 449**	**1 331 355**	**92 501**	**11 871**	**199 051**	**4 782 227**
Accumulated depreciation and impairment at 1 April 2019	-470 533	-	-2 313	-1 483	-17 718	-492 047
Depreciation third quarter	-170 612	-	-1 156	-928	-4 270	-176 966
Additional depreciation of IFRS 16 Right-of-use assets presented gross related to leasing contracts entered into as licence operator	-	-	-	-	-4 698	-4 698
Accumulated depreciation and impairment at 30 September 2019	**-641 145**	**-**	**-3 469**	**-2 411**	**-26 686**	**-673 711**
Carrying amount at 30 September 2019	**2 506 304**	**1 331 355**	**89 032**	**9 460**	**172 366**	**4 108 516**

Note 9 Impairment

Tangible and intangible assets are tested for impairment whenever impairment indicators are identified and at least on an annual basis. Impairment is recognized 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 recognized 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.

Below is an overview of the key assumptions applied in the impairment test as of 30 September 2019:

Year	Oil USD/BOE	Gas GBP/therm	Currency rates USD/NOK
2019 H2	59.3	0.38	8.97
2020	56.9	0.48	9.05
2021	55.6	0.50	9.03
2022	55.6	0.49	9.01
2023	56.4	0.49	8.98
From 2024	65.0*	0.51*	8.00

* Prices in real terms

Other assumptions

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

Future capex, opex and abandonment cost are calculated based on the expected production profiles and the best estimate of the related cost. For fair value testing the discount rate applied is 10.0% post tax.

The long-term inflation rate is assumed to be 2.5%.

Impairment testing of technical goodwill

Based on impairment test no impairment charge has been recognized during the third quarter.

For the CGU Gjøa the following impairment has been charged in 2019:

Amounts in NOK `000	**Gjøa**
Impairment Q1 2019	-53 648
Impairment Q2 2019	-43 010
Impairment Q3 2019	-
Impairment YTD Q3 2019	**-96 658**

The impairment loss has been recognized to reduce the carrying amount of "technical" goodwill related to the Gjøa acquisition in November 2018. In Q3 improved production and cost profiles on Gjøa resulted in no impairment.

Sensitivity analysis

The table below shows what impairment of goodwill would have been in Q3 2019 changing various assumptions, based on all other asumptions remaining constant. The total figures shown are combined impairment for CGU Gjøa, Draugen, Ivar Aasen and Yme.

		Alternative calculations of impairment in Q3 2019 (NOK '000)	
Assumptions	**Change**	**Increase in assumption**	**Decrease in assumption**
Oil and gas price	+/- 10%	-	277 484
Currency rate USD/NOK	+/- 1.0 NOK	-	132 453
Discount rate	+/- 1% point	33 501	-
Inflation rate	+/- 1% point	-	20 237

Note 10 Financial items

Amounts in NOK `000	Q3 2019	Q3 2018	01.01-30.09. 2019	01.01-30.09. 2018	Year 2018
Interest income	366	3 800	1 253	5 014	9 062
Unwinding of discount asset retirement receivable	24 714	-	74 142	-	8 238
Finance income	**25 080**	**3 800**	**75 395**	**5 014**	**17 300**
Interest expense bond loan	-63 328	-55 979	-182 737	-95 908	-157 088
Other interest expense	-676	-1 738	-1 505	-1 740	-3 844
Unwinding of discount asset retirement obligations	-28 736	-1 500	-86 163	-4 501	-18 316
Other financial expense	-3 322	-526	-9 787	-859	-2 605
Finance costs	**-96 062**	**-59 744**	**-280 192**	**-103 008**	**-181 853**
Put/call options, foreign exchange*	-39 715	-12 044	-32 840	-12 044	-28 164
Exchange rate gain/loss (-), bond loans	-170 730	2 736	-119 670	13 542	-153 732
Net exchange rate gain/loss (-), other	56 076	-514	39 155	-11 514	-2 514
Net exchange rate gain/loss (-)	**-154 368**	**-9 821**	**-113 355**	**-10 016**	**-184 410**
Net financial items	**-225 350**	**-65 766**	**-318 152**	**-108 010**	**-348 963**

*Refer to note 20 for more information about derivatives.

Note 11 Other non-current assets

Amounts in NOK `000	
Other non-current assets at 1 January 2018	-
Refund tax payable	28 292
Total other non-current assets at 30 September 2018	**28 292**
Other non-current assets at 1 October 2018	28 292
Refund tax payable	-28 292
Additions through business combination	2 745 999
Unwinding of discount	8 238
Total other non-current assets at 31 December 2018	**2 754 237**
Other non-current assets at 1 January 2019 (Indemnification asset)	2 754 237
Additions and adjustments	-
Unwinding of discount	74 142
Total other non-current assets at 30 September 2019	**2 828 379**

The amount consist of a receivable from seller Shell from the acquisition of Draugen and Gjøa assets in 2018. The parties have 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 638 million (2018 value) subject to Consumer Price Index adjustment. The present value of the expected payments is recognized as a pre-tax receivable on seller.

