



# 2020

Q3 Quarterly Report



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# Third quarter 2020 summary

## Highlights

- No serious incidents at operated operations
- Maintenance turnaround at Draugen completed in July according to plan
- Continued to manage the Covid-19 situation without production disruptions
- Successfully completed key milestones of the Draugen Gas Import project
- Production of 13,303 (18,125) boepd
- Operating income of NOK 321 (622) million
- Impairment of NOK 569 million on Yme, resulting in a post-tax impact of NOK 125 million
- Profit / loss (-) from operating activities of NOK -603 (227) million
- Net profit / loss (-) before tax of NOK -527 (1) million
- Cash flow from operations of NOK 370 (723) million
- Acquisition of Aurora gas discovery near Gjoa and farm-in to Calypso prospect near Draugen
- APA 2020 applications submitted

(Amounts in parentheses refer to corresponding period the prior year)

## Financial and operational summary

	Unit	Q3 2020	Q2 2020	Q3 2019	Full year 2019
<b>Total operating income</b>	NOKm	321	275	622	3,020
<b>EBITDA <sup>1)</sup></b>	NOKm	116	210	404	1,636
<b>EBITDAX <sup>1)</sup></b>	NOKm	132	221	505	1,936
<b>Profit/loss (-) before income tax</b>	NOKm	-527	-187	1	419
<b>Profit/loss (-) before tax per share</b>	NOK/share	-5.14	-1.83	0.01	4.52
<b>Net profit / loss (-)</b>	NOKm	-19	18	-77	-71
<b>Cash flow from operations</b>	NOKm	370	-3	723	2,111
<b>Cash flow from investments</b>	NOKm	-323	-256	-216	-847
<b>Cash flow from financing activities</b>	NOKm	-81	-83	-37	5
<b>Net interest-bearing debt <sup>1)</sup></b>	NOKm	1,805	1,904	864	893
<b>Draugen</b>	Boepd <sup>2)</sup>	6,654	7,944	9,648	9,092
<b>Gjoa</b>	Boepd <sup>2)</sup>	6,390	7,758	8,135	9,230
<b>Ivar Aasen</b>	Boepd <sup>2)</sup>	259	345	342	341
<b>Total net production</b>	<b>Boepd <sup>2)</sup></b>	<b>13,303</b>	<b>16,047</b>	<b>18,125</b>	<b>18,663</b>
<b>Over/underlift/inventory adjustments</b>	Boepd <sup>2)</sup>	929	-1,413	-1,429	818
<b>Net sold volume</b>	Boepd <sup>2)</sup>	14,232	14,634	16,696	19,481
<b>Production expense per boe <sup>1)</sup></b>	NOK/boe	118.3	118.1	79.7	95.7
<b>Realised liquids price</b>	USD/boe	32.3 <sup>3)</sup>	24.9	56.4	56.6
<b>Realised gas price</b>	USD/scm	0.08	0.05	0.11	0.16

<sup>1)</sup> Definitions of Alternative Performance Measures are available on page 27 of this report

<sup>2)</sup> Boepd is defined as barrels of oil equivalents per day

<sup>3)</sup> Realised price include a norm price adjustment from the cargo in May on Draugen. Without the adjustment relating to the May cargo, the realised liquids price was USD 38.2 per barrel for the quarter.

# Financial review

## Statement of comprehensive income

Total operating income in the third quarter amounted to NOK 321 (622) million. The reduction compared to prior year was mainly due to significantly lower market prices for oil and gas. In addition, as OKEA's commercial sale agreement for Draugen crude is linked to the norm price, the company recognised a reduction in revenue of NOK 57 million following the Petroleum Price Board's publication of the provisional norm price assessment for second quarter in September/October. The adjustment for the Draugen lift in May amounted to USD 8.35 per bbl. Volumes sold from Draugen were lower compared to prior year due to 20 days shutdown in the quarter in relation to the turnaround which was completed in July. Volumes sold from Gjøa were lower compared to prior year due to general field decline as well as a planned shutdown of 17 days due to tie-in projects.

Other operating income / loss (-) amounted to NOK 13 (10) million. The income in third quarter comprises tariff income from Gjøa of NOK 9 million, income from joint utilisation of logistics resources of NOK 7 million, offset by net loss from oil put options of NOK -3 million. The income prior year mainly related to tariff income from Gjøa of NOK 11 million.

