2019 Annual Report

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Table of Contents

Notice from the Chairman

2019 was an excellent year for OKEA. The company took over operatorship of the Draugen Field from Shell and this process, which included some planned maintenance on the platform, was managed successfully and safely with no impact on business continuity. Following the handover, the OKEA operational team has been able to increase the uptime for the facility to 88% which has led to consistently high production levels. Production from Draugen, together with our non-operated production from Gjøa and Ivar Aasen, means that the company had average net production of 18 633 boepd during 2019, which generated substantial cashflow. This will be used in a prudent and responsible way to grow the company through both organic and inorganic means. We already have a good funnel of opportunities, but the Board believes that sensible inorganic growth through carefully targeted M&A activities is necessary to grow OKEA into one of the key players on the Norwegian shelf.

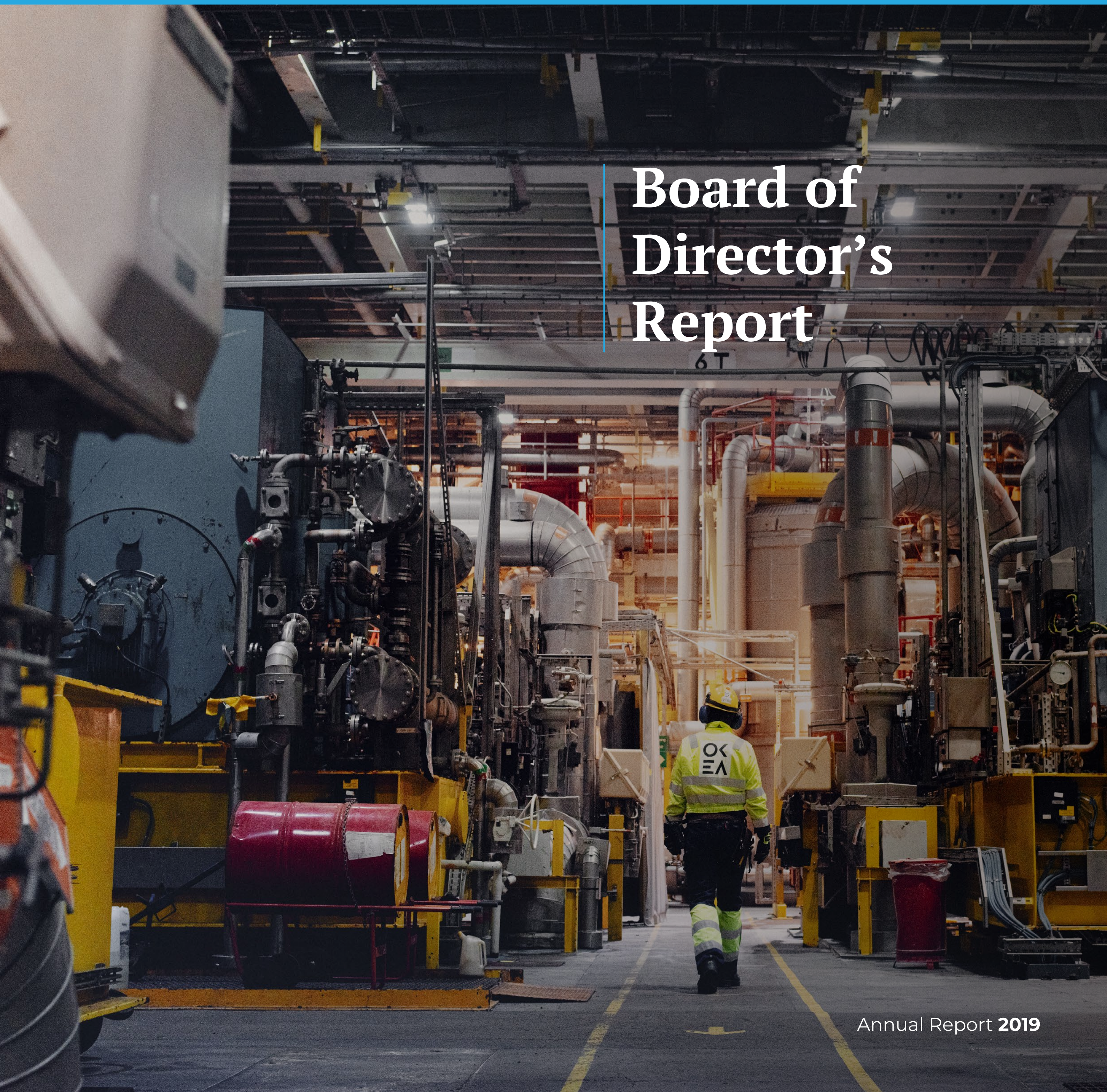
The company achieved a successful Initial Public Offering in difficult market conditions during 2019 and this, together with the refinancing of the OKEA01 Bond in Q4, has substantially improved the balance sheet. The company is now in a strong financial position with a solid balance sheet and cash flow, which will provide a good base to deliver the ambitious growth targets which the Board has set for the company. The management team has also been strengthened through the appointment of two key senior positions and we look forward to them starting with the company during Q1 2020. In parallel with the additions to the management team, the company also made a number of changes to the Board in 2019 which, I believe, will provide strong oversight and direction to the company going forward. These changes, together with the strengthening of internal processes and policies, will ensure the highest levels of corporate governance going forward. I believe that the company is now in a strong position to deliver on our growth aspirations while having the capability to successfully ride out any challenges which changing market conditions may bring.

It is essential that we deliver our objectives safely and in a socially and environmentally sensitive manner. The company has achieved the transition to operatorship of the Draugen Field very successfully, with no major HSE incidents or reportable environmental events, and we will continue to strive to achieve the highest levels of HSE performance throughout the company. Our strategy, which seeks to exploit remaining reserves at late life assets and commercialise small to medium sized fields, will naturally mean that our CO_2 emissions per produced barrel are likely to be higher than for new, giant fields. The Board recognises that we must work hard to minimize these in a commercially sensible way and the company is involved in a number of initiatives that, we believe, will help achieve our goal of substantial emission reductions in line with Norway's commitment to the Paris agreement.

Recent events, including the dramatic fall in oil prices and the widespread impact of the Covid-19 virus, will provide substantial challenges to many industries, including OKEA's. I believe that the company, with its strong cash position and low lifting costs, is well positioned to withstand these unprecedented events, even if they should continue for an extended period. OKEA is in an excellent position with many strategic options available to it. These, together with a strong and committed management team and Board who are fully supported by the major shareholders, will allow OKEA to respond quickly and efficiently to ongoing changes in the external business environment. I firmly believe that challenging times such as these will undoubtedly bring additional opportunities and the company is well positioned to capture these. The management and board, together with the main shareholders, retain full confidence in the company and its strategy. The Board is confident that OKEA is now very well placed to ride out the current challenges which the industry is facing, to take advantage of the growth opportunities which will emerge over the next few months and fulfil our objectives to become one of the preeminent E&P companies operating on the Norwegian Shelf.

Signed

Board of Director's Report



Annual Report **2019**

Board of Directors’ Report 2019

In 2019, OKEA ASA (“OKEA” or the “company”) has firmly established itself as a prudent operator on the Norwegian Continental Shelf (NCS). In OKEA, safety always comes first, and the company has successfully transferred the operatorship on Draugen and operated the asset throughout 2019 with no serious incidents and no harm. Production availability at Draugen was achieved at record levels and several integrity maintenance projects have been successfully executed ahead of time and below budget. OKEA’s first operated drilling campaign was successfully conducted during 2019 with two wells, Skumnisse and Infill Ø, drilled within the Draugen licence. The campaign was executed efficiently and safely below budget and with no reportable incidents. The wells provided important data which will be fully integrated with the current reservoir models to further understand the hydrocarbon potential of the greater Draugen area and maximise the economic recovery of resources.

(All figures in parenthesis refer to 2018).

1. Description of the company

OKEA is an oil and gas company and operator, focused on the efficient development and production of hydrocarbon resources on the NCS and value creation for its shareholders. The company has a strong asset portfolio including the Draugen field, which is operated by OKEA, as well as non-operated positions in Gjøa and Ivar Aasen. Jointly, this portfolio produces close to 20,000 boepd and provides a strong cashflow to the company. OKEA has its head office in Trondheim, with a major operation centre in Kristiansund and representative offices in Stavanger and Oslo.

As an operating company on the Norwegian Shelf, OKEA carries out significant operations related to the production of hydrocarbons from existing assets as well as development of new oil and gas fields. These activities take place at multiple locations both offshore and onshore. Each of the business functions within OKEA contribute to this work in a highly collaborative team effort, working closely with our third-party contractors and licence partners. Quality, Health, Safety and the Environment (“QHSE”) is of utmost importance to the company and OKEA management devotes significant time and resources to manage the risks related to OKEA’s activities. This ensures that the highest HSE standards are incorporated in all OKEA’s activities and that all relevant regulatory requirements are met. The Board of Directors (“Board”) of OKEA believes that effective QHSE management is essential in everything the company does and regards it as the highest priority activity in all activities the company is engaged in.

The purchase of the Draugen and Gjøa assets was completed in December 2018 and, during the first half of 2019, OKEA executed a successful transition process in taking over operatorship of the Draugen asset (OKEA 44.56% and Operator) from the previous field operator (Shell). This included migrating a complete offshore- and onshore operations organisation and developing and implementing new systems and processes. This transition process was completed in less than five months, without any operational disruptions nor QHSE incidents. During the second half of 2019, OKEA has continued to leverage the capabilities of the new organisation and identify and take advantage of opportunities for efficiency savings. This has resulted in increasing synergies between operational and field development activities which translate into increased operational uptime and reduced costs. These initiatives have allowed the economic life of the Draugen field to be extended to 2035 and the company continues to pursue opportunities for further extensions. During this transition process OKEA has been under continuous supervision (“active” audit) by the Petroleum

Safety Authority Norway (PSA). The audit process was concluded in December 2019, with no deviations or observations for improvement noted by the authorities.

The Gjøa field (OKEA 12%), which is operated by Neptune Energy AS, produced 9,230 boepd net to OKEA in 2019 (11,108 in December 2018). The Joint Venture has been actively seeking growth opportunities near the field and a final investment decision for the P1 development project in the Gjøa license was made in February 2019. Commencement of production is scheduled for Q1 2021.

OKEA is also an active partner in the Repsol-operated Yme New Development ("YND") project (OKEA 15%). This project is technically and commercially challenging, but good progress has been made during 2019 with a number of key milestones related to the offshore installation of key production facilities completed. The project is scheduled for first oil in second half of 2020 and is expected to provide OKEA with significant production volumes in the years to come.

OKEA also operates the Grevling project (OKEA 35%) and is currently assessing a range of options for commercialising the resources.

At 31 December 2019, OKEA's 2P/P50 reserves were estimated at 49.5 (52.4) million barrels of oil equivalent (mmboe) as per year end 2019. The contingent resources (2C/Base) were 32.6 (40.5) mmboe, principally within the Grevling/Storskrymten, Draugen, Gjøa and Yme licences. OKEA's average net production available for sale in 2019 was 18,663 (2,412) boepd. The split between production of liquids and gas was approximately 70% and 30% respectively.

OKEA was awarded five new licences in the 2019 Awards in Predefined Areas (APA), two of which as operator. The Board believes that there are substantial volumes of hydrocarbons still to be discovered and developed on the Norwegian Shelf and views the award of new licences in these rounds as an important way to provide strategic organic growth opportunities for the Company for both the near and medium term. The company will therefore continue to identify attractive opportunities and apply for opportunities in strategically focused areas during 2020.

The purchase and integration of the Draugen and Gjøa assets during the first half of 2019 provided the basis for OKEA to be listed on the Oslo Stock Exchange. The Initial Public Offering was executed on 18 June 2019 under the ticker "OKEA". One of the objectives of going public was to strengthen the company's balance sheet and to position the company for further growth. Net proceeds from the capital increase amounted to NOK 283 million. At year end the company was in a strong financial position with NOK 1 663 million of cash.

In November 2019 OKEA raised USD 120 million from a senior secured bond loan, OKEA03, which replaced the OKEA01 bond loan. This restructuring provides the company with significantly more flexible financing options going forward. At year end, total outstanding debt amounted to USD 300 million.

2. Strategy

Going forward, OKEA's strategy will focus on three key areas:

> Firstly, the company will seek to maximise the value from late life assets, such as Draugen. This will require the company to focus on maximising the recovery from existing reservoirs while increasing operational efficiencies and minimising lifting costs.
>
> Secondly, the company will identify and exploit stranded or undiscovered resources close to existing facilities. The proximity to existing production facilities mean that these resources can be developed quickly and efficiently, adding substantial value to the greater asset which, ideally, OKEA would operate. OKEA has identified a number of these type of opportunities close to the Draugen field and is currently assessing their commercial viability.

Finally, the company will seek to identify and develop new fields. As the Norwegian Continental Shelf has matured, the average size of new discoveries has decreased, as is common in hydrocarbon provinces in other areas of the world. It is the Board's opinion that much of the remaining hydrocarbon potential on the Norwegian Continental Shelf will exist in medium and smaller sized oil and gas discoveries (ie. 50-150MMboe). OKEA is seeking to become the major player exploiting this opportunity and is well positioned to achieve this with the operational experience and capability which the company has already demonstrated.

A key enabler of this strategy is the ability to drill quick and effective wells. OKEA has proved its capabilities as drilling operator during 2019, delivering two technically successful wells in the Draugen Area, less than a year after taking over as operator. This has allowed OKEA to become an approved drilling operator on the NCS and this ability will be fully utilised in the pursuit of the company's strategic goals.

The Board recognises that the company is unlikely to achieve its growth ambitions purely though the exploitation of its current asset portfolio (ie. organic growth). The Board has therefore endorsed a strategy to identify and acquire additional assets which build on, and add value to, OKEA's current portfolio and expertise (ie. inorganic growth). The Board believes that a well-executed combination of organic and inorganic growth activities will allow OKEA to become one of the principal players on the NCS.

OKEA recognises the importance of an appropriately skilled leadership team in setting and driving the corporate goals. During 2019 OKEA has strengthened the senior management team by hiring a new Chief Financial Officer and Senior Vice President (Projects and Technology). These positions will augment the existing capabilities of the leadership team in the areas of financing and project delivery and the Board has full confidence in the ability of this group to successfully deliver the growth strategy.

3. The financial statements

OKEA prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Norwegian Accounting Act. From 1 January 2019 OKEA changed the accounting principle for valuation and presentation of overlift and underlift to the traditional sales method. The new standard IFRS 16 Leases was also implemented from 1 January. Impacts from these implementations have been described in Note 2 Accounting Policies. Other than these changes, the accounting principles are in all material respects the same as in the financial statements for 2018.

The purchase price allocation (PPA) from the acquisition of working interests in the Draugen and Gjøa licences have been finalised in 2019 and resulted in a net increase of Goodwill of NOK 5 million.

4. Statement of comprehensive income

The transaction with Shell, including the Draugen and Gjøa assets, was for accounting purposes included from 30 November 2018. Consequently, the statement of comprehensive income for 2018 includes figures representing only one month of activity and production from Draugen and Gjøa, while all figures in 2019 include a full year.

For 2019, OKEA's total operating income amounted to NOK 3 020 (309) million. Sold volumes were 7,110,565 (404,640) boe. The average realised price for liquids (oil and natural gas liquids) was USD 56.6 (67.8) per barrel of oil equivalent (boe), while the average gas price was USD 0.16 (0.29) per standard cubic meter (scm).

An amount of NOK 22 (115) million has been recognised as income in accordance to the final settlement of the contract breach compensation on the Yme project. See note 5 to the Financial statements for further description.

Other operating income amounted to NOK 62 (44) million and includes net gain/loss (-) related to tariff income at Gjøa with NOK 57 (0) million, commodity hedging of NOK -15 (37) million and sale of licences with NOK 20 (7) million.

Production expenses amounted to NOK 709 (97) million and the produced volume was 6,811,995 (815,110) boe, including 12 (1) months of production from Draugen and Gjøa. Production expenses were NOK 96 (119) per boe. See note 6 to the Financial statements for further details.

Exploration expenses were NOK 299 (75) million. The amount in 2019 was related to the dry wells Skumnisse on Draugen and Kathryn in PL910 in the Yme area, in addition to costs related to seismic data and other general field exploration activities. See note 7 to the Financial statements for further details.

Depreciation amounted to NOK 704 (100) million. Impairment was NOK 105 (0) million related to impairment of technical goodwill on Gjøa. When deferred tax from the initial recognition decreases in line with asset depreciation, more technical goodwill is as such exposed for impairments. See note 9 to the Financial statements for further details.

Net financial expenses amounted to NOK 408 (349) million and were heavily impacted by interest on bond loans amounting to NOK 298 (157) million, in addition to expenses related to foreign exchange put/call options of NOK 42 (28) million and foreign exchange rate losses of NOK 21 (3) million, mainly related to the two bonds denominated in USD.

Profit before income tax amounted to NOK 419 (-300) million. Taxes (-) / tax income (+) ended at NOK -491 (144) million, whereof tax payable amounted to NOK -431 (638) million and changes in deferred tax were NOK -60 (-494) million. The main reasons for the 2019 effective tax rate of 117% are costs related to impairments and financial items which are tax deductible with 0% and approximately 33% respectively. This was partly offset by the effect of uplift on investments.

Net profit / loss (-) was NOK -71 (-156) million while total comprehensive loss (-) was NOK -71 (-156) million.

5. Statement of financial position

Total assets at year-end amounted to NOK 10 986 (9 805) million.

Goodwill amounted to NOK 1 426 (1 531) million whereof ordinary and technical amounted to NOK 416 (416) million and NOK 1 009 (1 115) million, respectively. See note 16 to the Financial statements for further details.

Oil & gas properties amounted to NOK 3 886 (3 777) million where the change from last year mainly was related to investments of NOK 853 million, partly offset by depreciation of NOK 679 million.

As part of the Shell transaction it was agreed that Shell (the seller) should cover 80% of the costs of decommissioning the acquired oilfields, limited to an agreed cap. The fair value of the receivable towards the seller was estimated to NOK 2 969 (2 754) million.

At the balance sheet date, OKEA had available cash and cash equivalents of NOK 1 663 (395) million, an increase mainly due to cash flow from operations and share issue leading to increased amount of cash and cash equivalents.

The fair value of the asset retirement obligation was estimated to be NOK 4 014 (3 849) million and has been included in provisions in the statement of financial position. See note 23 to the Financial statements for further details.

Deferred tax liabilities amounted to NOK 830 (650) million at the balance date. See note 13 to the Financial statements for further details.

In December 2019 OKEA refinanced the USD 120 million bond OKEA01 and issued a USD 120 million senior secured bond loan OKEA03, maturing in December 2024. At 31 December 2019 interest-bearing loans were NOK 2 557 (2 529) million, consisting of OKEA02 of USD 180 million and OKEA03 of USD 120 million. See note 24 to the Financial statements for more information.

At the balance sheet date, OKEA has a total of 102,064,050 issued ordinary shares. In 2019 OKEA converted 901,061 "A ordinary shares" to "ordinary share" in addition to a 1:10 share split of 73,984,050 shares and share issues of in total 19,859,550 shares. Each ordinary share has one vote at general meetings. A total of 1,235,000 outstanding warrants exist at 31 December 2019.

The share capital amounted to NOK 10 million and total equity amounted to NOK 1 681 (1 456) million, corresponding to an equity ratio of 15 (15) percent. Total liabilities amounted to NOK 9 305 (8 349) million.