In addition, the seller has agreed to pay OKEA an amount of NOK 375 million (2018 value) subject to CPI adjustment according to a schedule based on the percentage of completion of the decommissioning of the Draugen and Gjøa fields. The net present value of the receivable is calculated using a discount rate of 3.6% and recognized in the financial statements.

Note 12 Share capital

Number of shares	Ordinary shares	A ordinary shares	Total shares
Outstanding shares at 1.1.2019	7 319 389	901 061	8 220 450
Conversion	901 061	-901 061	-
Share split (1:10)	73 984 050		73 984 050
New shares issued during 2019	19 634 550	-	19 634 550
Number of outstanding shares at 30 September 2019	**101 839 050**	**-**	**101 839 050**

Nominal value NOK per share at 30 September 2019	0,1
Share capital NOK at 30 September 2019	10 183 905

All A ordinary shares were converted to ordinary shares prior to the initial public offering (IPO) and listing on Oslo Stock Exchange in June 2019. The total number of new shares issued was 19,634,550 and consisted of 15,000,000 new shares and 4,634,550 warrants converted to shares in connection with the IPO.

As per 30 September 2019 1,250,000 equity-settled warrants are still outstanding. See note 4 to the 2018 Annual Statements for further description.

Note 13 Trade and other receivables

Amounts in NOK `000	30.09.2019	30.09.2018	31.12.2018
Accounts receivable and receivables from operated licences	76 252	12 729	125 072
Accrued Yme compensation	-	115 000	115 000
Accrued revenue	128 634	1 734	89 960
Prepayments	14 866	54 675	10 127
Working capital and overcall, joint operations/licences	69 294	18 616	156 306
Escrow receivable, Yme removal	-	3 454	901
Underlift of petroleum products	183 943	8 378	398 526
Other short term receivables	-	-	-
VAT receivable	5 798	8 289	16 266
Tax refund	-	20 719	-
Fair value put options, oil	1 398	3 808	-
Fair value put options, foreign exchange	-	556	-
Total trade and other receivables	**480 186**	**247 959**	**912 159**

Note 14 Restricted cash, Cash and cash equivalents

Restricted cash:

Amounts in NOK `000	30.09.2019	30.09.2018	31.12.2018
Bank deposit, restricted, escrow account	651	2 162 488	48 327
Total restricted cash	**651**	**2 162 488**	**48 327**

Cash and cash equivalents:

Amounts in NOK `000	30.09.2019	30.09.2018	31.12.2018
Bank deposits, unrestricted	1 788 099	55 678	388 887
Bank deposit, employee taxes	10 741	1 231	5 784
Total cash and cash equivalents	**1 798 839**	**56 909**	**394 670**

Note 15 Provisions

Amounts in NOK `000	Total non-current
Provision at 1 January 2018	319 668
Unwinding of discount	4 501
Total provisions at 30 September 2018	**324 168**
Provision at 1 October 2018	324 168
Additions through business combination	3 512 231
Changes in Operator's estimate	9 094
Unwinding of discount	13 815
Total provisions at 31 December 2018	**3 859 308**
Provision at 1 January 2019	3 859 308
Additions and adjustments	-
Changes in Operator's estimate	-
Unwinding of discount	86 163
Total provisions at 30 September 2019	**3 945 471**

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 Operator's best estimate. The net present value of the estimated obligation is calculated using a discount rate of 3%. The assumptions are based on the economic environment around the 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, see note 11.

Note 16 Spareparts, equipment and inventory

Amounts in NOK `000	30.09.2019	30.09.2018	31.12.2018
Inventory of petroleum products	88 503	-	188 748
Spare parts and equipment	123 072	-	126 752
Total spareparts, equipment and inventory	**211 575**	**-**	**315 500**

Note 17 Trade and other payables

Amounts in NOK `000	30.09.2019	30.09.2018	31.12.2018
Trade creditors	13 887	46 246	76 871
Accrued holiday pay and other employee benefits	57 140	2 719	18 965
Working capital, joint operations/licences	484 826	89 743	446 961
Accrued interest bond loans	30 670	27 623	10 917
Accrued consideration from acquisitions of interests in licenses*	124 406	-	204 782
Prepayments from customers	167 808	608	96 353
Fair value put options, foreign exchange	48 404	-	15 564
Other accrued expenses	179 861	67 093	275 509
Total trade and other payables	**1 107 001**	**234 031**	**1 145 923**

* The amount is related to the acquisition of a 44.56% interest in Draugen and a 12% interest in Gjøa with A/S Norske Shell in 2018. The review of the final completion statement prepared by seller is still ongoing. There is uncertainty associated with this estimate, but the company does not expect the amount to increase.

Note 18 Interest-bearing loans and borrowings

Amounts in NOK `000	
Interest bearing loans and borrowings at 1 January 2019, bond loans (OKEA01 and OKEA02)	2 528 589
Amortization of transaction costs, bond loans (OKEA01 and OKEA02)	14 346
Foreign exchange movement, bond loans (OKEA01 and OKEA02)	119 670
Interest bearing loans and borrowings at 30 September 2019	**2 662 605**

During 2019 and at 30 September 2019, the company was in compliance with the covenants under the bond agreement.