Production expenses amounted to NOK 154 (144) million, corresponding to NOK 118.3 (79.7) per boe. Produced volumes net to OKEA were 13,303 (18,125) boepd. The reduction in produced volumes compared to prior year was the planned shutdowns at Draugen and Gjøa described above as well as general field decline. The lower volumes produced was the main driver for the increase in production expense per boe. Production expenses directly attributable to Covid-19 was estimated to be in the range of NOK 5-10 million so far this year and mainly comprise overtime cost for offshore personnel.

Changes in over-/underlift positions and production inventory amounted to NOK -31 (41) million. Volumes sold exceeded volumes produced by 929 boepd in the third quarter. Volumes produced exceeded volumes sold by 1,429 boepd in the same period prior year.

Exploration expenses amounted to NOK 16 (102) million and mainly related to evaluation activities at Hasselmus following an increased level of activities in the project. Exploration expenses prior year mainly related to purchase of seismic data and expensing of a dry well on PL910.

Total impairments amounted to NOK 572 (0) million and mainly related to the Yme asset under development (pre-tax amount with an offsetting change in deferred tax of NOK 444 million). The impairment was primarily driven by increased capital expenditures as well as a revised estimate for start of production. Reference is made to note 10 for further details.

General and administrative expenses amounted to NOK 4 (14) million and represent OKEA's share of costs after allocation to licence activities. The decrease from prior year was mainly due to cost cutting measures and higher allocation of cost to licenses during the quarter in relation to a year to date adjustment.

Net financial items amounted to NOK 76 (-225) million and includes interest expense. NOK strengthened by 3% against USD during the quarter which resulted in an unrealised currency gain on bond loans of NOK 78 million. In addition, a gain of NOK 7 million relating to a partial buy-back of part of OKEA02 was recognised in the quarter. The loss prior year mainly related to a net unrealised currency loss on bond loans of NOK 171 million. Reference is made to note 11 for further details.

Profit / loss (-) before income tax amounted to NOK -527 (1) million for the quarter.

Tax expenses (-) / tax income (+) for the quarter amounted to NOK 508 (-79) million representing an effective tax income rate of 96%. The deviation from the expected 78% was mainly caused by financial items being taxed by approximately 37% and the effect of uplift.

Net profit / loss (-) for the period was NOK -19 (-77) million. Earnings per share were NOK -0.18 (-0.76).

## Statement of financial position

Goodwill amounted to NOK 769 (1,430) million at the end of third quarter. The reduction compared to prior year is due to impairments as further described in note 10.

Right-of-use assets amounted to NOK 126 (172) million and mainly related to logistical resources on operated assets. The reduction compared to prior year was due to shorter remaining lifetime of lease contracts. Right-of-use assets are offset by the current and non-current lease liability (IFRS16).

Total tax refund amounted to NOK 613 (0) million, split into non-current refund from exploration costs of NOK 40 (0) million and refund from current year tax loss of NOK 573 (0) million following the new temporary tax regulations.

Cash and cash equivalents amounted to NOK 883 (1,799) million. The reduction compared to prior year was mainly due to investments in the Yme New Development project and the Gjøa P1 project in addition to the final payment of the pro & contra settlement for Draugen and Gjøa in January 2020.

Spare parts, equipment and inventory amounted to NOK 236 (212) million, whereof NOK 136 (89) million related to oil inventory at Draugen.

Equity amounted to NOK 900 (1,679) million at the end of the quarter. The reduction compared to prior year was due to net losses mainly due to impairments and financial expenses, partly offset by operational profits.

Provisions for asset retirement obligations amounted to NOK 4,089 (3,945) million. The increase compared to prior year was caused by accretion effects and general updates in assumptions.

Interest-bearing loans and borrowings amounted to NOK 2,688 (2,663) million. The increase in borrowings was due to NOK weakening by 4% against USD over the year resulting in an increase of NOK 113 million in the outstanding USD nominated loans. This effect was partly offset by partial buybacks of OKEA02 for a total of NOK 127 million during the year. Reference is made to note 19 for further details.

The lease liability relating to IFRS 16 is split into a non-current liability of NOK 99 (127) million and a current liability of NOK 27 (46) million and mainly related to logistic resources on operated assets.

Trade and other payables amounted to NOK 988 (1,108) million and mainly related to working capital from joint licences, prepayments from customers and other accrued expenses.