6. Statement of cash flows

Net cash flows from operating activities were NOK 2 111 (235) million, including taxes paid of NOK -172 million. Net cash flows used in investing activities amounted to NOK 847 (2 257) million, mainly related to investment in oil and gas properties of NOK 852 (387) million, in addition to cash paid for business combinations of NOK 40 (2 725) million.

Net cash flows from financing activities amounted to NOK 5 (2,386) million, which included net proceeds from issuance of a bond loan of NOK 1 062 (1 399) million, repayment of a bond loan of NOK -1 108 (0) million, net proceeds from issuance of new shares of NOK 283 (1 133) million and interest paid of NOK -232 (-143) million.

Net increase in cash and cash equivalents in 2019 was NOK 1 269 (365) million.

7. Going concern and liquidity

At the date of this report, the industry is in the midst of an unprecedented combination of a global pandemic (Covid-19) coupled with a dramatic fall in oil prices. The Board of Directors and the management team of OKEA have been working hard to assess and understand the impacts of this development on the business, and to identify mitigating factors that will ensure the company is able to withstand the current market conditions for an extended period of time. The present situation indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern.

Following the capital raises and refinancing in 2019, OKEA has a solid liquidity position. The OKEA-operated Draugen field, which provides a substantial portion of the company's revenues, has production expenses of less than 20 USD/boe and will therefore remain a positive contributor to the company even at current oil prices. The company does not face any bond maturities until 2023 or other refinancing requirements in the short term and has sufficient cash available to withstand a sustained period of low oil prices. Based on management estimates and in a continuing low oil price scenario, certain bond covenants may become technically in breach towards the end of 2020, albeit temporarily. Management has prepared a plan to address such potential development which includes cost cutting measures and potential postponements of activities and projects. Should those efforts and market development be insufficient to avoid a forecasted breach, the company will seek to liaise with the bondholders.

In addition, the company has flexibility to reduce expenditure through focused cost reduction measures, together with the deferral of non-essential activities into 2021 or beyond. The company will seek to postpone or cancel sanctioned plans once agreed with Joint Venture partners.

The Board and management will continue to closely monitor the situation and is prepared to execute on management plans described above to ensure the long-term strength of the company. Based on the company's liquidity position and forecasted cash flows from operations and pursuant to §3-3 of the Norwegian Accounting Act, the Board confirms that the conditions for continued operation as a going concern are present for the company and the annual financial statement for 2019 has been prepared under this presumption.

8. Allocation of loss for the year

Total comprehensive loss for 2019 amounted to NOK 71 million. The Board proposes the following allocation:

Transferred to accumulated loss NOK 71 million.

9. Risks related to OKEA's business and industry

The company's business, results of operations, value of assets, reserves, cash flows, financial condition and access to capital depend significantly upon, and may be adversely affected by, operational as well as financial risk factors.

The development of the oil and gas fields in which OKEA has an ownership interest, is associated with technical and geological risk and uncertainty with regards to timing of additional production from new development activities.

Furthermore, portfolio risk is considered to be significant in OKEA as the production of oil and gas comes from a limited number of offshore assets; Draugen, Gjøa and Ivar Aasen for 2019.

Production is expected to commence at Yme during 2020 which will partly mitigate this risk.

OKEA's business and financial results could be impacted by the adoption of any new climate change laws, policies and regulations. Emissions reduction targets as proposed by the Norwegian government and international legislations could also increase costs for environmental taxes and emission allowances.

Governmental restrictions are also a risk for the company. The current corona pandemic illustrates that the impact of governmental restrictions can have significant effects on the company's operations and financial situation.

OKEA could be a target for cyberattacks which could interrupt production or compromise data. OKEA has established and implemented relevant Information Technology & Information Management security parameters in line with best practices and regulatory requirements on the NCS, and, as such, mitigating measures have been taken to minimise the risk for any cyber-attack and potential consequences.

One of OKEA's strategies is to work closely with key suppliers to deliver high quality solutions and key competences to a larger degree than many companies operating in the oil & gas industry. The company therefore recognises that any failure by the suppliers to provide these solutions to OKEA could have a negative impact on business performance.

Financial risk factors

OKEA is exposed to a variety of financial risk factors. Oil and gas prices are highly volatile, and the company may from time to time enter into derivative contracts (for example hedges) in order to effectively receive fixed prices on portions of its oil and gas production. Reserves and contingent resources are by their nature uncertain with regard to the inferred volume range and are also sensitive to oil and gas prices. OKEA will continue to mitigate these risks by executing its hedging policies.

With a functional currency is NOK, OKEA is exposed to foreign exchange rate risk. Revenues for oil sales are in USD and in GBP and EUR for gas, while operational and development costs are mainly in NOK and taxes are in NOK. All debt is issued in USD, and refinancing risk is partly mitigated by different durations for the two bonds.

OKEA's exposure to interest rate risk is related to the OKEA02 USD 180 million bond, which is subject to floating interest rates. The company has no other interest-bearing borrowings with floating interest rate conditions but has issued the OKEA03 USD 120 million senior secured fixed interest rate bond loan. Under the agreements associated with these bonds the company is exposed to certain covenants that may limit OKEA's ability to enter into new financing arrangements. Key ratios OKEA needs to monitor in this respect are Capital Employment Ratio, defined as paid-in equity divided by paid-in equity plus interest-bearing debt, and Leverage Ratio, defined as net interest-bearing debt divided by 12 month EBITDA (earnings before interest and other financial items, taxes, depreciation, depletion, amortisation and impairments). Minimum free liquidity should always be USD 10 million.

OKEA is exposed to liquidity risk and has taken mitigating actions to ensure that sufficient liquidity is secured through detailed cash flow forecasting, including sensitivities to the key variables, to meet financial liabilities as they fall due, under normal as well as extraordinary circumstances, without incurring unacceptable losses or risking damage to the company's reputation.

Another financial risk factor relates to credit risk for counterparties' default on their payment obligations to the company. The exposure to credit risk is considered limited as sales agreements are only with solid customers and derivative contracts are only entered into with reputable counterparties.

Financial risk is managed by the finance department under policies approved by the Board. OKEA management continuously monitors the risk picture and reports to the Board regularly but not less than monthly. The overall risk management policy seeks to minimize the potential adverse effects on financial performance from unpredictable fluctuations in financial and commodity markets.

The fiscal regime for the Norwegian petroleum sector has been stable for many years but there are no assurances that this could not change in the future. OKEA is consequently exposed to potential changes in political conditions and the fiscal regime. This could impact OKEA's net income in future years.

OKEA is listed on the Oslo Stock Exchange (ticker "OKEA") and the market valuation of, and active trading in, OKEA's shares are potentially important for the company to be able to obtain funding for projects at favourable terms. The market's valuation of OKEA's equity could, if it falls below the book value of equity in the financial statement, imply an impairment risk for ordinary goodwill which could reduce net profits.

10. Quality, Health, Safety and Environment (QHSE)

OKEA considers its employees and contractors key assets for the success as a company and consequently stimulates and motivates employee participation, innovation and experience transfer, to create and sustain a company culture which fosters the most efficient and cost-effective solutions and best possible QHSE, operational and financial performance.

OKEA recognises that change and continuous improvement are vital to its business, to enable sustained growth and development. The long-term business success of OKEA depends on its ability to work closely with its partners and stakeholders to implement cost-effective field development and operational solutions, while ensuring that all its operations are conducted in such a way that no harm to people and a minimum impact on the environment are imposed as a result of its activities.

OKEA’s overall QHSE objectives are:

- Safe production – no harm – no leak;
- Minimise impact to the environment from its activities;
- Apply a risk-based management approach in all its activities;
- Implement cost effective field development and operational solutions.

OKEA is committed to “doing it right the first time” through close cooperation, team approach, achievement monitoring and continuous process improvement.

OKEA had no serious incidents in the company’s activities and operations in 2019. There have been three lost time injuries and one medical treatment case in the Draugen license’s production and drilling operations, i.e. four recordable injuries in the company in 2019. This gives the company a Total Recordable Injury Frequency of 6.18 in 2019 (frequency per one million working hours), calculated from the total amount of hours in the company’s activities.

The Board takes OKEA’s environmental responsibilities seriously and ensures that management of the company works to reduce the environmental impact from OKEA’s activities, both in field development projects and in the Draugen operations. Efforts are ongoing to find solutions and measures to reduce emissions to air and discharges to sea, as well as utilising chemicals that are as environmentally friendly as possible. Activities with the potential of reducing the environmental footprint have been initiated and will actively be further developed in 2020. One of these activities is to evaluate the potential possibilities to supply the Draugen platform with electrical power from shore.

The tables below present the environment parameters for the Draugen platform (2019), and OKEA’s net greenhouse gas emissions and CO2 intensity from all licenses and all activities where OKEA owns a share (2018 and 2019).

Environment parameters for the operated Draugen platform 2019

Key Performance Indicators	The Draugen platform
GHG CO2e emissions (tonnes)	195 330
CO2e intensity (kg CO2e/boe produced)	26.1
Gas flaring (Sm3)	2 688 616
Produced water oil concentration (ppm)	22.8
Produced water reinjection %	50.5 %

Net share greenhouse gas emissions from operated and non-operated assets 2018 and 2019

Year	GHG CO2e.*(tonnes)	CO2e intensity (kg CO2e/boe produced)	Comment**
2018	10 306	13.0	Draugen, Gjøa, Yme, Ivar Aasen
2019	99 658	14.6	Draugen, Gjøa, Yme, Ivar Aasen, PL910

** The CO2 equivalent includes CO2, CH4 and N2O*
*** OKEA as license partner in Draugen and Gjøa from 1st Dec. 2018, i.e. one month in 2018*

11. Corporate Social Responsibility

OKEA works to create value for its stakeholders. A separate report has been prepared describing how the company address corporate social responsibility and thereby contribute to the United Nations' goal of sustainability. The report is available at www.okea.no/investor/reports/.

12. Organisation and equal opportunities

OKEA promotes a healthy working environment for all employees, vendors and contractors involved in its activities. OKEA has established and implemented a Working Environment Committee for the new integrated organisation, covering all locations, offshore and onshore. In 2019, the sickness absence rate in OKEA was 3.6 %.

OKEA had 207 (182) employees at year end, of which 48 (42) employees, equivalent to a rate of 23 (23) %, were female. The company endeavours to maintain a working environment with equal opportunities for all based on qualifications, irrespective of gender, ethnicity, sexual orientation or disability.

At the end of 2019, the senior management team consisted of one woman and six men. Management changes which will take place early in 2020 will change this to two women and six men. Following the board changes during 2019, the Board of Directors now consisted of eleven members, five of whom are women (45%), with four deputy members, one of whom is a woman.

OKEA has built a strong organisation capability through the transaction to acquire the Shell assets, which included the Kristiansund operational office and the associated staff. Management and the Board believes that effective deployment and development of this group will be a key component of future success. As part of the company's commitment to team development, OKEA has engaged five apprentices at Draugen who all started in September 2019. In addition, the company will focus on identifying and executing internal development opportunities through the flexible use of resources across existing operations and new projects to maximise knowledge transfer and skills development within the group.

The working environment in OKEA is considered to be very good by the employees as shown by an employee satisfaction survey which was conducted during the autumn of 2019. The response rate was excellent with a total of 94% and 90% participation amongst onshore and offshore employees respectively.

13. Corporate Governance

The company is committed to creating sustained shareholder value and respects the company's various stakeholders. In achieving this, the company will remain committed to maintaining a high standard of corporate governance. The company has established policies and guidelines that lay out how business should be conducted, including clearly defining the roles and responsibilities of the Board and the Executive Management of the company, as well as the relationship between them.

As part of this process, early in 2019 the Board completed a review of its own abilities to support management in achieving the corporate growth ambitions. This review resulted in several changes to the Board makeup which now consists of eleven members. The shareholder elected Board members are currently comprised by four representatives from the two largest shareholders of the company, Bangchak and Seacrest, and four independent directors. Further, pursuant to applicable regulations the company has three Board members and four deputy Board members elected by and amongst the employees. The Board believes that it collectively has broad and extensive understanding and experience of the oil and gas industry which will enable it to provide the CEO and the management team with the support and guidance it needs. Corporate governance principles and implementation within OKEA are subject to annual reviews and sign-off by the company's Board of Directors.

The 2019 statement on corporate governance is provided in a separate section of the annual report.

14. Reporting of payments to governments

OKEA has prepared a report of government payments in accordance with the Norwegian Accounting Act §3-3d and the Norwegian Securities Trading Act §5-5a. These regulations state that companies engaged in activities within the extractive industries shall on an annual basis prepare and publish a report containing information about their payments to governments at country and project level. The report is provided in a separate section of the annual report.

15. Subsequent events and outlook

At the date of this report, it has become evident that the industry is facing an unprecedented combination of a global pandemic coupled with a dramatic fall in oil prices. At the first signs of this development in the beginning of the year, OKEA management and Board started working to assess and understand the implications for the business and to identify and execute mitigating factors to ensure that the company is able to withstand the prevailing market conditions for an extended period of time. The company has subsequently put in place a series of measures designed to protect employees and to ensure full continuity on OKEA operated projects, particularly at the Draugen field. The Board and management will continue to closely monitor the situation and be prepared to react swiftly and decisively as required to ensure the long-term strength of the company. These measures will be communicated to the market as they are put in place.

The current situation is affecting the entire industry and OKEA has always believed that consolidation of small-medium sized players on the Norwegian Shelf is inevitable. The Board believes that the current situation is likely to accelerate that. OKEA is in a strong position to take advantage of opportunities that may arise, and the Board will work closely with management to continue to seek new inorganic growth opportunities.

Finally, the Board believes that the Company is in a very strong position to survive the challenges currently faced by the industry. OKEA maintains a positive long-term outlook and the Board of Directors strongly believes that a secure supply of low cost energy will be critical to rebuild the global economy in the coming years. OKEA is well positioned to be an important contributor to this and Board and management will continue to work to ensure the future success of the Company.

In the Board's view, the annual accounts give a true and fair view of OKEA's assets and liabilities, financial position and results. The Board is not aware of any factors that materially affect the assessment of OKEA's financial position as of 31 December 2019, or the result for 2019, other than those presented in the Board of Directors' Report or that otherwise follow from the financial statements.

Board of Directors' Report 2019, Trondheim, 27 March 2020

Chaiwat Kovavisarach
Chairman of the Board

Liv Monica Bargem Stubholt
Board Member

Anne Lene Rømuld
Board Member

Michael William Fischer
Board Member

Finn Haugan
Board Member

Nicola Carol Gordon
Board Member

Henrik Schröder
Board Member

Prisana Praharnkhasuk
Board Member

Ida Ianssen Lundh
Board Member

Rune Olav Pedersen
Board Member

Jan Atle Johansen
Board Member

Erik Haugane
CEO

Statement on Corporate Governance

Annual Report **2019**

Statement on Corporate Governance 2019

1. Governance principles and objectives

OKEA ASA («OKEA» or «the company») seeks to create sustained shareholder value and to pay due respect to the company's various stakeholders. These include its shareholders, employees, business partners, society in general, and authorities. OKEA is committed to maintaining a high standard of corporate governance.

OKEA is a public limited liability company incorporated and registered in Norway and subject to Norwegian law. The company's shares are listed on Oslo Stock Exchange under the ticker OKEA, and the company has as of the date of this statement one bond, OKEA02, listed on the Oslo Stock Exchange. In addition, the company will list the bond OKEA03 in the second quarter in 2020.

As a public limited liability company with listed shares and bonds, the company is required to report on its corporate governance in accordance with the Norwegian Accounting Act section 3-3 b, 3rd subsection. Further, the Oslo Stock Exchange requires listed companies to report annually on the company's corporate governance policy in accordance with the current recommendation. Continuing obligations for companies listed on the Oslo Stock Exchange can be found at www.oslobors.no.

OKEA reports in accordance with the Norwegian Code of Practice for Corporate Governance (the "Code"). The Code is available on www.nues.no.

OKEA has in 2019 updated its Corporate Governance Policy and Corporate Governance instructions and guidelines that addresses the framework of guidelines and principles regulating the interaction between the company's shareholders, the Board of Directors (the "Board"), the Chief Executive Officer (the "CEO") and the company's executive management team. The Board of OKEA is responsible for adhering to sound corporate governance standards and follow up the company's objectives and strategies.

During 2019 the company has established various internal governance guidelines and policies, including Code of Conduct.

The principles and implementation of corporate governance are subject to annual reviews and discussions by the company's Board of Directors. This report discusses OKEA's main corporate governance policies and practices and how OKEA has complied with the Code in the preceding year.

OKEA complies with the current edition of the Code, unless otherwise specifically stated. The following statement on corporate governance 2019 is organised in line with the structure of the Norwegian Code of Practice for Corporate Governance, most recently revised 17 October 2018.

Deviations from the code: Two deviations:

- OKEA does not require all board members to be present at the General Meeting. See further details in section 6.
- OKEA does not yet have a Nomination Committee. See further details in section 7.

2. Business

OKEA is a pure Norwegian development and production company, which shall contribute to the value creation on the Norwegian Continental Shelf ("NCS") with cost effective development and operations.

The company's operations comply with the business objective set forth in its articles of association, which reads as follows:

"The objective of the company is petroleum activities on the Norwegian Continental Shelf, including development and production of oil and gas, and all other business activities as are associated with the above objectives, and share subscription or participation by other means in such operations alone or in cooperation with others".

The Board of Directors has defined clear goals, strategies and risk profile for the company's business activities, to create value for its shareholders and ensure that its resources are utilised in an efficient and responsible manner to the benefit of all its stakeholders.

OKEA has a nimble and low-cost strategy focused on growing its production through exploiting upsides in and around producing fields, developing sub-100 million of barrels of oil equivalent (mmboe) discoveries into production and Mergers & Acquisitions (M&A) activity.

Deviations from the code: None

3. Equity and dividends

Capital adequacy

As of 31 December 2019, OKEA's total equity was NOK 1 681 million. The Board of Directors considers the capital structure to be satisfactory and in accordance with OKEA's risk profile, thus enabling the company to pursue its goals and strategy. The Board of Directors continuously monitor the company's capital situation and will immediately take adequate steps should it be apparent at any time that the company's equity or liquidity is less than adequate.

Dividends and dividend policy

Dividend payments will depend on the performance and profitability of the company, which will be reviewed from time to time by the Board of Directors.

Currently, restrictions in OKEA's outstanding debt prevent the company from paying dividends. OKEA is focusing on growing its business and surplus cash will be used to fund ongoing and future projects. Consequently, the company does not expect to pay dividends in the foreseeable future. No dividends have been distributed to the shareholders of the company from its incorporation in 2015 till today.

Board authorisations

At the Ordinary General Meeting on 9 May 2019, two authorisations were granted to the Board of Directors:

- Power of attorney to increase the share capital with up to NOK 2,600,000 in connection with the planned IPO
- Power of attorney to increase the share capital with up to NOK 165,000, to be utilised in connection with the company's incentive program for its employees and board.

Both authorisations are valid until the ordinary General Meeting in 2020, and no later than 30 June 2020. There was a separate vote on both of the authorisations. For supplementary information, reference is made to the minutes of the Ordinary General Meeting held on 9 May 2019, available from https://www.okea.no/investor/reports and www.newsweb.no.

Deviations from the code: None

4. Equal treatment of shareholders and transactions with close associates

Basic principles

The company has one class of shares with equal rights for all shareholders.

At 31 December 2019, BCPR PTE. LTD. (BCPR) owned 46.52 per cent of OKEA. BPCR is a wholly owned within Bangchak Corporation Plc. Group (BCP). The second largest shareholder is OKEA HOLDINGS LTD.