Note 19 Leasing

The Company has entered into operating leases for office facilities. In addition, the Company has entered into operating leases as an operator of the Draugen field for platform supply vessel and associated Remote Operated Vechicle (ROV) upgrade, together with office and warehouse Draugen.

Amounts in NOK `000	
Lease debt 1 January 2019	198 400
Additions lease contracts	652
Accretion lease liability	7 484
Payments of lease debt	-34 061
Total lease debt at 30 September 2019	**172 474**

Break down of lease debt	
Short-term	45 544
Long-term	126 930
Total lease debt	**172 474**

Future minimum lease payments under non-cancellable lease agreements

Amounts in NOK `000	30.09.2019
Within 1 year	11 184
1 to 5 years	131 439
After 5 years	107 469
Total	**250 092**

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

Note 20 Derivatives

Amounts in NOK `000	30.09.2019	30.09.2018	31.12.2018
Premium commodity contracts	1 519	36 987	-
Unrealized gain/loss (-) commodity contracts	-122	-33 179	-
Short-term derivatives included in assets	1 398	3 808	-
Premium currency contracts	-	12 600	-
Unrealized gain/loss (-) currency contracts	-48 404	-12 044	-15 564
Short-term derivatives included in assets/liabilities (-)	-48 404	556	-15 564

Note 21 Fair value of financial instruments

It is assessed that the carrying amounts of financial assets and liabilities, except for interest-bearing loans and borrowings, is approximately equal to its fair values. For interest-bearing loans and borrowings, the fair value is estimated to be NOK 2 825 045 thousand at 30 September 2019. Both bond loans are listed on the Oslo Stock Exchange and the fair value is based on quoted market prices (level 1 in the fair value hierarchy according to IFRS 13).

Fair values of put options, both foreign exchange and oil, are based on quoted market prices at the balance sheet date (level 2 in the fair value hierarchy). The fair values of the put options are equal to its carrying amounts.

Note 22 Events after the balance sheet date

On 15 October 2019 exploration well 9/2-12 on the Kathryn prospect on PL910 was reported dry. Costs per 30.09.2019 related to the well have been expensed in Q3.

OKEA announced on 29 October that drilling of well Infill Ø (6407/9-11) in the Draugen Field was completed. The purpose of the well was exploration and the type of the well was appraisal. The results from the Infill Ø gave an improved understanding of reservoir drainage but did not prove commercial remaining volumes at the well location. Consequently, in line with IFRS 6, the cost incurred per 30 September 2019 has been expensed in Q3.

There are no other subsequent events with significant accounting impacts that have occured between the end of the reporting period and the date of this report.

Reconciliations of Alternative Performance Measures

EBITDA	Q3 2019	Q3 2018	2019	2018	Year 2018
			01.01-30.09.		
Amounts in NOK `000	3 months	3 months	9 months	9 months	12 months
Profit / loss (-) from operating activities	226 809	35 563	772 477	-1 959	48 761
Add: depreciation, depletion and amortization	176 966	6 232	541 347	17 936	100 066
Add: impairment	-	-	96 658	-	-
EBITDA	**403 776**	**41 795**	**1 410 483**	**15 977**	**148 827**

Production expense per boe	Q3 2019	Q3 2018	2019	2018	Year 2018
Amounts in NOK `000	3 months	3 months	9 months	9 months	12 months
Productions expense	144 095	2 463	503 640	7 089	96 714
Minus: tariff income	-11 229	-	-40 729	-	-
Divided by: produced volumes (boe)	1 667 500	34 592	5 246 478	100 392	815 110
Production expense NOK per boe	**79,7**	**71,2**	**88,2**	**70,6**	**118,7**

Profit/loss (-) before tax per share	Q3 2019	Q3 2018	2019	2018	Year 2018
			01.01-30.09.		
Amounts in NOK `000	3 months	3 months	9 months	9 months	12 months
Profit / loss (-) before income tax	1 459	-30 202	454 325	-109 969	-300 202
Divided by: weigh. average no. of shares	101 839 050	37 151 440	89 756 250	32 397 799	39 144 548
Result before tax per share (NOK per share)	**0,01**	**-0,81**	**5,06**	**-3,39**	**-7,67**

Earnings per share	Q3 2019	Q3 2018	2019	2018	Year 2018
			01.01-30.09.		
Amounts in NOK `000	3 months	3 months	9 months	9 months	12 months
Net profit / loss (-)	-77 128	-64 356	-68 839	-96 962	-155 715
Divided by: weigh. ave. no. of shares - Basic	101 839 050	37 151 440	89 756 250	32 397 799	39 144 548
or. Div. by: weigh. average no. of shares - Diluted	101 839 050	37 151 440	89 756 250	32 397 799	39 144 548
Earnings per share (NOK per share) - Basic	**-0,76**	**-1,73**	**-0,77**	**-2,99**	**-3,98**
Earnings per share (NOK per share) - Diluted	**-0,76**	**-1,73**	**-0,77**	**-2,99**	**-3,98**

OKEA is an oil company contributing to the value creation on the Norwegian Continental Shelf with cost effective development and operation systems.

OKEA ASA

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