## Statement of cash flows

Net cash flows from operating activities in the quarter amounted to NOK 370 (723) million. The reduction compared to prior year was mainly due to lower revenues of NOK 301 million, lower incoming payments from trade debtors due to payments from two liftings from Draugen at higher prices in the third quarter prior year compared to one in the current quarter as well as other changes in working capital. These effects were partly

offset by a tax instalment received of NOK 154 million in the quarter compared to tax instalment paid of NOK 50 million prior year.

Net cash flows from investment activities in the quarter amounted to NOK -323 (-216) million, of which investments in oil & gas properties amounted to NOK -321 (-203) million mainly relating to the Yme New Development project and the P1 project at Gjøa. Cash flows relating to investment activities prior year primarily related to the Yme New Development project.

Net cash flows from financing activities in the quarter amounted to NOK -81 (-37) million, of which interest paid amounted to NOK -28 (-37) million and a partial buy-back of OKEA02 amounted to NOK -53 (0) million.

## Operational review

OKEA produced 13,303 (18,125) boepd in the third quarter. The market impact from Covid-19 and the unbalanced supply-demand situation for petroleum products have significantly impacted the market prices for gas and liquids compared to prior year. The average realised liquid price was USD 32.3 (56.4) per barrel and gas was realised at an average price of USD 0.08 (0.11) per standard cubic metre (scm). The realised liquid price in the third quarter includes the norm price adjustment of NOK 57 million on the May cargo from Draugen. Without the adjustment relating to the May cargo, the realised liquids price amounted to USD 38.2 per barrel for the quarter.

### Draugen (Operator, 44.56%)

Net production to OKEA from Draugen was 6,654 (9,648) boepd in the quarter and production availability<sup>1</sup> was 76% (97%). The reduction in volumes and availability compared to prior year was mainly due to a planned maintenance turnaround in the period. Reliability<sup>2</sup> was 99% in the quarter compared to 98% same quarter prior year.

The maintenance turnaround was executed in a safe and efficient manner bringing production back onstream according to plan after 27 days of shutdown in June and July. OKEA has put in place mitigating measures to manage the Covid-19 situation both in the daily operations and during the high activity turnaround period.

Key milestones of the Gas Import project at Draugen were completed during the quarter which enables import of fuel gas from the Åsgard pipeline from Q4 2020. The import of fuel gas secures the power supply at Draugen, reduces the need for diesel and contributes to maintaining a high production reliability.

### Gjøa (Partner, 12.00%)

Net production to OKEA from Gjøa was 6,390 (8,135) boepd in the quarter, production availability was 75% (79%), and reliability was 99% (97%). The Gjøa operator continues to apply a strict offshore and onshore control regime to prevent or limit any consequences in case of a Covid-19 situation.

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<sup>4)</sup> **Production availability** = Actual Production / (Actual production + Scheduled deferment + Unscheduled deferment)

<sup>5)</sup> **Production reliability** = Actual Production / (Actual production + Unscheduled deferment)

**Deferment** is the reduction in production caused by a reduction in available production capacity due to an activity, an unscheduled event, poor equipment performance or sub-optimum settings.

Gjøa was shut down for 17 days in August due the planned tie-in of the Nova Risers and Duva topside work compared to 10 days in third quarter 2019. Gjøa will be compensated for the deferred production due to the project scope when Duva/Nova is onstream in 2021/2022.

The P1 production well drilling commenced on 13 August. The plan is to drill two production wells, one oil producer and one gas producer as a batch drilling campaign. First production from the new wells is expected in late Q4 2020.

Subsequent to the end of third quarter, Gjøa was impacted by the strike imposed by the Norwegian Organisation of Managers and Executives (No: Lederne) by reduced production from 4 October until the strike was called off on 9 October.

## Ivar Aasen (Partner, 0.554%)

Net production to OKEA from Ivar Aasen was 259 (342) boepd for the quarter. Production was lower than prior year due to 10 days planned maintenance shut down, reduced production permit and wells shut-in due to heavy lifts associated with an Increased Oil Recovery drilling campaign.

## Development projects

### Yme (Partner, 15.00%)

Work to upgrade the jack-up rig Maersk Inspirer at Aker Solutions' yard in Egersund is ongoing. Mechanical completion and commissioning activities are near complete and onshore completion is scheduled for late Q4 2020.

The wellhead module has been installed offshore at the Yme field, and a majority of the hook-up and carryover scope has been completed. Subsea systems including storage tank, flowlines, and subsea loading system have been tested and are ready for operation.