OKEA is committed to equal treatment of all shareholders. The Board is of the view that it is positive for OKEA that BCP and OKEA HOLDINGS LTD. assume the role of active owners and are actively involved in matters of major importance to OKEA and to all shareholders. The cooperation with BCP and OKEA HOLDINGS LTD. offers OKEA access to expertise and resources within upstream business activities, technology, strategy, transactions and funding. It may be necessary to offer BCP and OKEA HOLDINGS LTD. special access to commercial information in connection with such cooperation. Any information disclosed to BCP and OKEA HOLDINGS LTD.'s representatives in such a context will be disclosed in compliance with the laws and regulations governing the stock exchange and the securities market.

BCPR and OKEA HOLDINGS LTD. account for OKEA in accordance with the equity method in their Financial Statements. Applicable accounting standards and regulations require BCP and OKEA HOLDINGS LTD. to prepare their consolidated financial statements to include accounting information of OKEA. OKEA is considered an associate of BCPR and OKEA HOLDINGS LTD. under the applicable accounting standard. In order to comply with accounting standards and the regulations in the Securities Trading Act with regards to equal treatment of shareholders, OKEA publishes its Financial Statements in due time to allow the major shareholders to incorporate relevant information.

Approval of agreements with shareholders and close associates

Any agreements between the company and any of the shareholders or other close associates shall be made in writing and entered into on arm's length terms and will be approved by the General Meeting in accordance with the Norwegian Public Limited Liability Companies Act section 3-8, if applicable.

Deviations from the code: None

5. Freely negotiable shares

OKEA's shares are freely negotiable securities and the company's Articles of Association do not impose any form of restriction on their negotiability. The company's shares are listed on the Oslo Stock Exchange and the company works actively to attract the interest of new Norwegian and foreign shareholders.

Deviations from the code: None

6. General meetings

The General Meeting of shareholders is the company's highest decision-making body. The General Meeting is an effective forum for communication between the shareholders and the Board and OKEA encourage shareholders to participate in the General Meetings.

The Ordinary General Meeting is normally held before the end of April each year, and no later than the end of June, which is the latest date permitted by the Public Limited Liability Companies Act. The date of the next Ordinary General Meeting is normally included in the company's financial calendar, which is available at https://www.okea.no/investor/share-information/. Extraordinary General

Meetings can be called by the Board of Directors at any time, or by shareholders representing at least 1/10 of share capital.

According to the company's articles of association section 7, the documents pertaining to matters to be handled at a general meeting shall be made available to the shareholders on the company's webpage. This is also applicable to documents which according to statutory law shall be included in or attached to the notice of the general meeting.

Further, according to the company's articles of association section 7, the right to participate and vote at general meetings of the company can only be exercised for shares which have been acquired and registered in the shareholders register in the shareholders on the fifth business day prior to the general meeting.

Resolutions of the General Meeting shall be by simple majority, unless a qualified majority is required by law.

The Board proposes the agenda for the Ordinary General Meeting. The main agenda items are determined by the requirements of the Norwegian Public Liability Companies Act.

The company's General Meetings are normally chaired by the Chairman of the Board, or a person appointed by the Chairman of the Board. If the Chairman of the Board is personally conflicted in respect of any matters another person will be appointed to chair the meeting.

Deviations from the code: The code recommends that all members of the Board are present at the General Meeting and that the chairman of the Nomination Committee should attend the Ordinary General Meeting. Due to the nature of discussions at General Meetings in 2019, OKEA has not deemed it necessary to require all Board members to be present.

7. Nomination committee

The company has not established a nomination committee pursuant to the Code as of 31 December 2019.

The company has planned to establish a nomination committee at the Ordinary General Meeting in 2020. For the annual General Meeting in 2020 three directors are up for election. Considering the current shareholder position, directors will for the election in 2020 be nominated directly by the major shareholders and elected by the General Meeting.

Deviations from the code: There is as of year-end 2019 not established a nomination committee.

8. The Board of Directors; Composition and independence

In accordance with the company's articles of association, the Board of Directors shall consist of three to eleven Directors. The Directors and the Chairman are elected by the General Meeting for a term of two years. Members of the Board of Directors may be re-elected.

With effect from 1 January 2019, the Board of Directors consisted of eight members, whereof one woman. At the extraordinary General Meeting on 5 April 2019 the shareholders elected four new Board members and at the same meeting three members stepped down.

Pursuant to the public limited liabilities act section 6-4 the employees of the company have as of 21 March elected three board members and four deputy board members. The employee elected board members are elected for a term of two years.

Following the elections held in 2019 the Board of Directors consisted at year-end 2019 of eleven members, whereof five women, and four deputy members, whereof one woman.

The composition of the Board of Directors is based on broad representation of the company’s shareholders, as well as the company’s need for competence, capacity and balanced decisions. Members of the company's senior management shall not serve as Directors.

The composition of the Board of Directors is in compliance with the independence requirements of the Code, meaning that (i) the majority of the members of the Board of Directors elected by the company’s shareholders are independent of the company’s executive management and material business contacts, (ii) at least two Board Members elected are independent of the company’s main shareholders (shareholders holding more than 10% of the Shares in the company), and (iii) no member of the company’s senior management team serves on the Board of Directors.

Members of the Board of Directors are encouraged to own shares in the company. The individual shareholdings in the company for each Board member are specified in the note 10 to the annual accounts.

In 2019 the Board held a total of 20 board meetings. The attendance was at 93%.

OKEA has an agreement with the employees of OKEA not to have a corporate assembly but instead expanded employee representation in the Board of Directors as detailed above.

Deviations from the code: None

9. The work of the Board of Directors

The Board of Directors is responsible for the overall management of the company and shall supervise the company’s day-to-day management and the company’s activities in general.

The Board has prepared instructions to allocate duties and responsibilities between the CEO and the Board. The instructions are based on applicable laws and well-established practices.

The Board of Directors is responsible for determining the company’s overall goals and strategic direction, principles, risk management, and financial reporting. The Board of Directors is also responsible for ensuring that the company has competent management with a clear internal distribution of responsibilities, as well as doing an ongoing performance evaluation of the CEO. Guidelines for the CEO, including clarifying duties, authorities and responsibilities, have been prepared.

In accordance with the company’s guidelines, members of the Board of Directors and senior management are expected to notify the Board if they have any material direct or indirect interest in any transaction entered into by the company.

Board committees

Audit Committee
The audit committee is a preparatory and advisory working committee for the Board of Directors. The company has in 2019 established an audit committee in accordance with the rules of the Norwegian Public Limited Liability Companies Act chapter 6 V, and the listing rules of the Oslo Stock Exchange. The audit committee consists of the three board members.

The members of the audit committee shall be elected by and amongst the members of the board of directors. Board members who are also members of the executive management in the company may not be elected as members of the audit committee. The audit committee shall collectively have the competence which is necessary from the perspective of the organisation and operation of the company in order to fulfil its tasks. A majority of the members shall be independent of the company's operations, and at least one of the members of the audit committee shall have qualifications within accounting or auditing.

The principal tasks of the audit committee are to:

- prepare the board of directors' supervision of the company's financial reporting process including
    - Informing the BoD about the results of the audit and explain how the audit contributed to the integrity of the financial reporting and the Committee's role in this process.
    - Providing recommendations to the Board to ensure the integrity of the financial reporting.
- monitor the systems for internal control and risk management with relation to financial risks, in cooperation with the Risk Committee;
- have continuous contact with the company's auditor regarding the review of financial information and audit of the annual accounts; and
- review and monitor the independence of the company's auditor, including in particular the extent to which services than auditing provided by the auditor or the audit firm represent a threat to the independence of the auditor.
- Monitor activities between the company and the Financial Supervisory Authority (FSA), including
    - Having dialogue with FSA if required
    - Reviewing reporting to FSA prior to submission
- Meet with the Risk Committee at least annually to coordinate review of risk and internal control

Remuneration and compensation committee
The company has in 2019 established a Remuneration and Compensation Committee as a sub-committee to the Board of Directors. The Remuneration and Compensation Committee consists of three board members.

The principal tasks of the remuneration and compensation committee are to:

- Review and approve corporate goals and objectives relevant to the compensation of the CEO, evaluate the performance of the CEO in light of those goals and objectives and set the compensation level for the CEO based on this evaluation.
- Make recommendations to the Board with respect to incentive-compensation plans and equity-based plans.
- Make prepare and make recommendations to the Board with respect to statements and guidelines for senior management compensation.
- Conduct an annual review of director compensation and recommend to the Board for its approval the form and amount of such compensation.

The statement on salary and benefits for senior management is provided in a separate section of the annual report.

Risk committee
The company has in 2019 established a Risk Committee as a sub-committee to the Board of Directors. The Risk Committee consists of three board members.

The principal tasks of the risk committee are to:

- Follow up the company's enterprise risk management and internal control and regularly report to the Board of Directors, including to oversee the company's risk appetite, and advice the Board on risk appetite and risk tolerance related matters.
- Contribute to the Board's annual review of the company's most important areas of exposure to risk and its internal control arrangements
- Supervise and assess the effectiveness, development and implementation of OKEA's Code of Conduct and make recommendations to the Board on amendments to Code of Conduct

In addition to the above-mentioned committees the Board may when deemed necessary establish various sub-committees with limited duration and mandate.

Evaluation of the Board
The Board evaluates its performance and expertise annually.

Deviations from the code: None

10. Risk management and internal control

The Board shall ensure that the company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the company's activities. The internal control and the systems shall also encompass the company's corporate values and ethical guidelines. OKEA applies a risk-based management approach in planning, execution and monitoring activities as reflected throughout OKEA's Management System.

Risk management is of paramount importance for OKEA's ability to achieve its goals and deliverables. The following governing principles apply for risk management in OKEA:

- Uncertainty is handled through the continuous risk management processes in top management, as well as in departments and projects.
- Risk management shall be reflected throughout the company management system framework.
- Risk management shall be an important foundation for all major decisions.
- An updated enterprise risk picture shall be maintained.
- Risk shall be managed at the lowest possible level in the organisation.
- Risk management shall address both threats and opportunities.
- Risk management in OKEA shall be transparent, inclusive and dynamic.

OKEA's overall governing principles for risk management are incorporated in OKEA's Management System Manual. Risk management activities are further integrated in processes and documents in OKEA's Management System. The company's operational activities are limited to Norway and are subject to Norwegian regulations. All activities taking place in a production license are subject to supervision and audits from governmental bodies (e.g. the Petroleum Safety Authority Norway (Norwegian PSA) and the Norwegian Environment Agency), and license partners. OKEA's risk management shall be in accordance with the Norwegian regulations relating to health, safety and the environment in the petroleum activities and at certain onshore facilities (the Framework Regulations) section 11.

The CEO is the overall responsible for risk management in OKEA. Responsibility for managing risk on department or project/activity level lays with the appointed Manager. Senior Vice President Business Performance is responsible for coordinating Enterprise Risk Management across the company and provide the Board with a status of the internal control, most important risks and mitigation measures on a monthly basis. The Board and the Risk Committee regularly review major risks identified and reported through the company Risk Management process. The Audit Committee and Risk Committee meets at least once a year to ensure a holistic view and management of all risks in the company.

The Internal Control over Financial Reporting (ICFR) system shall ensure reliable and timely financial information and reporting. The company has during 2019 implemented a framework for risk management and internal control over Financial Reporting based on the framework published by the Committee of Sponsoring Organisations of the Treadway Commission (COSO). The framework has the following five components:

1. Control Environment
2. Risk Assessment and objective setting
3. Control Activities
4. Information and Communication
5. Monitoring Activities

The established framework and established processes are integrated in the company's management system and enable:

- appropriate and effective identification of risks and events
- establishment of relevant controls
- information and communication of risks
- monitoring of process compliance
- provision of relevant, timely and reliable financial reporting that provides a fair view of the company's business,
- prevention of manipulation/fraud of reported figures, and
- compliance with relevant requirements of IFRS.

OKEA makes use of an external professional accounting firm to support its internal and external financial reporting. Meetings are held regularly to ensure alignment and proper assessment of new events, risks and issues, and to provide updates of status of operations and projects. Other external professionals are used to provide additional capability if required.

The company's internal control environment is characterised by clearly defined responsibilities and roles between the Board of Directors, Audit committee, management, the Finance department and the Accounting Service Provider.

During 2019, OKEA has formalised and implemented processes in the management system for all areas deemed to have high risk of errors in Financial Reporting. These are:

- Impairment of goodwill and tangible and intangible assets
- Estimates for Asset Retirement Obligations
- Tax assessment and tax calculation
- The Financial Statement Closing Process
- Revenue recognition

In addition, several other processes have been implemented or improved.

The company has implemented a combination of manual and automatic controls, both preventive and detective. The processes established and the controls implemented are deemed to be appropriate for a company of OKEA's size and complexity. The Internal Control over Financial Reporting is continuously improved and adapted to the company's growth and complexity.

Deviations from the code: None

11. Remuneration of the Board of Directors

For 2019 and up to the date of the Ordinary General Meeting in 2020 the Board remuneration was set to the following, as decided by the Ordinary General Meeting 9 May 2019:

For the Board of Directors:

- For the Chairman: NOK 42,500/month with an additional NOK 10,000/meeting
- For other the Members of the Board: NOK 28,000/month with an additional NOK 7,000/meeting.

Additional Committee fees:

- For the Committee chair: NOK 35,000/meeting
- For the other Members of the Committee: NOK 25,000/meeting

The committee fees are capped at 140,000/per year and 100,000 NOK/per year for the committee chair/members respectively, based on a maximum of 4 committee meetings.

The Board shall approve any consultancy work done by a member of the Board, including the remuneration for such work.

Total remuneration to the Board of Directors for 2019 is NOK 8,2 million. The individual remuneration for the board members is specified in note 10 to the Annual Financial Statements.

Deviations from the code: None

12. Remuneration of the senior management

Combined remuneration for the senior management is NOK 24,8 million for 2019, with executive management defined as the current CEO/Senior Vice President level in the organisation.

The individual remuneration for the senior management is specified in the note 10 to the Financial Statements.

The guidelines for remuneration and compensation of senior management are found in the Board's statement pursuant to the Public Limited Liability Act section 6-16 a) on these matters as a separate section of the annual report.

Deviations from the code: None

13. Information and communications

The Board places great emphasis on open, honest and timely dialogue with shareholders and other participants of the capital markets to build trust and credibility, and to support access to capital and a fair valuation of the company's listed shares and debt. The Board seeks to present the information factually and accurately. All information is published in English, which is OKEA's corporate language.

OKEA's Investor Relations (IR) team comprises the CEO, Chief Financial Officer (CFO) and VP Investor Relations, and the responsibility for the company's IR work lies with the VP Investor Relations.

The primary channel for communication is OKEA's web page, www.okea.no. Information directly to shareholders is primarily given by electronical communication (e-mail).

OKEA provides interim and annual financial statements and issues other notices when appropriate, in accordance with the Oslo Stock Exchange's Continuous Rules for Bond and quarterly financial statements as per regulated under the company's bond agreements. The information is made available on the company's website and at www.newsweb.no.

Deviations from the code: None

14. Takeovers

The Board has established procedures for how to act should a take-over bid be made.

In a take-over process, the Board and the executive management team each have an individual responsibility to ensure that the company's shareholders are treated equally and that there are no unnecessary interruptions to the company's business activities. The Board has a particular responsibility in ensuring that the shareholders have sufficient information and time to assess the offer.

In the event of a take-over process, the Board shall ensure that:

1. the Board will not seek to hinder or obstruct any takeover bid for the company's operations or shares unless there are particular reasons for doing so;
2. the Board shall not undertake any actions intended to give shareholders or others an unreasonable advantage at the expense of other shareholders or the company;
3. the Board shall not institute measures with the intention of protecting the personal interests of its members at the expense of the interests of the shareholders; and
4. the Board must be aware of the particular duty it has for ensuring that the values and interests of the shareholders are protected.

In the event of a take-over bid, the Board will, in addition to complying with relevant legislation and regulations, comply with the recommendations in the Norwegian Code of Practice for Corporate Governance. This includes obtaining a valuation from an independent expert. On this basis, the Board will make a recommendation as to whether or not the shareholders should accept the bid.

Any transaction that is in effect a disposal of the company's activities should be decided by a general meeting.

Deviations from the code: None

15. Auditor

The company's external auditor is PwC.

The Board of Directors requires the company's auditor to annually present a review of the company's internal control procedures, including identified weaknesses and proposals for improvement, as well as the main features of the plan for the audit of the company.

Furthermore, the Board of Directors requires the auditor to participate in meetings of the Board of Directors that deal with the annual Financial Statements. At these meetings the auditor reports on any material changes in the company's accounting principles and key aspects of the audit, comment on any material estimated accounting figures and report all material matters on which there has been disagreement between the auditor and the executive management of the company. The Board of Directors will meet with the auditor annually without representatives of company management being present.

The auditor participates in all meetings with the Audit Committee, except those parts discussing possible changes of auditor. The auditor meets the Audit Committee without the company's management being present at least once a year.

The auditor's independence in relation to the company is evaluated at least annually. The auditor submits a written confirmation that the auditor satisfies established requirements as to independence and objectivity. The auditor may carry out certain audit related or non-audit services for the company, providing these are not in conflict with its duties as auditor. If the value of such services exceeds NOK 500.000, pre-approval by the Audit Committee is required. Otherwise, such services can be approved by SVP Accounting & Controlling and/or the Chief Financial Officer.

The remuneration to the auditor is approved by the Ordinary General Meeting. The Board of Directors will report to the General Meeting details of fees for audit work and any fees for other specific assignments. The auditor attends the general meeting if the business which is to be transacted is of such a nature that attendance is considered necessary.

Deviations from the code: None

Reporting on payments to governments

Reporting on payments to governments

This report is prepared in accordance with the Norwegian Accounting Act Section § 3-3 d and the Securities Trading Act § 5-5 a. It states that companies engaged in activities within the extractive industries shall annually prepare and publish a report containing information about their payments to governments at country and project level. The Ministry of Finance has issued a regulation (F20.12.2013 nr 1682) stipulating that the reporting obligation only apply to reporting entities above a certain size and to payments above certain threshold amounts. In addition, the regulation stipulates that the report shall include other information than payments to governments, and it provides more detailed rules applicable to definitions, publication and group reporting.

The management of OKEA has applied judgment in the interpretation of the wording in the regulation regarding the specific type of payment to be included in the report, and on what level it should be reported. When payments are required to be reported on a project-by-project basis, it is reported on a field-by-field basis. As per management's interpretation of the regulations, only gross amounts on operated licences are reported, and only for the period when OKEA formally has been acting as operator. As all payments within the licences performed by non-operators will normally be cash calls transferred to the operator these payments are not considered to be payments to the government. All activities in OKEA within the extractive industries are located on the Norwegian Continental Shelf and all the reported payments below is to the Norwegian government.

The payments to be reported are defined in the regulation (F20.12.2013 nr 1682) §3. The below sections summarize the payments that OKEA has made:

Area fee

OKEA has paid area fee for the following licences in 2019:

License	2019 (NOK)
Draugen	15 605 828
Grevling	5 049 000
PL158	918 000
Total area fee paid	**21 572 828**

Income tax – Norway

Income taxes are calculated for OKEA ASA. The tax payments in 2019 of NOK 173 650 074 are related to tax instalments for income year 2019 and tax settlements for 2018.

CO2 tax

The CO2 tax paid in 2019 on the Draugen field amounted to NOK 67 370 792.

NOx

The company is a member of the NOx fund and all NOx payments are made to this fund rather to the government.

Other information

In accordance with the regulation (F20.12.2013 nr 1682) OKEA is also required to report on investments, operating income, production volumes and purchases of goods and services. All reported information is relating to OKEAs activities within the extractive industries on the Norwegian Continental Shelf:

- Total net investments amounted to NOK 847 million as specified in the statement of cash flows.
- Revenues from crude oil and gas sales amounted to NOK 2 936 million as reported in the statement of comprehensive income.
- OKEA’s net production in 2019 was 6,811,995 barrels of oil equivalents as reported in note 6 to the financial statements.
- Reference is made to the statement of comprehensive income and related disclosures notes for information about purchase of goods and services.

Statement on compensation and benefits for senior management

Statement on compensation and benefits for senior management

1. Introduction

Pursuant to section 6-16a of the Public Limited Companies Act, the Board of Directors of OKEA ASA ("the company") makes the following statement containing guidelines for the determination of salaries and other remuneration to the CEO and other senior management of the Company (senior management) for the financial year 2020. The statement has been prepared by the Board's remuneration and compensation committee and was approved by the Board of Directors of OKEA ASA on [16 March] 2020.

In accordance with the requirements of Sections 6-16a and 5-6, third paragraph of the Public Limited Companies Act, the guidelines are presented for the Annual General Meeting of OKEA ASA on 1 April 2020 for advisory voting.

The guidelines are indicative and any deviations from the guidelines will be decided by the Board. In such a decision, reasons for deviating from the guidelines shall be included in the minutes of the relevant Board meeting.

2. Decision-making authority

The Board shall decide on salaries and other remuneration to the CEO. The CEO determines salary and other remuneration for other senior management. Board, mainly through its Remuneration Committee, shall have the overall supervision of the remuneration of the others senior management and can set precise guidelines in addition to what follows below for the remuneration of others senior management. If the CEO wants to provide remuneration to senior management that go beyond the guidelines this is to be presented to the Board of Directors for approval.

3. Remuneration Guidelines for the 2020 financial year

The remuneration policy will support the implementation of OKEA's strategy and the achievement of overall corporate goals. It should build on OKEA's values and contribute to the desired corporate culture. The reward policy will help OKEA attract, develop and retain people with the right competence, both professionally, managerially and behaviourally, in accordance with the requirements for each position.

- The company's remuneration policy is based on the following main principles:
- The remuneration policy shall contribute to build culture – «We OKEA» – which is characterized by genuine commitment and ownership to develop the entire company, with focus on the company's values: Open, Keen, Efficient, Agile
- The remuneration policy shall attract, retain and develop employees with the right competence, meaning that it should be competitive, motivating and with the necessary room for flexibility
- The remuneration policy shall be experienced predictably and clearly by all employees
- The remuneration policy shall include both financial and non-financial instruments

Based on these main principles, the Board has designed the following compensation and benefits structure for the company's senior management:

Base salary

The base salary is the main element in the senior management salary. The base salary must be competitive and reflect the level of responsibility but should not be wage leading.

The individual benefits that are used more specifically are commented below. Unless otherwise stated below, no special conditions, limits or award criteria shall apply to the mentioned benefits.

Bonus

OKEA has a bonus scheme for all employees, also including the senior management. Employees buy shares or get shares for half of the total bonus value after deduction of 50% withholding tax. Alternatively, bonuses can be paid out in cash, but then reduced by another 50%. The criteria for the share bonus are determined by the Board of Directors on a yearly basis. The Board conducts an annual assessment of the arrangement, determines the achievement of the criteria and sets bonus criteria for the coming year. OKEA has further established in 2019 a long-term share incentive scheme for selected members of senior management and other key employees. Shares are to be awarded and vested over a three-year period.

Incentive schemes entailing issuance of new shares will require approval from the General Meeting.

One-off remuneration, such as sign on bonuses, can be used for the hiring of senior management.

Pension plans

No early retirement agreements have been entered into. However, the company may enter into such agreements in the future.

The company is obliged to have an occupational pension scheme under the Mandatory Occupational Pensions Act. OKEA's pension schemes meet the requirements of the law. Senior management participate in the company's occupational pension scheme.

Termination period and severance pay

The Company's CEO should normally have an agreement that addresses the company's need to be able to ask the CEO to resign immediately if this is in the Company's interest.

Agreements on severance pay may also be entered into for other senior management, to meet the company's needs at all times to ensure that the composition of senior management is in accordance with the company's needs. Such agreements will only be binding to the extent permitted by the Working Environment Act.

Fringe benefits

Senior management can be awarded benefits in kind that are common for comparable positions, such as free telephone, home PC, free broadband connection, newspapers, company car/car scheme and parking. There are no special restrictions on what kind of benefits can be agreed upon.

Other benefits

Other variable elements of the remuneration may be used, or other special benefits may be awarded other than those mentioned above, if this is deemed appropriate to attract and/or retain a senior executive. There are no specific restrictions on what other benefits can be agreed upon.

4. Statement on senior management pay policy in fiscal year 2019

OKEA was converted to an ASA company in May 2019 and thus no statement on compensation and benefits for senior management was presented to the General Meeting 9 May 2019. The above guidelines for the company's senior management compensation and benefits for 2020 have been developed as a part of the company's overall salary policy throughout second half of 2019. The senior management compensation and benefits policy for the financial year 2019 have been carried out in accordance with the above guidelines for 2020.

For details on senior management compensation and benefits in 2019 and 2018 the Board refers to note 10 in the Financial Statements.

Financial Statements 2019

Financial Statements with notes

Overview of the financial statements with notes

Statement of Comprehensive Income

Amounts in NOK `000	Note	**2019**	**2018 Restated ***
Revenues from crude oil and gas sales	4, 5	2 935 635	149 761
YME compensation contract breach	5	22 098	115 000
Other operating income / loss (-)	5	61 833	44 326
Total operating income		**3 019 566**	**309 087**
Production expenses	6	-708 649	-96 714
Changes in over/underlift positions and production inventory	6	-272 472	133 318
Exploration expenses	7	-299 446	-74 782
Depreciation, depletion and amortization	8	-703 883	-100 066
Impairment	9	-105 394	-
General and administrative expenses	10, 11	-102 562	-122 082
Total operating expenses		**-2 192 406**	**-260 326**
Profit / loss (-) from operating activities		**827 160**	**48 761**
Finance income	12	103 893	17 300
Finance costs	12	-444 880	-181 853
Net exchange rate gain/loss (-)	12	-66 777	-184 410
Net financial items		**-407 764**	**-348 963**
Profit / loss (-) before income tax		**419 396**	**-300 202**
Taxes (-) / tax income (+)	13	-490 527	144 488
Net profit / loss (-)		**-71 131**	**-155 715**
Other comprehensive income, net of tax:			
Items that will not be reclassified to profit or loss in subsequent periods:			
Remeasurements pensions, actuarial gain/loss (-)	14	418	-
Total other comprehensive income, net of tax		**418**	**-**
Total comprehensive income / loss (-)		**-70 712**	**-155 715**
Earnings per share (NOK per share)			
- Basic	15	-0,77	-4,11
- Diluted	15	-0,77	-4,11

* Restatements see note 32

Statement of Financial Position

Amounts in NOK `000	Note	31.12.2019	31.12.2018 Restated *
ASSETS			
Non-current assets			
Goodwill	16	1 425 568	1 530 962
Exploration and evaluation assets	16	15 927	6 324
Oil and gas properties	8	3 885 889	3 777 130
Buildings	8	87 875	92 501
Furniture, fixtures and office equipment	8	11 250	3 407
Right-of-use assets	17	163 398	-
Other non-current assets	18, 29	2 968 502	2 754 237
Total non-current assets		**8 558 409**	**8 164 561**
Current assets			
Trade and other receivables	19, 26	621 913	882 361
Spareparts, equipment and inventory	20	142 291	315 500
Restricted cash	21, 24, 26	-	48 327
Cash and cash equivalents	21, 26	1 663 478	394 670
Total current assets		**2 427 682**	**1 640 858**
TOTAL ASSETS		**10 986 091**	**9 805 419**

* Restatements see note 32

Amounts in NOK `000	Note	31.12.2019	31.12.2018 Restated *
EQUITY AND LIABILITIES			
Equity			
Share capital	22	10 206	8 220
Share premium		1 912 462	1 624 104
Other paid in capital		6 855	1 361
Accumulated loss		-248 094	-177 381
Total equity		**1 681 430**	**1 456 304**
Non-current liabilities			
Asset retirement obligations	23	4 024 420	3 859 308
Pension liabilities	14	26 857	25 701
Lease liability	17	117 996	-
Deferred tax liabilities	13	830 417	650 341
Interest-bearing loans and borrowings	24, 26	2 556 570	2 528 589
Total non-current liabilities		**7 556 259**	**7 063 939**
Current liabilities			
Trade and other payables	25, 26	1 371 587	1 109 725
Income tax payable	13	294 704	162 200
Lease liability - current	17	45 544	-
Public dues payable		32 798	9 840
Provisions, current	23	3 769	3 410
Total current liabilities		**1 748 402**	**1 285 176**
Total liabilities		**9 304 661**	**8 349 115**
TOTAL EQUITY AND LIABILITIES		**10 986 091**	**9 805 419**

* Restatements see note 32

Trondheim, 27 March 2020

Chaiwat Kovavisarach
Chairman of the Board

Liv Monica Bargem Stubholt
Board Member

Anne Lene Rømuld
Board Member

Michael William Fischer
Board Member

Finn Haugan
Board Member

Nicola Carol Gordon
Board Member

Henrik Schröder
Board Member

Prisana Praharnkhasuk
Board Member

Ida Ianssen Lundh
Board Member

Rune Olav Pedersen
Board Member

Jan Atle Johansen
Board Member

Erik Haugane
CEO

Statement of Changes in Equity

Amounts in NOK `000	Note	Share capital	Share premium	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 year					-155 715	-155 715
Capital reduction (equity restructuring)	22	-23 300	-452 590			-475 890
Share issues, conversion of debt (equity restructuring)	22	1 687	474 203			475 890
Share issues, cash	22	5 095	1 131 736			1 136 831
Share based payment	10			1 361		1 361
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
Total comprehensive income/loss (-) for the year					-70 712	-70 712
Share issues, cash	22	1 986	288 358			290 344
Share based payment	10			5 494		5 494
Equity at 31 December 2019		**10 206**	**1 912 462**	**6 855**	**-248 094**	**1 681 430**

Statement of Cash Flows

Amounts in NOK `000	Note	**2019**	**2018***
Cash flow from operating activities			
Profit / loss (-) before income tax		419 396	-300 202
Income tax paid/received	13	-171 671	20 885
Depreciation, depletion and amortization	8	703 883	100 066
Impairment goodwill	9	105 394	-
Accretion asset retirement obligations	18, 23	16 088	10 078
Gain from sales of licences	5	-19 063	-
Interest expense		297 998	145 082
Change in trade and other receivables, and inventory		434 004	-602 224
Change in trade and other payables		335 354	693 180
Change in other non-current items		-10 267	168 563
Net cash flow from / used in (-) operating activities		**2 111 116**	**235 428**
Cash flow from investing activities			
Investment in exploration and evaluation assets	16	-10 195	-573
Business combination, cash paid	29	-40 000	-2 725 220
Investment in oil and gas properties	8	-852 611	-386 526
Investment in buildings	8	0	-1 001
Investment in furniture, fixtures and office machines	8	-11 628	-3 196
Net investment in (-)/release of restricted cash	22	48 327	859 472
Proceeds from sales of licences	5	18 716	-
Net cash flow from / used in (-) investing activities		**-847 391**	**-2 257 043**
Cash flow from financing activities			
Net proceeds from borrowings, bond loan	24	1 062 157	1 399 065
Net proceeds from borrowings, exploration loan		-	37 650
Repayment of borrowings, bond loan	24	-1 107 839	-
Repayment of borrowings, exploration loan		-	-40 000
Interest paid		-232 412	-143 403
Net proceeds from share issues	22	283 177	1 133 365
Net cash flow from / used in (-) financing activities		**5 083**	**2 386 677**
Net increase/ decrease (-) in cash and cash equivalents		**1 268 807**	**365 062**
Cash and cash equivalents at the beginning of the period		394 670	29 609
Cash and cash equivalents at the end of the period	21	**1 663 478**	**394 670**
Restricted cash at the end of the period	21	-	48 327
Restricted and unrestricted cash at the end of the period	21	**1 663 478**	**442 997**

* Restatements see note 32

Notes to the Financial Statements

Note 1. Corporate Information

OKEA ASA (“OKEA” or “the company”) is a public limited liability company incorporated and domiciled in Norway. The company’s registered business address is Ferjemannsveien 10, 7042 Trondheim, Norway. OKEA’s shares were listed on the Oslo Stock Exchange on 18 June 2019 under the ticker “OKEA”.

The company’s aim is to contribute to the value creation on the Norwegian Continental Shelf with cost effective development and operating systems.

The company is the operator and holds a 44.56% interest in the producing field Draugen (PL093). The company also holds a 12% interest in the producing field Gjøa (PL153) and 0.554% in the producing field Ivar Aasen, in addition to a 15% interest in the Yme field (PL316/316B) which is currently under development. Furthermore, the company has interest in 5 licences that are in the exploration phase.

The financial statements of OKEA for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Board of Directors on 16 March 2020.

Note 2. Accounting Policies

Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and in accordance with the additional requirements following the Norwegian Accounting Act.

The financial statements have been prepared under the assumption of going concern and on a historical cost basis, with some exceptions as detailed in the accounting policies set out below.

Balance Sheet Classification

Current assets and current liabilities include items due less than a year from the balance sheet date, and items related to the operating cycle, if longer. Other assets and liabilities are classified as non-current. The current portion of non-current debt is included under current liabilities.

Interest in Oil and Gas Licences

The company accounts for its interest in oil and gas licenses based on its ownership interest in the licence, i.e. by recording its share of the licences individual income, expenses, assets, liabilities and cash flows, on a line-by-line basis with similar items in the company’s financial statements.

Acquisitions of Interests in Oil and Gas Licences

Acquisitions of interests in oil and gas licences or similar joint operations where the joint operation constitutes a business, are accounted for in accordance with the principles in IFRS 3 Business Combinations. This means that the acquisition method of accounting is used to account for such acquisitions.

Identifiable assets acquired and liabilities and contingent liabilities assumed are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred over the fair value of the net identifiable assets acquired is recorded as goodwill. If, following careful consideration, the consideration transferred is less than the fair value of the net identifiable assets of the joint operation acquired, such difference is recognised directly in profit or loss.

Acquisitions of interests in oil and gas licences or similar joint operations where the joint operation is not considered to be a business, are accounted for as acquisitions of assets. The consideration for the interest is allocated to individual assets and liabilities acquired.

Foreign Currency Translation and Transactions

The functional currency and the reporting currency of the company is NOK.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into functional currency at the balance sheet date exchange rates. Non-monetary items are translated at the historical exchange rate on the transaction date and non-monetary items that are measured at fair value are translated at the exchange rate on the date when the fair value was determined. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Revenue Recognition

Revenue from the sale of petroleum products is recognised when the company's contractual performance obligation has been fulfilled; at delivery. The lifting schedule will vary with the production profiles and commercial arrangements for the various petroleum products and assets. Dry gas from all assets is lifted on a daily basis. Crude oil from Draugen is lifted approximately once a quarter, crude oil from Gjøa more frequent, whilst for Ivar Aasen due to our working interest no crude oil was lifted and recognised as revenue in 2019. The sales of petroleum products are for the most part to large international oil companies with investment grading. The pricing of the sales of petroleum products is based on current market terms for each product.

Revenues from sales of services are recorded when the service has been performed.

There is no significant judgement related to applying IFRS 15 to the company's contracts.

Underlift and overlift of petroleum products

The company has previously used a variant of the sales method where changes in overlift and underlift balances have been valued at its net realisable value and the change in over/underlift has been included as "other income". Due to development in IFRIC (IFRS Interpretations Committee) 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 the lower of production cost including depreciation or net realisable value and presented as an adjustment to cost in the statement of income. See section new and amended standards and interpretations below and note 32 for more information.

Underlift and overlift is calculated as the difference between the company's share of production and its actual sales and are classified as respectively current assets and current liabilities. If accumulated production exceeds accumulated sales, there is an underlift (asset) and if accumulated sales exceeds accumulated production there is an overlift (liability).

Spare parts, equipment and inventory

Inventories of petroleum products are stated at the lower of cost and net realisable value. Cost is determined by the first-in first-out method and comprises direct purchase costs, cost of production, transportation and manufacturing expenses. Inventories of spare parts and consumables are valued at the lower of cost price (based on weighted average cost) and net realisable value. Capital spare parts are accounted for under the same principles as property, plant and equipment.

Property, Plant and Equipment, including Oil and Gas Properties

General

Property, plant and equipment acquired by the company are stated at historical cost, less accumulated depreciation and any impairment charges. Depreciation of other assets than oil and gas properties are calculated on a straight-line basis and adjusted for residual values and impairment charges, if any.

Ordinary repairs and maintenance costs, defined as day-to-day servicing costs, are charged to the income statement during the financial period in which they are incurred. The cost of major overhauls is included in the asset's carrying amount when it is probable that the company will derive future economic benefits in excess of the originally assessed standard of performance of the existing asset. Major overhauls are depreciated over the period to the next major overhaul.

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in operating profit.

Right-of-use assets represent the right to use the underlying leased asset during the lease term according to IFRS 16. See section "Leases" below for more information.

Depreciation of Oil and Gas Properties

Capitalised costs for oil & gas fields in production are depreciated individually (on a field level) using the unit-of-production method. The depreciation is calculated based on proved and probable reserves. The rate of depreciation is equal to the ratio of oil and gas production for the period over the estimated remaining proved and probable reserves expected to be recovered at the beginning of the period. The rate of depreciation is multiplied with the carrying value plus estimated future capital expenditure necessary to develop any undeveloped reserves included in the reserve basis. Any changes in the reserves estimate that affect unit-of-production calculations, are accounted for prospectively over the revised remaining reserves.

Development Costs for Oil and Gas Properties

Costs of developing commercial oil and/or gas fields are capitalised. Capitalised development costs and acquisition cost of fields in development are classified as tangible assets (Oil and gas properties).

Intangible Assets

Goodwill

Goodwill arising from acquisitions of interests in oil and gas licences accounted for in accordance with the principles in IFRS 3 Business Combinations, is classified as intangible assets. Goodwill is not amortised, but it is tested for impairment at each balance date, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Goodwill is allocated to the Cash Generating Units (CGU) that are expected to benefit from synergy effects of the acquisition. The allocation of goodwill may vary depending on the basis for its initial recognition. The main part of the company's goodwill is related to the requirement to recognise deferred tax for the difference between the assigned fair values and the related tax base ("technical goodwill"). The fair value of the company's licences, all of which are located on the Norwegian Continental Shelf, are based on cash flows after tax. This is because these licences are only sold in an after-tax market based on decisions made by the Norwegian Ministry of Finance pursuant to the

Petroleum Taxation Act Section 10. The purchaser is therefore not entitled to a tax deduction for the consideration paid over and above the seller's tax values. In accordance with IAS 12 paragraphs 15 and 24, a provision is made for deferred tax corresponding to the difference between the acquisition cost and the transferred tax depreciation basis. The offsetting entry to this deferred tax is goodwill. Hence, goodwill arises as a technical effect of deferred tax. Technical goodwill is tested for impairment separately for each CGU which give rise to the technical goodwill. A CGU may be individual oil fields, or a group of oil fields that are connected to the same infrastructure/production facilities.

Exploration Costs for Oil and Gas Properties

The company uses the 'successful efforts' method to account for exploration costs. All exploration costs with the exception of acquisition costs of licences and drilling costs of exploration wells are charged to expense as incurred.