Progress at the yard during the year has not been satisfactory. However, availability of manning has gradually improved, and measures to limit the risk for Covid-19 outbreak has been implemented at the yard.

Due to the delayed progress at the yard, expected start of production at Yme has been postponed to 2021 and capital expenditure has increased. Yme is expected to add production of 7,500 boepd net to OKEA at plateau, and 4,900 boepd net to OKEA in average over the first year.

### Hasselmus (Operator, 44.56%)

The Hasselmus gas field located 7.5 km northwest of Draugen was discovered in 2009 and the field is now unified within the Draugen licence.

OKEA, as operator of Draugen, is currently developing the Hasselmus field as a gas tie-back to the Draugen platform for further processing and export. The project is currently in the Front-End Engineering Design (FEED) phase with a Final Investment Decision (FID) planned for first half of 2021. First gas is planned for first half of 2023.

## Draugen Power from shore (Operator, 44.56%)

On behalf of PL093, OKEA has commenced a project to consider the possibility to provide Power from Shore to the Draugen platform including an option to extend power supply to other fields.

DG1 was passed in September 2020, and concept selection is planned for mid-2021. The concept, which comprise an approximately 130 km subsea cable may be ready for operation in 2025.

## Aurora (Operator, 40.00%)

OKEA has acquired Equinor Energy AS's 40% operated working interest in PL195 & PL195 B, including the Aurora gas discovery located between the Vega and Gjøa fields. The Ministry of Petroleum and Energy approved the transaction and appointed OKEA as the new operator of the licences on 14 October 2020. The effective date for the transaction is 1 January 2020 and the transaction will be completed on 31 October 2020.

OKEA's intention is for a fast-track development of the field as a tie-in to existing processing and export infrastructure.

## Grevling / Storskrymten (Operator, 35.00% / 60.00%)

Over the last few years, OKEA has worked to improve the economics for Grevling / Storskrymten and has achieved a reduction in estimated break even cost from USD 70 per boe to USD 40 per boe. This is deemed insufficient in the current market environment and OKEA is therefore working to improve the economics further. A future add on of additional volumes can be a positive contributor in this respect, such as positive results from drilling of the two exploration wells, Jerv and Ilder, in PL973 currently planned for the first half of 2021.

Studies for Carbon Capture and Storage (CCS) are ongoing for the Grevling field development project. The studies are partly funded by Gassnova and is scheduled for completion in Q4 2020.

## Exploration licences

During the quarter, OKEA farmed into a 30% working interest in exploration licence PL938 through a well carry agreement with operator Neptune Energy AS, strengthening the company's position in the Draugen area. The licensees have committed to an exploration well on the Calypso prospect, expected to be drilled in late 2021 or 2022.

The operator for PL973 (OKEA 30%), Chrysaor Norge AS, awarded a rig contract for COSL Innovator for drilling of the Jerv and Ilder exploration wells, scheduled for the first half of 2021.

Planning for the Equinor-operated Ginny exploration well in PL1060 (OKEA 40%) scheduled to be drilled in 2021 is ongoing, including selection of the drilling location and initiation of the rig award process.

OKEA has received final processed data from the 3D seismic survey covering PL958 northeast of Draugen. Following quality assurance, the data will be interpreted to assess the prospect of the license together with previous data sets.

OKEA has submitted applications to the Ministry of Petroleum and Energy for several operated licences in the APA licensing round for 2020, with focus both on exploration and field development opportunities.

## Health, safety, and the environment (HSE)

OKEA's objective is to operate with high quality HSE standards. There have been no serious incidents in OKEA's operations during the quarter. OKEA continued with a strict awareness regime and strict rules related to the Covid-19 pandemic. There have been no Covid-19 cases amongst employees, and the organisation is well prepared to manage the situation if such incident should occur.

OKEA is assessing alternative solutions for reducing the environmental footprint from our activities. For Draugen, OKEA is assessing the two alternatives Power from Shore and Carbon Capture and Storage (CCS) to seek a solution that is environmentally and financially viable.

Carbon Capture and Storage is also studied as a part of the Grevling/Storskrynten development project. The study is developed in collaboration with Kanfa AS and Pier AS and is partly funded by Gassnova.

## Outlook

The temporary changes to the petroleum tax system have resulted in increased activity level for OKEA. Within the existing project portfolio and identified opportunities OKEA is pursuing organic growth in production and reserves mainly around the Draugen and Gjøa areas. The recent farm-in to the Calypso prospect near Draugen and acquisition of the Aurora discovery near Gjøa represent elements of this growth strategy. OKEA is planning for organic growth to be realised without the need to raise additional equity. OKEA also maintains an opportunistic view on growth through mergers and acquisitions.

As another element of this strategy, OKEA has initiated an improvement program aimed at securing a materially extended economic field life at Draugen. Reducing operating and capital expenditure whilst increasing production availability and reserves are key improvement targets. Several measures for cost improvements have already been identified and will be gradually implemented, including logistical efficiencies and innovative methods for executing projects and operations. During the quarter, OKEA successfully executed a subsea scale squeeze project with half of the industry standard cost due to innovative use of resources. Opportunities for increasing the volume basis have also been identified, including Increased oil Recovery (IOR) measures, production optimisations and realisation of new projects and prospects within the current portfolio.

OKEA maintains the current 2020 production guiding of 14,000 -15,000 boepd net to OKEA. The capex guiding for 2020 has increased by NOK 100 million to NOK 1,000 - 1,100 million following delays and cost increases at the Repsol operated Yme New Development project.

The market for liquids has improved compared to second quarter, but the outlook remains uncertain. The company's hedging policy seeks to reduce potential loss and focuses on managing liquidity risk by protecting cash flow after tax. At the time of this report the company has entered into hedging arrangements (options) for approximately half of its equivalent after-tax oil volume exposure for the following three quarters at an average strike of USD 40 per bbl which reduces the downside risk relating to oil price for the coming period.





**> Financial  
Statements with  
notes Q3 2020**

## Statement of Comprehensive Income

Amounts in NOK `000	Note	01.01-30.09			01.01-31.12	
		Q3 2020 (unaudited)	Q3 2019 (unaudited)	2020 (unaudited)	2019 (unaudited)	2019 (audited)
Revenues from crude oil and gas sales	6	308 438	611 560	1 071 094	2 402 045	2 935 635
YME compensation contract breach	6	-	-	-	22 098	22 098
Other operating income / loss (-)	6	12 648	10 409	75 346	31 033	61 833
<b>Total operating income</b>		<b>321 086</b>	<b>621 969</b>	<b>1 146 440</b>	<b>2 455 176</b>	<b>3 019 566</b>
Production expenses		-153 895	-144 095	-506 547	-503 640	-708 649
Changes in over/underlift positions and production inventory		-30 995	41 041	90 911	-314 829	-272 472
Exploration expenses		-16 050	-101 588	-53 942	-147 815	-299 446
Depreciation, depletion and amortization	8	-146 854	-176 966	-520 509	-541 347	-703 883
Impairment	8, 9, 10	-572 181	-	-1 503 870	-96 658	-105 394
General and administrative expenses		-4 195	-13 550	-38 342	-78 409	-102 562
<b>Total operating expenses</b>		<b>-924 171</b>	<b>-395 159</b>	<b>-2 532 300</b>	<b>-1 682 699</b>	<b>-2 192 406</b>
<b>Profit / loss (-) from operating activities</b>		<b>-603 085</b>	<b>226 809</b>	<b>-1 385 860</b>	<b>772 477</b>	<b>827 160</b>
Finance income	11	26 200	25 080	82 918	75 395	103 893
Finance costs	11	-39 085	-96 062	-221 007	-280 192	-444 880
Net exchange rate gain/loss (-)	11	88 769	-154 368	-116 660	-113 355	-66 777
<b>Net financial items</b>		<b>75 884</b>	<b>-225 350</b>	<b>-254 748</b>	<b>-318 152</b>	<b>-407 764</b>
<b>Profit / loss (-) before income tax</b>		<b>-527 201</b>	<b>1 459</b>	<b>-1 640 608</b>	<b>454 325</b>	<b>419 396</b>
Taxes (-) / tax income (+)	7	508 415	-78 587	855 418	-523 164	-490 527
<b>Net profit / loss (-)</b>		<b>-18 786</b>	<b>-77 128</b>	<b>-785 190</b>	<b>-68 839</b>	<b>-71 131</b>
<b>Other comprehensive income, net of tax:</b>						
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>						
Remeasurements pensions, actuarial gain/loss (-)		-	-	-	-	418
<b>Total other comprehensive income, net of tax</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>418</b>
<b>Total comprehensive income / loss (-)</b>		<b>-18 786</b>	<b>-77 128</b>	<b>-785 190</b>	<b>-68 839</b>	<b>-70 712</b>
Weighted average no. of shares outstanding basic		102 502 650	101 839 050	102 358 584	89 756 250	92 848 011
Weighted average no. of shares outstanding diluted		102 502 650	101 839 050	102 358 584	89 756 250	92 848 011
Earnings per share (NOK per share) - Basic		-0.18	-0.76	-7.67	-0.77	-0.77
Earnings per share (NOK per share) - Diluted		-0.18	-0.76	-7.67	-0.77	-0.77