Drilling costs of exploration wells are temporarily capitalised pending the determination of oil and gas reserves. If reserves are not found, or if discoveries are assessed not to be technically and commercially recoverable, the drilling costs of exploration wells are expensed. Costs of acquiring licences are capitalised and assessed for impairment at each reporting date.

Licence acquisition costs and capitalised exploration costs are classified as intangible assets (Exploration and Evaluation Assets) during the exploration phase.

Exploration and Evaluation Assets

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount, and before reclassification as described below.

Intangible assets relating to expenditure on the exploration for and evaluation of oil and gas resources are reclassified from intangible assets (Exploration and Evaluation Assets) to tangible assets (Oil and gas properties under development) when technical feasibility and commercial viability of the assets are demonstrable, and the decision to develop a particular area is made. The assets are assessed for impairment, and any impairment loss recognised, before such reclassification.

These assets are subject to unit-of-production depreciations if and when production from the field is commenced.

Financial assets

The company's financial assets are: derivatives, trade receivables and cash and cash equivalents. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the company's business model for managing them.

The company's classified its financial assets in four categories:

- Financial assets at amortised cost
- Financial assets at fair value through Other Comprehensive Income (OCI) with recycling of cumulative gains and losses
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit and loss

Financial assets at amortised cost

The company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The company's financial assets at amortised cost includes trade receivables and other short-term deposits.

Receivables are initially recognised at fair value less impairment losses.

Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

The company does not have any financial assets at fair value through OCI or designated at fair value through OCI.

Impairment of Assets

Property, plant and equipment and other non-current assets are subject to impairment testing when there is an indication that the assets may be impaired. At each reporting date, the company assesses whether there is any indication that the assets may be impaired. If any indications exist, an impairment test is performed, i.e. the company estimates the recoverable amount of the asset.

The recoverable amount is the higher of fair value less expected cost to sell and value in use (present value based on the future use of the asset). If the carrying amount of an asset is higher than the recoverable amount, an impairment loss is recognised in the income statement. The impairment loss is the amount by which the carrying amount of the asset exceeds the recoverable amount.

The value in use is determined by reference to discounted future net cash flows expected to be generated by the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows. An oil and gas field is considered to be one cash generating unit, all other assets are assessed separately.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount.

Provisions

General

A provision is recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

The amount of the provision is the present value of the risk adjusted expenditures expected to be required to settle the obligation, determined using the estimated risk-free interest rate adjusted for the company's own credit risk as discount rate. Where discounting is used, the carrying amount of provision increases in each period to reflect the unwinding of the discount by the passage of time. This increase is recognised as finance cost.

Asset Retirement Obligations

The company recognises an asset retirement obligation when the oil and gas installations are constructed and ready for production, or at the later date when the obligation is incurred.

The obligation is measured at the present value of the estimated future expenditures determined in accordance with local conditions and requirements for the dismantlement or removal of oil and gas installations.

Related asset retirement costs are capitalised as part of the carrying value of the tangible fixed asset and are depreciated over the useful life of the asset, i.e. unit-of-production method. The liability is accreted for the change in its present value each reporting period. Accretion expense related to the time value of money is classified as part of financial expense.

The provision and the discount rate are reviewed at each balance sheet date.

Contingent Liabilities

Contingent liabilities are not recognised in the financial statements unless probable. Significant contingent liabilities are disclosed, except for contingent liabilities where the probability of the liability occurring is remote.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs and transaction costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method, with the difference between net proceeds received and the redemption value being recognised in the income statement over the term of the loan. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Derivative financial instruments

The company uses derivative financial instruments to manage certain exposures to fluctuations in oil price and foreign currency exchange rates. Such derivative financial instruments are initially recognised at fair value on the date of which a derivative contract is entered into and are subsequently re-measured at fair value through profit and loss. Hedge accounting is not applied. For derivative financial instruments where the underlying is a commodity, changes in fair value are recognised as part of operating activities. Changes in fair values for other derivative financial instruments are classified under financial items.

Income Taxes

The income tax expense/credit consists of current income tax (taxes payable/receivable) and changes in deferred income taxes.

Current Income Taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the balance sheet date.

Oil-exploration companies operating on the Norwegian Continental Shelf under the offshore tax regime can claim a 78% refund of their exploration costs, limited to taxable losses for the year. The refund is paid out in November in the following year. This tax receivable is classified as a current asset.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred Income Taxes

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences (with the exception of temporary differences on acquisition of licences that is defined as an asset purchase), carry forward of unused tax credits and unused tax losses, to the extent that it is probable that the taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised. The carrying amount of deferred income tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered (onshore activity).

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 (including interest) from the tax authorities when operations cease. Deferred tax assets that are based on offshore tax losses carry forward are therefore normally recognised in full.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority/tax regime. Timing differences are considered.

Deferred tax assets and liabilities are recognised for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities and their respective tax bases, subject to the initial recognition exemption. Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Uplift

Uplift is a special allowance in the tax basis for petroleum surtax in Norway. The uplift is computed on the basis of the original capitalised cost of offshore production installations and amounts to 5.2% of the investment per year. The uplift may be deducted from taxable income for a period of four years (i.e. in total 20.8% over four years), starting in the year in which the capital expenditures are incurred. The tax effect on the uplift is recognised when the deduction is included in the current year tax return and impacts taxes payable. Unused uplift may be carried forward indefinitely.

Employee benefits

Pensions

According to Norwegian law employees are mandatory members of the company's Pension Scheme ("obligatorisk tjenestepensjon"). The scheme is based on a contribution plan. Contributions are paid to pension insurance plans and charged to the income statement in the period to which the contributions relate. Once the contributions have been paid, there are no further obligations to fund the scheme.

To accommodate for employees working offshore at Draugen retiring at the age of 65 as required by Norwegian law, the company has established an unfunded defined benefit scheme to cover pension scheme for the 2 years between 65 and 67. This is recognised as pension liability in the balance sheet.

Defined benefit plans are valued at the present value of accrued future pension benefits at the balance sheet date.

The current service cost and interest costs are recognised immediately and is presented in the salary and personnel cost in the income statement. Interest cost is calculated by using the discount rate of the liability at the beginning of the period on the net liability. Changes in net pension liabilities as a result of payments of premiums and pension payments have been taken into consideration. The pension costs are affecting the general and administrative expenses in the income statement. Actuarial gains and losses are recognised through other comprehensive income. Actuarial gains and losses are not reclassified over profit and loss.

Share-based payment

Warrants and other equity instruments granted to employees are measured by reference to the fair value of the warrants or other equity instruments at the date on which they are granted. The fair value of the warrants or other equity instruments is estimated on the grant date and charged to expense over the vesting period, together with a corresponding increase in equity. The vesting period is the period in which the performance conditions are fulfilled, ending on the date on which they become fully entitled to the award ('vesting date').

Cash and Cash Equivalents

Cash and cash equivalents comprise of cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Cash Flow Statement

The cash flow statement is prepared using the indirect method.

Leases (as lessee)

Until 2018, leases in which most of the risks and rewards of ownership were retained by the lessor were classified as operating leases. Payments made under operating leases were charged to the income statement on a straight-line basis over the period of the lease.

The company adopted IFRS 16 – Leases from 1 January 2019. IFRS 16 sets out the principles for recognition, measurement, presentation and disclosures of leases and replaces IAS 17 and other previous guidance on lease accounting within IFRS. IFRS 16 defines a lease as a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For each contract that meets this definition, IFRS 16 requires lessees to recognise a right-of-use asset and a lease liability in the balance sheet with certain exemptions for short term and low value leases. Lease payments are to be reflected as interest expense and a reduction of lease liabilities, while the right-of-use assets are to be depreciated over the shorter of the lease term and the assets' useful life. Lease liabilities are measured at the present value of remaining lease payments, discounted using the company's calculated borrowing rate. Right-of-use assets are measured at an amount equal to the lease liability.

Cost of Equity Transactions

Transaction costs directly attributable to an equity transaction are recognised directly in equity, net of taxes.

Related Parties

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the party in making financial or operational decisions. Parties are also related if they are subject to joint or common control.

Transactions between related parties are transfers of resources, services or obligations, regardless of whether a price is charged. All transactions between related parties are made based on the principle of ‘arm’s length’, which is the estimated market price.

Events after the balance sheet date

The financial statements are adjusted to reflect events after the balance sheet date that provide evidence of conditions that existed at the balance sheet date (adjusting events). The financial statements are not adjusted to reflect events after the balance sheet date that are indicative of conditions that arose after the balance sheet date (non-adjusting events). Non-adjusting events are disclosed if significant.

New and amended standards and interpretations adopted by the company

IFRS 16 Leases (as lessee)

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 recognised 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 recognised. The only exceptions are short-term and low-value leases.

The company adopted the standard using the modified retrospective approach and accordingly comparative information has not been restated. The implementation had no impact on net equity. See note 17.

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 realisable 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. See note 32 for the effects of the restatement due to change in the accounting principle for the 2018 figures.

New and amended standards and interpretations issued but not adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2020 and have not been applied in preparing these financial statements. None of these new standards and amendments to standards and interpretations are expected to have any significant impact on the company’s financial statements.

Note 3. Critical accounting judgements and estimates

The preparation of financial statements requires management to make judgments, use estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenues and expenses.

Although these estimates are based on management's best knowledge of historical experience and current events, actual results may differ from these estimates. The estimates and the underlying assumptions are reviewed on an ongoing basis.

Currently, the company's most important accounting estimates are related to the following items:

Impairment

The company reviews whether its non-financial assets have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset is written down to its recoverable amount when the recoverable amount is lower than the carrying value of the asset. The recoverable amount is the higher of fair value less expected cost to sell and value in use (present value based on the future use of the asset).

All impairment assessment calculations require a high degree of estimation, including assessments of the expected cash flows from the cash generating unit and the estimation of applicable discount rates. Impairment testing requires long-term assumptions to be made concerning a number of economic factors such as future production levels, market conditions, production expense, discount rates and political risk among others, in order to establish relevant future cash flows. There is a high degree of reasoned judgement involved in establishing these assumptions, and in determining other relevant factors.

Goodwill is tested for impairment at each balance date. The term "technical goodwill" is used to describe a category of goodwill arising as an offsetting account to deferred tax recognised in business combinations. There are no specific IFRS guidelines pertaining the allocation of technical goodwill, and management has therefore applied the general guidelines for allocating goodwill for the purpose of impairment testing. The appropriate allocation of goodwill requires management's judgment and may impact the subsequent impairment charge significantly. In general, technical goodwill is allocated to CGU level for impairment testing purposes, while residual goodwill may be allocated across all CGUs based on facts and circumstances in the business combination. When performing the impairment test for technical goodwill, deferred tax recognised in relation to the acquired licences reduces the net carrying value prior to the impairment charges. This is done to avoid an immediate impairment of all technical goodwill. When deferred tax from the initial recognition decreases, more goodwill is as such exposed for impairment. Going forward, depreciation of values calculated in the purchase price allocation will result in decreased deferred tax liability.

Fair value measurement

From time to time, the fair values of non-financial assets and liabilities are required to be determined, e.g. when the entity acquires a business, determines allocation of purchase price in an asset deal or where an entity measures the recoverable amount of an asset or CGU at fair value less cost to sell. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The fair value of oil fields in production and development phase is normally based on discounted cash flow models, where the determination of the different input in the model requires significant judgment from management, as described in the section above regarding impairment.

Asset Retirement Obligations

Production of oil and gas is subject to statutory requirements relating to decommissioning and removal once production has ceased. Provisions to cover these future asset retirement obligations must be accrued for at the time the statutory requirement arises. The ultimate asset retirement obligations are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change, for example, in response the changes in reserves or changes in laws and regulations or their interpretation.

The obligations also premise today's technology and market conditions, and as such there is inherent risk related to future developments in technology and market prices as well. In addition, future price levels, market conditions and development in technology can impact the timing of the closing of production and thus the timing of abandonment.

Note 4. Segment reporting

The company has identified its reportable segments based on the nature of the risk and return within its business. The company's only business segment is development and production of oil and gas on the Norwegian Continental Shelf.

Approximately 98% of the company's sales revenue recognised in 2019 is from sale to oil companies which are subsidiaries of an international oil company with Standard & Poor's long-term credit rating AA-.

Note 5. Operating income

Revenues from crude oil and gas sales:

Amounts in NOK `000	**2019**	**2018**
Sale of liquids	2 486 165	58 550
Sale of gas	449 470	91 211
Total revenues from crude oil and gas sales	**2 935 635**	**149 761**

Sales volumes in boe*	**2019**	**2018**
Sale of liquids	5 024 339	171 939
Sale of gas	2 086 178	232 701
Total Sale of petroleum	**7 110 517**	**404 640**

Production volumes in boe*	**2019**	**2018**
Production of liquids	4 727 480	582 409
Production of gas	2 084 515	232 701
Total production	**6 811 995**	**815 110**

*Barrels of oil equivalents

YME compensation contract breach:

Amounts in NOK `000	**2019**	**2018**
YME compensation contract breach	22 098	115 000
Total	**22 098**	**115 000**

On 11 March 2013 Repsol Norge AS as operator for and on behalf of the Yme licence entered into a settlement agreement with Single Buoy Moorings Inc ("SBM") terminating the Yme MOPUstor project for a settlement contribution by SBM to the Yme licence, including termination of the existing agreements hereunder releasing SBM from its delivery obligation related to fabrication and lease of production facilities to be applied at the Yme field, terminating arbitration proceedings and decommissioning of the Yme MOPU. As part of this settlement the parties agreed in that if SBM were to receive any future claim recoveries under its CAR insurance relating to the Yme project, an amount equal to 50% of SBM's net recovery (after deductions for expenses and legal costs) shall be paid by SBM to the Yme partners.

On 10 September 2018 SBM announced full and final settlement of its insurance claim related to the Yme project, after partial settlements had previous been announced by SBM on 17 July 2017, 11 August 2017 and 9 August 2018. NOK 115 million represented OKEA's estimated share of this settlement. In February 2019, the partners agreed on the expenses and legal costs to be deducted. The final amount received was NOK 22 million higher and is recognized in 2019.

Other operating income / loss (-):

Amounts in NOK `000	2019	2018
Gain / loss (-) from put options, oil	-14 819	37 212
Tariff income Gjøa	56 681	-
Sale of licenses*	19 971	7 114
Total other operating income / loss (-)	**61 833**	**44 326**

* In 2019 OKEA completed the sale of a 20% interest in PL038D Grevling and a 18.57% interest in PL974 Storskrymten to Chrysaor. Effective date for the transactions were 1 January 2019 and 1 March 2019, respectively.

Note 6. Production expenses and changes over/underlift position and production inventory

Production expenses:

Amounts in NOK `000	2019	2018
From licence billings	568 030	83 331
Other production costs (insurance, transport)	140 619	13 382
Production expenses	**708 649**	**96 714**
*Production expense per boe**		
Production expenses	**708 649**	**96 714**
Less tariff income	-56 681	0
Net production expenses	651 968	96 714
Produced volumes (boe)	6 811 995	815 110
Production expense per boe	**95,7**	**118,7**

* Barrels of oil equivalents

Changes in over/underlift positions and production inventory:

Volumes in boe	2019	2018
Produced volumes	6 811 995	815 110
Change over/underlift and prod. inventory	298 570	-410 470
Net sold volumes	**7 110 565**	**404 640**

Note 7. Exploration expenses

Specification of exploration expense

Amounts in NOK `000	2019	2018
Share of exploration expenses from participation in licences, from billing	111 270	44 529
Share of exploration expenses from participation in licences, dry well write off, from billing	113 089	-
Seismic and other exploration expenses, outside billing	75 087	30 253
Total exploration expenses	**299 446**	**74 782**

Note 8. Oil and gas properties, Buildings, Furniture, fixtures and office machines, 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
2019						
Cost at 1 January 2019	2 972 297	923 081	92 501	3 428	-	3 991 307
Additions	325 257	527 354	-	11 628	199 051	1 063 290
Removal and decommissioning asset	-120 718	55 478				-65 241
Additions through business combination						-
Disposals						-
Transfer of assets						-
Cost at 31 December 2019	**3 176 835**	**1 505 913**	**92 501**	**15 056**	**199 051**	**4 989 357**
Accumulated depreciation and impairment at 1 January 2019	-118 249	-	-	-22	-	-118 270
Depreciation for the year	-678 611	-	-4 625	-3 785	-16 862	-703 883
Additional depreciation of IFRS 16 Right-of-use assets presented gross related to leasing contracts entered into as licence operator					-18 791	-18 791
Impairment	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Accumulated depreciation and impairment at 31 December 2019	**-796 860**	**-**	**-4 625**	**-3 806**	**-35 653**	**-840 944**
Carrying amount at 31 December 2019	**2 379 976**	**1 505 913**	**87 875**	**11 250**	**163 398**	**4 148 412**
2018						
Cost at 1 January 2018	141 524	553 044	-	233	-	694 800
Additions	24 986	361 540	1 001	3 196		390 722
Removal and decommissioning asset	596	8 498				9 094
Additions through business combination	2 805 192		91 500			2 896 692
Disposals						-
Transfer of assets						-
Cost at 31 December 2018	**2 972 297**	**923 081**	**92 501**	**3 428**	**-**	**3 991 307**
Accumulated depreciation and impairment at 1 January 2018	-18 189	-	-	-15	-	-18 205
Depreciation for the year	-100 059	-	-	-7	-	-100 066
Impairment	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Accumulated depreciation and impairment at 31 December 2018	**-118 249**	**-**	**-**	**-22**	**-**	**-118 270**
Carrying amount at 31 December 2018	**2 854 048**	**923 081**	**92 501**	**3 407**	**-**	**3 873 037**
Depreciation plan	Unit of Production	1)	Linear	Linear	Linear	
Estimated useful life (years)	N/A		20	3 - 5	2 - 11	

1) Depreciation starts when the asset is in production.

Amounts in NOK `000	2020	2021	2022	2023
Planned capital expenditure for existing licences (Work Program and Budget)	871 614	447 383	205 891	167 307

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 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.

Below is an overview of the key assumptions applied in the impairment test as of 31 December 2019:

	Oil	Gas	Currency rates
Year	USD/BOE*	GBP/therm*	USD/NOK
2020	62.5	0.33	8.76
2021	57.3	0.41	8.74
2022	54.5	0.42	8.72
2023	53.0	0.42	8.68
From 2024	65.0	0.47	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. As the company expects a decision gate for the Hasselmus project to decide on development concept (DG2) in due time, it has been decided to include a 50% risked profile in the impairment test for Draugen CGU.

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 2.0%.

The drilling and data acquisition of the P1 segment of the Gjøa field started subsequent to 31 December 31 2019 and is still ongoing. When the drilling operations are concluded, the operator will carry out reserve evaluations. The results from drilling are expected during second quarter 2020.

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.

Impairment testing of technical goodwill

Based on impairment test NOK 105.4 million in impairment charge has been recognised in 2019 for the CGU Gjøa. The impairment loss has been recognised to reduce the carrying amount of "technical" goodwill related to the Gjøa acquisition in November 2018. The main reason for the impairment on Gjøa was lower gas prices. For the CGUs Draugen, Ivar Aasen and Yme, no impairment has been recognised.

Sensitivity analysis

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

		Alternative calculations of impairment in Q4 2019 (NOK '000)	
Assumptions	**Change**	**Increase in assumption**	**Decrease in assumption**
Oil and gas price	+/- 10%	-	235 567
Currency rate USD/NOK	+/- 1.0 NOK	-	169 961
Discount rate	+/- 1% point	24 551	-
Inflation rate	+/- 1% point	-	28 374

Note 10. Employee benefit expenses

Specification of employee benefits expenses included in general and administrative expenses

In 2019, the accounting lines "Employee benefit expenses" and "Other operating expenses" are merged and presented in one line as "General and administrative expenses". Previous year 2018 is reclassified to conform presentation to the current year's presentation.

Amounts in NOK `000	**2019**	**2018**
Salary expenses	321 390	74 167
Employer's payroll tax expenses	49 879	11 775
Pensions	31 923	5 255
Share based payment	5 494	1 361
Other personnel expenses	7 481	1 006
Charged to operated licences	-394 879	-48 072
Reclassified to oil and gas properties under development	-	-11 309
Total employee benefits expenses	**21 289**	**34 183**
Number of man-years during the year	204	40
Total other operating expenses, see note 11	81 273	87 899
Total general and administrative expenses	**102 562**	**122 082**

Pensions:

The company has a defined contribution pension scheme for all employees, which satisfies the statutory requirements in the Norwegian law on required occupational pension (“lov om obligatorisk tjenestepensjon”). In 2019 the Norske Shell and the OKEA scheme were harmonized, so that all employees, including leaders, have the same pension scheme from July 2019.

The company is part of the AFP ("Avtalefestet pensjon") scheme and contribute to the AFP pension for all employees eligible according to the AFP regulations.

Compensation to management in 2019: *

Amounts in NOK `000	Salary	Bonus	Pension	Other benefits
Erik Haugane (CEO)	3 554	742	162	16
Ola Borten Moe (SVP Business Development) [1)]	1 867	317	124	12
Knut Evensen (SVP Finance and IR)[2)]	1 660	2 567	111	11
Anton Tronstad (SVP Projects and Technology)	2 528	492	168	16
Dag Eggan (SVP Business Performance)	2 489	598	166	16
Tor Bjerkestrand (SVP Operations) [3)]	2 810	1 257	185	37
Kjersti Hovdal (SVP Controlling & Accounting)	2 428	280	166	16
Espen Myhra (SVP Business Development) [4)]	717	161	55	5
Andrew McCann (SVP Subsurface) [5)]	2 147	160	165	15
Total compensation to management	**17 335**	**6 253**	**1 082**	**124**

* The table shows the compensation paid out to the management in 2019.

[1)] Ola Borten Moe, SVP Business Development until 01.10.19. Member of the Senior Management team until then.

[2)] Knut Evensen, SVP Finance and IR until 01.09.19 and member of the Senior Management until then. The amount in bonus includes an amount of NOK 2250 thousand related to completion of the Initial Public Offering.

[3)] Tor Bjerkestrand, the amount in bonus includes NOK 700 thousand related to an individual bonus in shares applicable for 2019 and 2020.

[4)] Espen Myhra, SVP Business Development entered the Senior Management team 01.10.19

[5)] Andrew McCann, SVP Subsurface from 01.02.2019

Erik Haugane, CEO, is entitled to 6 months' severance pay, based on his monthly salary at the relevant time, upon being terminated by the company. Knut Evensen is entitled to two years' salary as severance pay if the employment agreement is terminated. There are no other agreements regarding severance pay on termination of employment for the management or to members of the Board of Directors.

OKEA has a share bonus scheme for all employees, also including the senior management. The criteria for the share bonus are determined by the Board of Directors on a yearly basis. The Board conducts an annual assessment of the arrangement, determines the achievement of the criteria and sets bonus criteria for the coming year.

OKEA has further established in 2019 a long-term incentive scheme for senior management and key employees, but no payments have been made in 2019.

No loans have been granted and no guarantees have been issued to the management or any member of the Board of Directors.

Compensation to management in 2018:

Amounts in NOK `000	Salary	Bonus	Pension	Other benefits
Erik Haugane (CEO)	2 504	764	164	13
Ola Borten Moe (SVP Business Development)	2 137	623	163	13
Knut Evensen (SVP Finance and IR)	2 137	623	166	13
Anton Tronstad (SVP Projects and Technology)	2 131	665	168	13
Dag Eggan (SVP Business Performance)	2 137	623	164	13
Tor Bjerkestrand (SVP Operations) [1)]	233	-	13	37
Kjersti Hovdal (SVP Controlling & Accounting) [1)]	150	-	14	3
Total compensation to management	**11 428**	**3 296**	**851**	**104**

[1)] Amounts included only for December 2018, from which the person became member of Senior Management Team.

Compensation to Board of Directors in 2019:

Amounts in NOK `000	Board fees	*Incentive shares* [2)] Value of benefit	Number of shares
Chaiwat Kovavisarach (Chairman)	567	557	30 000
Henrik Schröder (Board member) [1)]	464	-	-
Michael William Fischer (Board member)	472	371	20 000
Prisana Praharnkhasuk (Board member) [1)]	504	371	20 000
Finn Haugan (Board member)	351	371	20 000
Liv Monica Stubholt (Board member)	314	371	20 000
Rune Olav Pedersen (Board member)	239	371	20 000
Nicola Gordon (Board member)	425	371	20 000
Ida Ianssen Lundh (Board member)	300	371	20 000
Anne Lene Rømuld (Board member)	300	371	20 000
Jan Atle Johansen (Board member)	300	371	20 000
Frank Stensland (Deputy board member)	-	-	-
Bengt Morten Sangolt (Deputy board member)	21	-	-
Bjørn Ingar Pettersen (Deputy board member)	-	-	-
Ragnhild Aas (Deputy board member)	21	-	-
Paul Anthony Murray (Board Member) [3)]	50	-	-
Kaare Gisvold (Board Member) [3)]	50	-	-
Knud Hans Nørve (Board Member) [3)]	50	-	-
Arild Christian Selvig (Board Member) [3)]	50	-	-
Total compensation to Board of Directors	**4 479**	**3 898**	**210 000**

[1)] Board fee for 2019 was paid in 2020.

[2)] In 2019 OKEA issued 210 000 incentive-shares to board members with subscription price of NOK 0.1 per share. The shares are subject to a lock-up period of 12 months.

[3)] Board member until 09.05.2019.

Compensation to Board of Directors in 2018:

Amounts in NOK `000	Board fees
Henrik Schröder (Deputy Chairman of the Board)	213
Paul Anthony Murray (Board Member)	142
Kaare Gisvold (Board Member)	142
Knud Hans Nørve (Board Member)	142
Arild Christian Selvig (Board Member)	142
Total compensation to Board of Directors	**779**

Chaiwat Kovavisarach and Michael William Fisher joined the Board of Directors on 1 November 2018. No compensation was paid in 2018.

Share based payment

Amounts in NOK `000	2019	2018
Warrants to employees	1 597	1 361
Incentive-shares to board members	3 898	-
Total share based payment expense	**5 494**	**1 361**

Warrants to employees:
In February 2018 OKEA granted 1 250 000 (125 000 before share split 1:10) equity-settled warrants to employees, each warrant with a exercise price of NOK 17.9 (NOK 179 before share split 1:10). Expiry date for the warrants is 1 October 2022. It is a requirement that the employees are still employed by OKEA when exercising the warrants. The assessed fair value at grant date of warrants granted is NOK 5.88 (58.8 before share split 1:10) per warrant. The fair value at grant date is determined using a Black Scholes Model. The most significant inputs and assumptions in determining fair value at grant date is:
- Exercise price NOK 17.9
- Share price at grant date NOK 17.9
- Expected volatility 34.7%
- Risk free interest rate 1.5%
- Term of options 4.5 years

Warrants granted in connection with share based payment owned by management:

	Number of warrants	**Expense recognised**
Erik Haugane (CEO)	250 000	319
Ola Borten Moe (SVP Business Development)	250 000	319
Knut Evensen (SVP Finance and IR)	250 000	319
Anton Tronstad (SVP Projects and Technology)	250 000	319
Dag Eggan (SVP Business Performance)	40 000	51
Tor Bjerkestrand (SVP Operations)	40 000	51
Other employees	170 000	217
Total	**1 250 000**	**1 597**

Overview of outstanding warrants in connection with share based payment:

	2019	**2018**
Outstanding warrants at 1.1	1 250 000	-
Warrants granted	-	1 250 000
Warrants forfeited	-	-
Warrants exercised	-15 000	-
Warrants expired	-	-
Outstanding warrants at 31.12	**1 235 000**	**1 250 000**
Of which exercisable	**1 235 000**	**1 250 000**

Guidelines and adherence for 2019 and 2020
For guidelines and adherence for 2019 and 2020 see "Statement on compensation and benefits for senior management" in the annual report.

Note 11. Other operating expenses

Specification of other operating expenses included in general and administrative expenses

In 2019, the accounting lines "Employee benefit expenses" and "Other operating expenses" are merged and presented in one line as "General and administrative expenses". Previous year 2018 is reclassified to conform presentation to the current year's presentation.

Amounts in NOK `000	2019	2018
Lease expenses	-	3 485
Technical consultants *	118 595	133 208
Business consultants	21 302	20 897
Travel expenses	15 757	3 583
Insurance	2 585	10 333
Other operating expenses	69 887	16 842
Other operating expenses charged to operated licences	-146 853	-96 207
Reclassified to oil and gas properties under development	-	-4 242
Total other operating expenses	**81 273**	**87 899**
Total employee benefits expenses, see note 4	21 289	34 183
Total general and administrative expenses	**102 562**	**122 082**

* Technical consultants in 2018 provided services related to the transfer of operatorship for the Draugen field.
A major part of the expenses has been charged to the licence.

Auditor's fees (ex. VAT)

Amounts in NOK `000	2019	2018
Auditor's fee	2 579	944
Other attestation services	2 185	93
Tax advisory	-	-
Other services	-	104
Total auditor's fees	**4 764**	**1 141**

Note 12. Financial items

Amounts in NOK `000	2019	2018
Interest income	5 037	9 062
Unwinding of discount asset retirement receivable	98 856	8 238
Total finance income	**103 893**	**17 300**
Interest expense bond loans	-297 882	-157 088
Interest expense shareholder loan	-116	-
Other interest expense	-12 300	-3 844
Unwinding of discount asset retirement obligations	-114 944	-18 316
Other financial expense	-19 639	-2 605
Total finance costs	**-444 880**	**-181 853**
Put/call options, foreign exchange	-42 171	-28 164
Exchange rate gain/loss (-), bond loans	-3 396	-153 732
Net exchange rate gain/loss (-), other	-21 210	-2 514
Net exchange rate gain/loss (-)	**-66 777**	**-184 410**
Net financial items	**-407 764**	**-348 963**

Note 13. Taxes

Income taxes recognised in the income statement

Amounts in NOK `000	2019	2018
Change in deferred taxes current year	-72 117	-494 048
Taxes payable current year	-430 778	638 370
Tax payable adjustment previous year *	117 251	-
Change in deferred taxes previous year *	-106 476	-
Tax refund adjustment previous year	1 592	166
Total income taxes recognised in the income statement	**-490 527**	**144 488**

* The adjustments to current and deferred taxes previous year mainly relate to underlift and physical inventory balances acquired in the Shell transaction in 2018.

Reconciliation of income taxes

Amounts in NOK `000	2019	2018
Profit / loss (-) before income taxes	**419 396**	**-300 202**
Expected income tax at nominal tax rate, 22% (2018: 23%)	-92 267	69 047
Expected petroleum tax, 56% (2018: 55%)	-234 862	165 111
Permanent differences, including impairment of goodwill	-61 583	-965
Effect of uplift	47 993	24 699
Financial and onshore items	-162 177	-115 606
Effect of new tax rates	-	1 138
Adjustments previous year and other	12 368	1 064
Total income taxes recognised in the income statement	**-490 527**	**144 488**
Effective income tax rate	**117 %**	**48 %**

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

Amounts in NOK `000	31.12.2019	31.12.2018
Tangible and intangible non-current assets	-1 945 367	-1 586 466
Provisions (net ARO), lease liability, pensions and gain/loss account (deferred capital gain)	1 163 869	1 040 741
Interest-bearing loans and borrowings	-14 661	-39 409
Current items	-47 346	-116 307
Tax losses carried forward, onshore 22%	1 190	-
Uplift, offshore 56%	11 898	51 100
Total deferred tax assets / liabilities (-)	-830 417	-650 341
Valuation allowance for deferred tax assets	-	-
Total deferred tax assets / liabilities (-) recognised	**-830 417**	**-650 341**

Change in deferred taxes

Amounts in NOK `000	2019	2018
Deferred tax income / expense (-)	-178 593	-494 048
Deferred tax from Business combination	-	-244 850
Deferred taxes charged to equity	-1 483	3 466
Total change in deferred tax assets	**-180 076**	**-735 432**

Specification of income tax payable

Amounts in NOK `000	2019	2018
Tax payable from Business combination	-6 479	-800 570
Tax payable (-) / credit recognised in the income statement	-430 778	638 370
Tax payable from previous year not settled	-14 207	-
Tax payable from acquisition licence	593	-
Tax payable from equity issues	7 167	-
Advance tax paid	149 000	-
Total income tax payable (-)	**-294 704**	**-162 200**

Amounts in NOK `000	2019	2018
Tax payable year 2018	-14 207	-155 722
Tax payable from business combination (restated balance 2018)	-	-6 479
Tax payable year 2019	-429 498	-
Advance tax paid for year 2019	149 000	-
Total income tax payable (-)	**-294 704**	**-162 200**

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 14. Pensions

The company has a defined contribution and a defined benefit pension plans for its employees which satisfies the statutory requirements in the Norwegian law on required occupational pension ("lov om obligatorisk tjenestepensjon").

The defined contribution plan covers all employees. The defined benefit plan covers offshore employees and has 91 active members at year end 2019. The defined benefit plan is to cover for the age 65-67 for offshore employees, as they are required by Norwegian law to retire at the age of 65 offshore. There are no plan assets related to the defined benefit plan.

The details in the tables below pertain to the defined benefit plan.

Pension cost:

Amounts in NOK `000	2019	2018
Service cost - employee benefit	2 386	-
Service cost - interest expense	672	-
Total pension related costs	3 058	-
Remeasurements pensions, actuarial loss/gain (-) recorded to OCI	-1 902	-
Taxes, 78%	1 483	-
Remeasurements pensions, actuarial loss/gain (-), net after tax to OCI	**-418**	**-**

Movement in pension obligations during the year:

Amounts in NOK `000	31.12.2019	31.12.2018
Pension obligations January 1	25 701	-
Service cost - employee benefit	2 386	-
Service cost - interest expense	672	-
Remeasurements pensions, actuarial loss/gain (-)	-1 902	-
Business combination *	-	25 701
Total current provisions	**26 857**	**25 701**

* See note 29.

Assumptions:	31.12.2019	31.12.2018
Discount interest rate	2,30 %	2,60 %
Annual projected increase in salary	2,25 %	2,75 %
Annual projected G- regulation	2,00 %	2,50 %
Annual projected regulation of pension	2,00 %	2,50 %

Note 15. Earnings per share

	2019	2018
Net profit / loss (-), in NOK `000	-71 131	-155 715
Calculated interest on preference capital (8%), in NOK `000	-	-5 011
Calculated net profit / loss (-) attributable to ordinary shares, in NOK `000	-71 131	-160 726
Weighted average number of ordinary shares outstanding basic	92 848 011	39 144 548
Earnings per share (NOK per share)		
- Basic	-0,77	-4,11
- Diluted	-0,77	-4,11

The dilution effect of potentially shares from warrants is not presented in the income statement, as the potentially shares would have reduced loss per share.

Note 16. Goodwill, Exploration and evaluation assets

Amounts in NOK `000	**Exploration and evaluation assets**	**Technical goodwill**	**Ordinary goodwill**	**Total goodwill**
2019				
Cost at 1 January 2019	6 324	1 114 547	416 415	1 530 962
Additions	9 602	-	-	-
Additions through business combination	-	-	-	-
Disposals	-	-	-	-
Expensed exploration expenditures previously capitalised	-	-	-	-
Cost at 31 December 2019	**15 927**	**1 114 547**	**416 415**	**1 530 962**
Accumulated amortisation and impairment at 1 January 2019	-	-	-	-
Amortisation for the year	-	-	-	-
Impairment	-	-105 394		-105 394
Disposals	-	-	-	-
Accumulated amortisation and impairment at 31 December 2019	**-**	**-105 394**	**-**	**-105 394**
Carrying amount at 31 December 2019	**15 927**	**1 009 152**	**416 415**	**1 425 568**
2018				
Cost at 1 January 2018	5 752	8 057	-	8 057
Additions	573	-	-	-
Additions through business combination	-	1 106 490	416 415	1 522 905
Disposals	-	-	-	-
Expensed exploration expenditures previously capitalised	-	-	-	-
Cost at 31 December 2018	**6 324**	**1 114 547**	**416 415**	**1 530 962**
Accumulated amortisation and impairment at 1 January 2018	-	-	-	-
Amortisation for the year	-	-	-	-
Impairment	-	-	-	-
Disposals	-	-	-	-
Accumulated amortisation and impairment at 31 December 2018	**-**	**-**	**-**	**-**
Carrying amount at 31 December 2018	**6 324**	**1 114 547**	**416 415**	**1 530 962**

Note 17. 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 Vehicle (ROV) upgrade, together with office and warehouse Draugen.

Amounts in NOK `000	**2019**	**2018**
Lease debt 1 January	198 400	-
Additions lease contracts	652	-
Accretion lease liability	9 988	-
Payments of lease debt	-45 500	-
Total lease debt at 31 December	**163 540**	**-**
Break down of lease debt		
Short-term	45 544	-
Long-term	117 996	-
Total lease debt	**163 540**	**-**

Future minimum lease payments under non-cancellable lease agreements (undiscounted)

Amounts in NOK `000	**31.12.2019**	**31.12.2018**
Within 1 year	46 030	45 245
1 to 5 years	114 527	131 439
After 5 years	78 838	107 469
Total	**239 395**	**284 154**

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

Note 18. Other non-current assets

Amounts in NOK `000	**31.12.2019**	**31.12.2018**
Other financial non-current assets at 1 January	2 754 237	-
Additions through business combination	-	2 745 999
Changes in estimates	-327 243	-
Effect of change in the discount rate	442 651	-
Unwinding of discount	98 856	8 238
Total Other non-current assets	**2 968 502**	**2 754 237**

The amount consists 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 recognised 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 2.6% (2018: 3.6%) and recognised in the financial statements.

Note 19. Trade and other receivables

Amounts in NOK `000	31.12.2019	31.12.2018
Accounts receivable and receivables from operated licences	254 626	125 072
Accrued Yme compensation	-	115 000
Accrued revenue	73 211	89 960
Prepayments	9 883	10 127
Working capital and overcall, joint operations/licences	17 249	156 306
Escrow receivable, Yme removal	-	901
Underlift of petroleum products*	262 095	368 728
Other short term receivables	-	-
VAT receivable	4 063	16 266
Fair value put options, oil	786	-
Fair value put options, foreign exchange	-	-
Total trade and other receivables	**621 913**	**882 361**

* Underlift of petroleum products at 31.12.2018 is high mainly due to Draugen volumes valued at market price (purchase price) in relation to the Shell transaction. The balance at 31.12.2019 consists of Draugen (219), Ivar Aasen (45) and other (-2). At Ivar Aasen there has been no volumes lifted in 2019, and as such building underlift position.

The receivables all mature within one year.

Note 20. Spare parts, equipment and inventory

Amounts in NOK `000	31.12.2019	31.12.2018
Inventory of petroleum products	22 909	188 748
Spare parts and equipment	119 381	126 752
Total spare parts, equipment and inventory	**142 291**	**315 500**

Note 21. Restricted cash, Cash and cash equivalents

Restricted cash:

Amounts in NOK `000	31.12.2019	31.12.2018
Bank deposit, restricted, escrow accounts *	-	48 327
Total restricted cash	**-**	**48 327**

The amount in escrow per 31 December 2018 were released in June 2019 as the equity requirements under OKEA01 and OKEA02 bond agreements were fulfilled after the share issue in connection with the Initial Public Offering.

Cash and cash equivalents:

Amounts in NOK `000	31.12.2019	31.12.2018
Bank deposits, unrestricted	1 647 436	388 887
Bank deposit, employee taxes	16 041	5 784
Total cash and cash equivalents	**1 663 478**	**394 670**

Note 22. Share capital and shareholder information

Number of shares	Ordinary shares	A ordinary shares	Preference shares	Total shares
Outstanding shares at 1.1.2018	1 438 400	-	23 299 700	24 738 100
Capital decrease, redemption of preference shares (equity restructuring) *			-23 299 700	-23 299 700
New shares issued in connection with debt conversion (equity restructuring) *	1 686 600			1 686 600
New shares issued in exchange for cash	4 194 389	901 061		5 095 450
Number of outstanding shares at 31 December 2018	**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 in exchange for cash	19 859 550			19 859 550
Number of outstanding shares at 31 December 2019	**102 064 050**	**-**	**-**	**102 064 050**
Nominal value NOK per share at 31 December 2019				0,10
Share capital NOK at 31 December 2019				10 206 405

2019:
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 in June 2019 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.

In addition 225 000 new shares were issued in October 2019 in connection with issue of 210 000 incentive-shares to board members and exercise of 15 000 warrants. At 31 December 2019 1 235 000 equity-settled warrants are still outstanding. See note 10 for further description.

2018:
The A ordinary shares did not have voting rights. Otherwise, the ordinary shares and the A ordinary shares had equal rights, including equal rights to dividend and other distributions.

At 31 December 2017 the company had two classes of shares. The holders of the preference shares had a preferred right to a cumulative 8% dividend on invested preference capital as well as return of capital from the company before the holders of ordinary shares would receive any return of capital or dividend.

* In 2018 OKEA has restructured the company's equity, by way of transforming the preference shares into ordinary shares. The restructuring included a reduction of the company's share capital, by repayment of the par value of the preference shares with NOK 23 299 700, from NOK 24 738 100 to NOK 1 438 400. Subsequent to the share capital reduction, a related increase of the company’s share capital with NOK 1 686 600, from NOK 1 438 400 to NOK 3 125 000, where the amount distributed by the company in the share capital reduction (by way of establishing a receivable on the company) was used as contribution on the new shares that were issued. The net effect of this restructuring of the company's equity was a transforming of the preference shares into ordinary shares.

Shareholders at 31 December 2019:

Shareholder	Ordinary shares	% Share
BCPR Pte Ltd	47 477 563	46,52 %
OKEA Holdings Ltd	20 592 975	20,18 %
Church Bay Trust Co. Ltd	6 243 079	6,12 %
Sparebank 1 SMN Invest AS	1 679 760	1,65 %
Sjækerhatten AS	1 451 739	1,42 %
GH Holding AS	1 131 495	1,11 %
Kørven AS	1 050 344	1,03 %
Jenssen & Co AS	1 030 860	1,01 %
JPMorgan Chase Bank, N.A., London	826 800	0,81 %
LIGNA AS	675 640	0,66 %
Danske Invest Norge Vekst	619 192	0,61 %
SKJEFSTAD VESTRE AS	556 861	0,55 %
KEBS AS	531 390	0,52 %
TVENGE	500 000	0,49 %
B FINANS AS	499 983	0,49 %
The Bank of New York Mellon SA/NV	403 100	0,39 %
RAVI INVESTERING AS	400 000	0,39 %
JOHAN VINJE AS	393 625	0,39 %
SALT VALUE AS	380 914	0,37 %
FORTE TRØNDER	375 000	0,37 %
Other shareholders	15 243 730	14,94 %
Total	**102 064 050**	**100,00 %**

Shares owned by senior management and Board of Directors at 31 December 2019:

Shareholder	Ordinary shares	% Share
Erik Haugane (CEO)	1 050 344	1,03 %
Anton Tronstad (SVP Projects and Technology)	1 451 739	1,42 %
Espen Myhra (SVP Business Development)	114 853	0,11 %
Kjersti Hovdal (SVP Controlling & Accounting)	114 349	0,11 %
Dag Eggan (SVP Business Performance)	93 944	0,09 %
Andrew McCann (SVP Subsurface)	34 920	0,03 %
Tor Bjerkestrand (SVP Operations)	28 662	0,03 %
Chaiwat Kovavisarach (Chariman of the Board)	30 000	0,03 %
Ida Ianssen Lundh (Board member)	48 964	0,05 %
Jan Atle Johansen (Board member)	33 121	0,03 %
Anne Lene Rømuld (Board member)	29 573	0,03 %
Prisana Praharnkhasuk (Board member)	20 000	0,02 %
Michael William Fischer (Board member)	20 000	0,02 %
Nichola Carol Gordon (Board member)	20 000	0,02 %
Liv Monica Bargem Stubholt (Board member)	20 000	0,02 %
Rune Olav Pedersen (Board member)	20 000	0,02 %
Total	**3 130 469**	**3,07 %**

Warrants:

All number of warrants below are updated to reflect the share split 1:10 in 2019.

Overview of outstanding warrants:

	2019	2018
Outstanding warrants at 1 January	9 350 160	-
Warrants granted to employees in connection with share based payment *		1 250 000
Warrants issued to shareholders in connection with share issues **		8 100 160
Warrants exercised (trigger 1 warrants)	-4 634 550	
Warrants forfeited/cancelled (trigger 2 warrants)	-3 465 610	
Warrants exercised, see note 4	-15 000	
Outstanding warrants at 31 December	**1 235 000**	**9 350 160**

* See note 4 for information about 1 250 000 warrants granted to employees in connection with share based payment.

** Information about warrants issued to shareholders in connection with share issues:

	Number of warrants	Exercise price
Trigger 1 warrants	4 634 550	NOK 0.1 (NOK 1 before split)
Trigger 2 warrants	3 465 610	NOK 0.1 (NOK 1 before split)
Total number of warrants	**8 100 160**	

There are no outstanding trigger 1 and trigger 2 warrants at 31 december 2019.

Conditions for former trigger 1 and trigger 2 warrants:
The trigger 1 warrants may only be exercised if the company has not achieved Decision Gate 2 (DG2) Status on the Grevling licence prior to an IPO or immediately prior to closing of a Trade Sale (sale of all the shares in the company).

The trigger 2 warrants may only be exercised in the event the company has achieved Plan for Development of Operation (PDO) Status on the Grevling Licence prior to any Initial Public Offering (IPO) or immediately prior to closing of a Trade Sale (sale of all the shares in the company).

The warrants shall expire on and no longer be exercisable on the earlier of (i) if not exercised prior to 15 days after a notification from the Board of a contemplated IPO or of the entering into of an agreement related to a Trade Sale, and (ii) the date 5 years following the date of the resolution of the general meeting of the company to issue the warrants.

Note 23. Asset retirement obligations

Amounts in NOK `000	2019	2018
Provision at 1 January	3 859 308	319 668
Additions through asset acquisition	-	-
Additions through business combination	-	3 512 231
Changes in estimates	-536 803	9 094
Effects of change in the discount rate	586 971	-
Unwinding of discount	114 944	18 316
Total non-current provisions at 31 December	**4 024 420**	**3 859 308**
Of this:		
Asset retirement obligations	4 014 420	3 849 308
Accrued consideration from acquisitions of interests in licences	10 000	10 000

Asset retirement obligations
Provisions for asset retirement obligations represent the future expected costs for close-down and removal of oil equipment and production facilities. The provision is based on the company's best estimate. The net present value of the estimated obligation is calculated using a discount rate of 2% (2018: 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 18.

Note 24. Interest-bearing loans and borrowings

Amounts in NOK `000	31.12.2019	31.12.2018
Bond loan OKEA01 *	-	1 042 620
Bond loan OKEA02 **	1 580 454	1 563 930
Bond loan OKEA03 *	1 053 636	-
Capitalized transaction costs bond loan OKEA01	-0	-14 975
Capitalized transaction costs bond loan OKEA02	-40 301	-62 986
Capitalized transaction costs bond loan OKEA03	-37 219	-
Total Interest-bearing loans and borrowings	**2 556 570**	**2 528 589**

Changes in Interest-bearing loans and borrowings:

Amounts in NOK `000	OKEA01	OKEA02	OKEA03	Total
Bond loans at 1 January 2019	1 027 645	1 500 944	0	2 528 589
Amortization of transaction costs	14 975	22 684	340	37 999
Foreign exchange movement	32 952	16 524	-46 080	3 396
Repayment OKEA01 *	-1 075 572	0	0	-1 075 572
Bond issue OKEA03 *	0	0	1 099 716	1 099 716
Capitalized transaction costs OKEA03	0	0	-37 559	-37 559
Capitalized transaction costs OKEA02	0	0	0	-
Bond loans at 31 December 2019	**0**	**1 540 153**	**1 016 417**	**2 556 570**

Amounts in NOK `000	2019	2018
Interest-bearing loans and borrowings 1 January	2 528 589	963 312
Cash flows:		
Gross proceeds from borrowings, bond loan	1 099 716	1 467 468
Transaction costs, bond loan	-37 559	-68 404
Repayment of borrowings, bond loan	-1 075 572	-
Transaction costs, bond loan	-	
Total cash flows:	**-13 415**	**1 399 065**
Non-cash changes:		
Amortization of transaction costs, bond loans	37 999	12 481
Foreign exchange movement, bond loans	3 396	153 732
Interest-bearing loans and borrowings 31 December	**2 556 570**	**2 528 589**

* In December 2019 the company completed a refinancing of the USD 120 million bond loan OKEA01 maturing in November 2020. The company has entered into a USD 120 million secured bond loan OKEA03. Maturity date for the entire loan is in December 2024. Interest rate is fixed at 8.75% p.a. with half-yearly interest payment. The issue price for OKEA03 was 99% of the nominal value. OKEA01 was settled at a price of 103% of the nominal value. The interest rate for former OKEA01 was fixed at 7.5% p.a.

In relation to the debt extinguishment of OKEA01 an amount of NOK 42.5 million regarding deferred loan costs was expensed.

** In June 2018 the company entered into a USD 180 million secured bond loan OKEA02. Maturity date for the entire loan is in June 2023. The interest rate is 3 month LIBOR plus 6.5% p.a. with quarterly interest payments. The net proceeds from the bond issue was used to finance the acquisition of interests in the Draugen and Gjøa fields from A/S Norske Shell. The net proceeds from the bond issue was converted into NOK and placed on an escrow account until released when the equity financing of the acquisition was completed.

During 2019 and 2018, and at 31 December 2019 and 2018, the company was in compliance with the covenants under the bond agreements.

The bond loans have security in all major assets of the company. The bond agreements put certain restrictions on dividend payments and capital reductions, and have financial covenants in addition to requirements with respect to equity increases.

Financial covenants
The "OKEA ASA FRN open callable senior secured USD 210,000,000 bonds 2018/2023" (NO0010826852) ("OKEA02") including a tap issue up to USD 30,000,000 and "OKEA ASA senior secured callable USD 150,000,000 bonds 2019/2024" (NO0010869175) ("OKEA03") including a tap issue up to USD 30,000,000 (hereinafter jointly referred to as the "Bonds") are aligned on financial covenants and includes the following financial covenants:

(a) Liquidity: at all times maintain a minimum Liquidity of USD 10,000,000;
(b) Capital Employed Ratio on each Calculation Date maintain a Capital Employed Ratio not lower than 35%; and
(c) Leverage Ratio on each Calculation Date maintain a Leverage Ratio not exceeding 2:1.

Reference is made to note 34 "Events after the balance date" for information about the global pandemic (Covid19) and dramatic fall in oil prices, and the corresponding risk that certain bond covenants may become technically in breach.

Security granted
The obligations under OKEA02 and OKEA03 are secured with the following security granted in favour of the Nordic Trustee AS acting on behalf of the bondholders on OKEA02 and OKEA03:

(i) Pledge in the Escrow Accounts under the bonds and certain other bank accounts of the company;
(ii) Pledge in production licences;
(iii) Pledge in insurances;
(iv) the assignment of claims under the share and purchase agreement for participating interests in the Yme field; and
(v) Pledge in factoring charge.

Note 25. Trade and other payables

Amounts in NOK `000	**31.12.2019**	**31.12.2018**
Trade creditors	339 909	76 871
Accrued holiday pay and other employee benefits	69 294	18 965
Working capital, joint operations/licences	613 329	446 961
Accrued interest bond loans	6 120	10 917
Accrued consideration from acquisitions of interests in licer	-	174 490
Prepayments from customers	174 324	96 353
Fair value put options, foreign exchange	-	15 564
Loan from shareholder OKEA Holdings Ltd	1 257	1 141
Other accrued expenses	167 354	268 462
Total trade and other payables	**1 371 587**	**1 109 725**

The payables all mature within 6 months.

Note 26. Financial instruments

Financial instruments by category

Year ended 31 December 2019

Financial assets

Amounts in NOK `000	Amortized cost	Fair value through profit or loss	Total carrying amount
Trade and other receivables *	258 210	786	258 996
Restricted cash	-		-
Cash and cash equivalents	1 663 478		1 663 478
Total	**1 921 688**	**786**	**1 922 473**

Financial liabilities

Amounts in NOK `000	Amortized cost	Fair value through profit or loss	Total carrying amount
Trade and other payables *	844 964	-	844 964
Interest-bearing loans and borrowings	2 556 570		2 556 570
Total	**3 401 534**	**-**	**3 401 534**

* Prepaid expenses, VAT receivable, accrued receivables and accrued expenses are not included. Option derivatives are included (at Fair Value through profit or loss).

Year ended 31 December 2018

Financial assets

Amounts in NOK `000	Amortized cost	Fair value through profit or loss	Total carrying amount
Trade and other receivables *	275 756		275 756
Restricted cash	48 327		48 327
Cash and cash equivalents	394 670		394 670
Total	**718 753**	**-**	**718 753**

Financial liabilities

Amounts in NOK `000	Amortized cost	Fair value through profit or loss	Total carrying amount
Trade and other payables *	767 569	15 564	783 133
Interest-bearing loans and borrowings	2 528 589		2 528 589
Total	**3 296 158**	**15 564**	**3 311 723**

* Prepaid expenses, VAT receivable, accrued receivables and accrued expenses are not included. Option derivatives are included (at Fair Value through profit or loss).

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 their fair values. For interest-bearing loans and borrowings, the fair value is estimated to be NOK 2 672 548 thousand at 31 December 2019 (2018: NOK 2 622 711 thousand). The OKEA02 bond loan is 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). The OKEA03 bond loan is not yet listed on the Oslo Stock Exchange and the fair value is based on the issue price of 99% from December 2019.

Fair values of put options 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 their carrying amounts.

Note 27. Financial Risk Management

Overview
The company is exposed to a variety of risks, including credit risk, liquidity risk, interest rate risk, oil and gas price risk and currency risk. This note presents information about the company's exposure to each of the above mentioned risks, and the company's objectives, policies and processes for managing such risks. The note also presents the company's objectives, policies and processes for managing capital.

Credit risk
The company has no significant credit risk. The company is exposed to credit risk related to trade receivables and cash and cash equivalents. Sales are only made to customers that have not experienced any significant payment problems. Cash and cash equivalents are deposits with banks.

Liquidity risk
Liquidity risk is the risk of being unable to pay financial liabilities as they fall due. The company’s approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its financial liabilities as they fall due, under normal as well as extraordinary circumstances, without incurring unacceptable losses or risking damage to the company’s reputation.

The table below shows a maturity analysis for financial liabilities:

The cash flows below assumes repayment on the latest date available, even if expected repayment may be earlier.

31.12.2019

Amounts in NOK `000	Carrying amount	Cash Flow	< 1 year	1-5 Year
Trade and other payables	844 964	844 964	844 964	
Interest-bearing loans and borrowings	2 556 570	2 634 090		2 634 090
Interest-bearing loans and borrowings, interest		942 213	229 692	712 521
Total financial liabilities	**3 401 534**	**4 421 267**	**1 074 657**	**3 346 611**

31.12.2018

Amounts in NOK `000	Carrying amount	Cash Flow	< 1 year	1-5 Year
Trade and other payables	783 133	783 133	783 133	
Interest-bearing loans and borrowings	2 528 589	2 606 550		2 606 550
Interest-bearing loans and borrowings, interest		788 719	218 713	570 006
Total financial liabilities	**3 311 723**	**4 178 403**	**1 001 847**	**3 176 556**

The table below shows a maturity analysis for financial assets:

31.12.2019

Amounts in NOK `000	Carrying amount	Cash Flow	< 1 year	1-5 Year
Trade and other receivables	258 996	258 996	258 996	
Restricted cash	-	-	-	
Cash and cash equivalents	1 663 478	1 663 478	1 663 478	
Total financial assets	**1 922 473**	**1 922 473**	**1 922 473**	**-**

31.12.2018

Amounts in NOK `000	Carrying amount	Cash Flow	< 1 year	1-5 Year
Trade and other receivables	275 756	275 756	275 756	
Restricted cash	48 327	48 327	48 327	
Cash and cash equivalents	394 670	394 670	394 670	
Total financial assets	**718 753**	**718 753**	**718 753**	**-**

Interest rate risk

The company's exposure to interest rate risk is related to the bond loan OKEA02, with floating interest rate conditions of 3 month LIBOR plus 6.5% p.a. The company has no other interest-bearing borrowings with floating interest rate conditions. The bond loan OKEA03 has fixed interest rate at 8.75% p.a.

Sensitivity analysis:

Interest rate sensitivity is calculated based on the exposure to interest-bearing debt with floating interest rate conditions on the balance sheet date.

2019: If 3 month LIBOR had been 50 basis points higher/lower, the company's profit after tax would have been NOK 6.2 million lower/higher.

2018: If 3 month LIBOR had been 50 basis points higher/lower, the company's profit after tax would have been NOK 6 million lower/higher.

Currency risk

The company is exposed to foreign exchange rate risk related to the value of NOK relative to other currencies, mainly due to oil sales i USD, operational costs in USD and development costs in USD.

At 31 December 2019 the company is exposed to exchange rate risk mainly due to bank deposits and bond loans in USD.

Sensitivity analysis at 31 December 2019:

If the NOK had gained 5% against the USD at 31 December 2019, the company's profit after tax would have been NOK 67.1 million higher.

If the NOK had weakened 5% against the USD at 31 December 2019, the company's profit after tax would have been NOK 67.1 million lower.

Sensitivity analysis at 31 December 2018:

If the NOK had gained 5% against the USD at 31 December 2018, the company's profit after tax would have been NOK 93.2 million higher.

If the NOK had weakened 5% against the USD at 31 December 2018, the company's profit after tax would have been NOK 93.2 million lower.

The company has from 2018 started using derivative financial instruments (put options) to manage certain exposures to fluctuations in foreign exchange rates.

Oil and gas price risk

The company's revenue is from oil and gas sales which is exposed to fluctuations in the oil and gas price level.

The company has from 2018 started using derivative financial instruments (put options) to manage certain exposures to fluctuations in oil prices.

Capital management

The overall objective of the company is to ensure that it maintains a strong financial position and healthy capital ratios in order to support its business and maximise shareholder value.

The company manages its capital structure, and makes adjustments to it, in light of changes in economic conditions.

Note 28. Asset acqusitions & sales

During 2019 and 2018 the company completed the following acquisitions and sales in interests in licences on the Norwegian Continental shelf, accounted for as acquisitions and sales of assets:

Aquisitions:

Year	Licence	Interest	Seller	Effective date	Completion
2019	PL958	50 %	A/S Norske Shell	22.06.2018	28.01.2019

Sales:

Year	Licence	Interest	Buyer	Effective date	Completion
2019	PL038D	20,00 %	Chrysaor Norge AS	01.01.2019	30.11.2019
2019	PL974	18,57 %	Chrysaor Norge AS	01.03.2019	30.11.2019

Note 29. Business Combinations

Acquisitions in 2018

Acquisition of a 44.56% interest in Draugen and a 12% interest in Gjøa
On 30 November 2018 the company completed the acquisition of a 44.56% working interest in Draugen (PL093), a 12% working interest in Gjøa (PL153) and the office building "Råket" in Kristiansund from A/S Norske Shell. OKEA also assumed the operatorship of the Draugen field effective from 30 November 2018. As part of the transaction, 153 employees were transferred from A/S Norske Shell to OKEA. OKEA has specialized in small and mid-sized developments on the Norwegian Continental Shelf. The Shell Acquisition transformed OKEA to become an operator for a producing field and puts the company in a strong position to execute on its organic growth strategy and pursue further M&A opportunities.

The acquisition was financed through the issuance of a USD 180 million secured bond loan in June 2018, in addition to net proceeds of approximately NOK 1,033 million from the issuance of new share capital through two private placements completed in October and November 2018.

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 was used for tax purposes, was 1 January 2018. The acquisition date for accounting purposes (transfer of control) has been determined to be 30 November 2018.

A preliminary purchase price allocation (PPA) was performed and presented in the financial statements for 2018. All identified assets and liabilities were measured at their acquisition date fair values in accordance with the requirements of IFRS 3. The agreed purchase price was NOK 4 520 million. Adjusted for interim period adjustments and working capital, the total cash consideration was estimated to NOK 2 930 million. At this stage, the purchase price allocation was preliminary due to the complexity of the transaction and the fact that OKEA was in the process of performing a detailed review of the final completion statement prepared by the seller.

A final PPA has been completed within 12 months after the acquisition and is presented below. For further details about adjustments to the PPA, see note 32.

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	Preliminary PPA presented in financial statements 2018	PPA adjustments, see note 32	Final PPA
Assets			
Tangible fixed assets	3 141 883	-245 191	2 896 692
Receivables on seller*	2 745 999		2 745 999
Net working capital	340 218	-22 752	317 466
Total assets	**6 228 100**	**-267 943**	**5 960 156**
Liabilities			
Deferred tax liability	456 145	-211 296	244 849
Asset retirement obligation	3 512 231		3 512 231
Pension liabilities		25 701	25 701
Tax payable	794 091	6 479	800 570
Total liabilities	**4 762 467**	**-179 117**	**4 583 351**
Total identifiable net assets at fair value	1 465 632	-88 827	1 376 806
Total consideration	2 930 003	-30 292	2 899 711
Goodwill	**1 464 371**	**58 534**	**1 522 905**
Goodwill consist of:			
"Ordinary" goodwill	166 632	249 784	416 415
"Technical" goodwill	1 297 739	-191 249	1 106 490
Total goodwill	**1 464 371**	**58 534**	**1 522 905**

* The parties have agreed that the seller shall cover 80% of the costs of decommissioning, plugging and abandonment of the acquired oilfields at the time of cease of production limited to an agreed cap.

The ordinary goodwill consists largely of the synergies expected from acquiring the Draugen organization, which provides a platform for generating future growth on the Norwegian Continental Shelf. The technical goodwill arises as a consequence of the requirement to recognize 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, and liabilities assumed. None of the goodwill recognized will be deductible for income tax purposes.

Note 30. Commitments and Contingencies

The company has not been involved in any legal or financial disputes in 2019 or 2018, other than an insurance claim related to the Yme project. In 2018 SBM Offshore reached an agreement for final settlement of insurance claim related to the Yme project. As partner in Yme, OKEA has received a compensation for breach of contract from SBM Offshore. See note 5.

Minimum work programmes
The company is required to participate in the approved work programmes for the licences. See note 8 for a specification of future committed capital expenditure.

Liability for damages/insurance
The company's operations involves risk for damages, including pollution. Installations and operations are covered by an operations insurance policy.

Note 31. Related party transactions

Transactions with related parties:

Amounts in NOK `000	2019	2018
Seacrest Capital Group Ltd *	-773	5 247
BCPR Pte Ltd **	891	34 789
Interest on loan from shareholder OKEA Holdings Ltd	116	-

* Seacrest Capital Group Ltd is the controlling party of OKEA’s shareholder OKEA Holdings Ltd (former majority shareholder).

** BCPR Pte Ltd (Bangchak) is the majority shareholder of OKEA.

Trade and other payables, related parties:

Amounts in NOK `000	31.12.2019	31.12.2018
Seacrest Capital Group Ltd	331	5 413
BCPR Pte Ltd	140	34 789
Loan from shareholder OKEA Holdings Ltd	1 257	1 141

See note 10 for information about compensation to CEO and Board of Directors.

Note 32. Restated

The figures for 2018 have been restated due to change in accounting principle and adjustments of the preliminary Purchase Price Allocation related to the Shell transaction in 2018. The effects on the 2018 figures are presented below.

Restatement due to 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 realisable 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. The table below shows the effects of the restatement due to change in the accounting principle for the 2018 figures.

Restatement due to adjustments of preliminary Purchase Price Allocation on Gjøa affecting prior periods

In second quarter of 2019, the company identified items that required 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.

Restatement du to final Purchase Price Allocation - final completion statement from Shell

OKEA has in December 2019 reached a final agreement with Shell regarding the final completion statement for the Draugen and Gjøa transaction. The effects on the updated PPA is presented below.

The following table shows the abovementioned effects for the 2018 figures:

Amounts in NOK `000	Audited 2018	Change in accounting principle	Effect of updated PPA (Gjøa) Q2 2019	Effect of final PPA Q4 2019	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 amortisation	-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	4 592	1 530 962
Oil and gas properties	4 022 321		-245 191		3 777 130
Trade and other receivables	944 397	-32 238		-29 798	882 361
Pension liabilities				25 701	25 701
Deferred tax liabilities	886 782	-25 146	-191 249	-20 046	650 341
Trade and other payables	1 147 064			-37 339	1 109 725
Income tax payable	155 722			6 479	162 200
Accumulated loss	-170 289	-7 092			-177 381

Note 33. Reserves (unaudited)

Proven and probable reserves

Mill barrels oil equivalents (mmboe)	**2019**	**2018**
Balance at 1 January	52,4	10,6
Production	-6,9	-0,9
Acquisition of reserves	-	42,8
New developments	4,0	0,1
Revisions of previous estimates and other changes	-0,1	-0,1
Total reserves at 31 December	**49,5**	**52,4**

Expected reserves represent the company's share of reserves according to the SPE/ WPC/ AAPG/ SPEE Petroleum Resources Management system (SPE - PRMS) published in 2007 and with Oslo Stock Exchange's requirements for the disclosure of hydrocarbon reserves and contingent resources; circular 9/ 2009. The figures represent best estimate of proven and probable reserves (2P/P50 Base estimate).

Note 34. Events after the balance date

At the date of this report, the industry is in the midst of an unprecedented combination of a global pandemic (COVID19) coupled with a dramatic fall in oil prices. The Board of Directors and the management team of OKEA have been working hard to assess and understand the impacts of this development on the business, and to identify mitigating factors that will ensure the company is able to withstand the current market conditions for an extended period of time. The present situation indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern.

Following the capital raises and refinancing in 2019, OKEA has a solid liquidity position. The OKEA-operated Draugen field, which provides a substantial portion of the company’s revenues, has production expenses of less than 20 USD/boe and will therefore remain a positive contributor to the company even at current oil prices. The company does not face any bond maturities until 2023 or other refinancing requirements in the short term and has sufficient cash available to withstand a sustained period of low oil prices. Based on management estimates and in a continuing low oil price scenario, certain bond covenants may become technically in breach towards the end of 2020, albeit temporarily. Management has prepared a plan to address such potential development which includes cost cutting measures and potential postponements of activities and projects. Should those efforts and market development be insufficient to avoid a forecasted breach, the company will seek to liaise with the bondholders. Reference is made to note 24 for description of covenants.

In addition, the company has flexibility to reduce expenditure through focused cost reduction measures, together with the deferral of non-essential activities into 2021 or beyond. The company will seek to postpone or cancel sanctioned plans once agreed with Joint Venture partners.

The Board and management will continue to closely monitor the situation and is prepared to execute on management plans described above to ensure the long-term strength of the company. Based on the company's liquidity position and forecasted cash flows from operations and pursuant to §3-3 of the Norwegian Accounting Act, the Board confirms that the conditions for continued operation as a going concern are present for the company and the annual financial statement for 2019 has been prepared under this presumption.

In January 2020 OKEA was awarded five new licences in the 2019 Awards in Predefined Areas (APA). Two of the awarded areas are new licences where OKEA will be a partner, the three others are areal extensions of existing licences, two of them operated by OKEA.

Confirmation from the Board of Directors and CEO

Pursuant to the Norwegian Securities Trading Act section 5-5 with pertaining regulations, we confirm that, to the best of our knowledge, the financial statements for the period from 1 January to 31 December 2019 have been prepared in accordance with IFRS as adopted by EU, with such additional information as required by the Norwegian Accounting Act, and give a true and fair view of the company's assets, liabilities, financial position and results of operations.

We confirm that the Board of Directors' report provides a true and fair view of the development and performance of the business and the position of the company, together with a description of the key risks and uncertainty factors that the company is facing.

Trondheim, 27 March 2020

Chaiwat Kovavisarach
Chairman of the Board

Liv Monica Bargem Stubholt
Board Member

Anne Lene Rømuld
Board Member

Michael William Fischer
Board Member

Finn Haugan
Board Member

Nicola Carol Gordon
Board Member

Henrik Schröder
Board Member

Prisana Praharnkhasuk
Board Member

Ida Ianssen Lundh
Board Member

Rune Olav Pedersen
Board Member

Jan Atle Johansen
Board Member

Erik Haugane
CEO

Reconciliations of Alternative Performance Measures

EBITDA Amounts in NOK `000	**2019** **12 months**	**2018** **12 months**
Profit / loss (-) from operating activities	827 160	48 761
Add: depreciation, depletion and amortization	703 883	100 066
Add: impairment	105 394	-
EBITDA	**1 636 437**	**148 827**

EBITDAX Amounts in NOK `000	**2019** **12 months**	**2018** **12 months**
Profit / loss (-) from operating activities	827 160	48 761
Add: depreciation, depletion and amortization	703 883	100 066
Add: impairment	105 394	-
Add: exploration expenses	299 446	74 782
EBITDAX	**1 935 883**	**223 608**

Production expense per boe Amounts in NOK `000	**2019** **12 months**	**2018** **12 months**
Production expense	708 649	96 714
Minus: tariff income	-56 681	-
Divided by: produced volumes (boe)	6 811 995	815 110
Production expense NOK per boe	**95,7**	**118,7**

Profit/loss (-) before tax per share Amounts in NOK `000	**2019** **12 months**	**2018** **12 months**
Profit / loss (-) before income tax	419 396	-300 202
Divided by: weigh. average no. of shares	92 848 011	39 144 548
Result before tax per share (NOK per share)	**4,52**	**-7,67**

Earnings per share Amounts in NOK `000	**2019** **12 months**	**2018** **12 months**
Net profit / loss (-)	-71 131	-155 715
Calculated interest on preference capital (8%)	-	-5 011
Calculated net profit / loss (-) attributable to ordinary shares	-71 131	-160 726
Divided by: weigh. ave. no. of shares - Basic	92 848 011	39 144 548
or. Div. by: weigh. average no. of shares - Diluted	92 848 011	39 144 548
Earnings per share (NOK per share) - Basic	**-0,77**	**-4,11**
Earnings per share (NOK per share) - Diluted	**-0,77**	**-4,11**

Net interest-bearing debt Amounts in NOK `000	**2019** **12 months**	**2018** **12 months**
Interest-bearing loans and borrowings	2 556 570	2 528 589
Minus: Cash and cash equivalents	1 663 478	394 670
Net interest-bearing debt	**893 092**	**2 133 919**

Definitions of Alternative Performance Measures

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

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

Net interest-bearing debt is book value of current and non-current interest-bearing debt excluding lease liability (IFRS 16) less cash and cash equivalents

Production expense per boe is defined as production expense less tariff income divided by produced volumes

Profit/loss (-) before tax per share is profit/loss (-) before income tax divided by weighted average number of shares outstanding

To the General Meeting of OKEA ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of OKEA ASA, which comprise the statement of financial position as at 31 December 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 34 in the financial statements and the Board of Directors' report, which indicate that based on management estimates and in a continuing low oil price scenario, certain bond covenants may become in breach towards the end of 2020. As stated in note 34 and the Board of Directors' report, these events or conditions, along with other matters as set forth in note 34 and the Board of Directors' report, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

In 2019, OKEA ASA has focused its operations on the producing fields acquired from Shell at the end of 2018. A final settlement and consideration was also agreed with the seller in 2019, and the Purchase Price Allocation (PPA) was finalized. Our 2019 audit has focused on adjustments to the PPA, on assessment of impairment of goodwill and oil & gas properties, and estimation of asset retirement obligations.

Key Audit Matter	How our audit addressed the Key Audit Matter
Non routine - Final settlement of the Shell transaction - final PPA On 30 November 2018 the Company completed a business combination with A/S Norske Shell. A final settlement of the consideration to be paid was agreed between OKEA and A/S Norske Shell in late November 2019. Management considers that the final settlement with Shell constitutes a measurement period adjustment and resulted in retroactive changes to the original purchase price allocation (PPA). We focused on this area because of the accounting impact of considering that the settlement with the seller qualified as a measurement period adjustment and the complexity of making valuation adjustments to individual assets and liabilities in the PPA and the significant management judgement involved. Please refer to note 32 for a description of the adjustments to the PPA.	Management provided us with documentation showing the final settlement with A/S Norske Shell including the settlement amount. We obtained bank statements for the final payments made by OKEA to Shell as part of the final settlement and reconciled the final payments to the overview of the final settlement provided by management. We obtained a copy of the updated PPA as prepared by an external valuation expert. We considered the methodology applied and tested the adjustments to the individual assets and liabilities in the purchase price allocation to underlying details and the settlement documentation. We also tested the adjustments made for mathematical accuracy. We compared the updated PPA to the initial PPA and considered the adjustments for reasonableness and identified no material issues. We further evaluated the appropriateness of the related note disclosures in note 32 to the financial statements and found that they satisfied IFRS requirements.
Impairment of Goodwill and Oil&Gas properties OKEA ASA has Oil and Gas properties with a carrying amount of NOK 3 886 million at 31 December 2019. In addition, the carrying value of goodwill (including technical goodwill) was NOK 1 426 million at 31 December 2019 In line with OKEA's accounting policy for impairment of non-financial assets, management has assessed quarterly if there are impairment indicators. Following this assessment, an impairment calculation was prepared. Management's assessment of recoverable amounts of goodwill and oil & gas properties requires estimates and assumptions relating to operational and market factors and involves a significant	We assessed management's identification of impairment indicators as part of management's quarterly assessment and agreed that indicators were present. We obtained management impairment calculation. For each cash generating unit, including allocated technical goodwill, we assessed the key inputs in the calculation of recoverable amount by: • comparison of management´s short-term price assumptions against external price forward curves; • comparison of long-term oil price assumptions against long-term assumptions communicated by peers and other publicly available sources; • comparison of hydrocarbon production profiles, proved and probable reserves to updated reserve reports prepared by the external reserves appraiser,

amount of judgment.

In addition, the calculation of recoverable amount requires financial modelling of the cash flows related to the cash generating units, which can be complex and may require use of additional judgment.

Based on the results of the assessment of impairment triggers and the corresponding calculation of recoverable amount, an impairment charge of NOK 105 million relating to technical goodwill for the Gjøa Asset was recognized in 2019.

We focused on this area because goodwill and oil & gas properties constitute a significant share of total assets in the balance sheet, and because the assessment of recoverable amount is complex and involves significant management judgement which may have a direct impact on net profit.

Please refer to note 9 for a description of management's assessment of impairment.

AGR Petroleum Services AS (AGR) for 2019;

- comparison of estimated future operating costs and capital expenditures towards information reported by the field operator in the 2020 RNB numbers;
- benchmarking of inflation and discount rates applied against external market data

The valuation of Oil&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.

We assessed the mathematical and methodological integrity of management's impairment models.

For ordinary goodwill, management determined that ordinary goodwill on December 31, 2019 was not impaired. We obtained the OKEA traded share price on December 31, 2019 and calculated the market capitalization. Based on the market capitalization of OKEA, we found support for the carrying value of ordinary goodwill at 31.12.19.

We evaluated the appropriateness of the related note disclosures in note 9 to the financial statements and found that they satisfied IFRS requirements.

Estimation of asset retirement obligations

Asset retirement obligations as of 31 December 2019 was calculated for the operated asset Draugen, and the non-operated assets Gjøa, Yme and Ivar Aasen. As of 31 December 2019, asset retirement obligations represent NOK 4 014 million in the balance sheet and is accounted for as a non-current provision.

The estimation and measurement of asset retirement obligations requires a number of estimates and judgments to be applied. This includes timing of actual cash flows, amount of abandonment costs and discount rate. The calculation of the asset retirement obligation requires financial modelling of cash flows related to the removal and decommissioning cost. Such modeling can be complex and may require use of additional judgment.

We obtained management's assessment and model for calculation of asset retirement obligations and held meetings with management to understand the nature and details of the calculation. We found the methodology to be in line with requirements in IFRS.

The decommissioning cost estimates for the non-operated assets are based on the respective Operators cost estimate. We obtained the cost estimate prepared by the external Operators of the non-operated fields from management. We checked that the external cost estimates were included as input in the calculation of the asset retirement obligation for the non-operated fields.

For Draugen, the cost estimate is based on OKEAs internal calculation and assessment. OKEA has involved a multi-discipline project team with professionals from various technical areas. We obtained the internal report "Draugen Annual Asset retirement Obligations Estimate Report 2019", from management, which documents OKEAS assessment of the cost estimate for Draugen. We

We focused on this area due to the significant value the provision for asset retirement obligations represent in the balance sheet, and the level of management judgement used in determining the provision for asset retirement obligations.

Please refer to note 23 for a description of how management has accounted for the asset retirement obligations.

tested that the report has been internally reviewed, and quality checked.

OKEA has engaged a third party, to prepare a separate report that enables OKEA to benchmark their internal estimates. We held several meetings with management and obtained an understanding of the different assumptions used. Further we benchmarked OKEA's cost estimate towards the cost estimate prepared by the third party.

The calculation of the Draugen cost estimate is based on several cost inputs. We assessed the assumptions applied for the Draugen cost estimate for reasonableness. This included, but are not limited to, number of wells to be plugged, rig rates per day, contingency level and level of management cost. We also tested the cash flows model used for calculating the asset retirement obligation and found that the model makes calculations as expected. We received management's assessment of the timing for decommissioning and removal activities for each field. We compared this to the operators estimate as included in the government filing to the Revised National budget for 2020.We benchmarked the inflation rate and the discount rate used in calculation of the asset retirement obligation. Our testing substantiated that management assumptions were fair.

We evaluated and found that the related note disclosures in note 23 to the financial statements were reasonable.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Stavanger, 27 March 2020
PricewaterhouseCoopers AS

Gunnar Slettebø
State Authorised Public Accountant

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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