## Statement of Financial Position

Amounts in NOK `000	Note	30.09.2020 (unaudited)	30.09.2019 (unaudited)	31.12.2019 (audited)
<b>ASSETS</b>				
<b>Non-current assets</b>				
Goodwill	9, 10	768 946	1 429 711	1 425 568
Exploration and evaluation assets		22 150	24 807	15 927
Oil and gas properties	8	3 508 702	3 837 659	3 885 889
Buildings	8	84 407	89 032	87 875
Furniture, fixtures and office equipment	8	9 953	9 460	11 250
Right-of-use assets	3, 8	126 200	172 366	163 398
Tax refund, non-current	7	39 704	-	-
Other non-current assets	12	3 030 764	2 828 379	2 968 502
<b>Total non-current assets</b>		<b>7 590 826</b>	<b>8 391 415</b>	<b>8 558 409</b>
<b>Current assets</b>				
Trade and other receivables	14	451 949	480 186	621 913
Spareparts, equipment and inventory	17	235 555	211 575	142 291
Tax refund, current	7	573 268	-	-
Restricted cash		-	651	-
Cash and cash equivalents	15	883 238	1 798 839	1 663 478
<b>Total current assets</b>		<b>2 144 010</b>	<b>2 491 252</b>	<b>2 427 682</b>
<b>TOTAL ASSETS</b>		<b>9 734 836</b>	<b>10 882 667</b>	<b>10 986 091</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	13	10 250	10 184	10 206
Share premium		1 912 462	1 912 195	1 912 462
Not registered share capital		-	290	-
Other paid in capital		10 939	2 555	6 855
Accumulated loss		-1 033 284	-246 220	-248 094
<b>Total equity</b>		<b>900 368</b>	<b>1 679 003</b>	<b>1 681 430</b>
<b>Non-current liabilities</b>				
Asset retirement obligations	16	4 089 385	3 945 471	4 024 420
Pension liabilities	3	29 061	-	26 857
Lease liability	3, 20	99 429	126 930	117 996
Deferred tax liabilities	7	741 836	802 712	830 417
Interest-bearing loans and borrowings	19	2 688 287	2 662 605	2 556 570
<b>Total non-current liabilities</b>		<b>7 647 998</b>	<b>7 537 719</b>	<b>7 556 259</b>
<b>Current liabilities</b>				
Trade and other payables	18	988 473	1 108 142	1 371 587
Income tax payable	7	145 704	490 727	294 704
Lease liability - current	3, 20	26 752	45 544	45 544
Public duties payable		25 541	17 993	32 798
Provisions, current		-	3 538	3 769
<b>Total current liabilities</b>		<b>1 186 470</b>	<b>1 665 944</b>	<b>1 748 402</b>
<b>Total liabilities</b>		<b>8 834 468</b>	<b>9 203 664</b>	<b>9 304 661</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>9 734 836</b>	<b>10 882 667</b>	<b>10 986 091</b>

## Statement of Changes in Equity

Amounts in NOK `000	Share capital	Share premium	Not registered share capital	Other paid in capital	Accumulated loss	Total equity
Equity at 1 January 2019	8 220	1 624 104	-	1 361	-177 381	1 456 304
Total comprehensive income/loss (-) for the period	-	-	-	-	-68 839	-68 839
Share issues, cash	1 963	288 091	290	-	-	290 344
Share based payment	-	-	-	1 194	-	1 194
<b>Equity at 30 September 2019</b>	<b>10 184</b>	<b>1 912 195</b>	<b>290</b>	<b>2 555</b>	<b>-246 220</b>	<b>1 679 003</b>
Equity at 1 October 2019	10 184	1 912 195	290	2 555	-246 220	1 679 003
Total comprehensive income/loss (-) for the period	-	-	-	-	-1 873	-1 873
Share issues, cash	23	267	-290	-	-	-
Share based payment	-	-	-	4 300	-	4 300
<b>Equity at 31 December 2019</b>	<b>10 206</b>	<b>1 912 462</b>	<b>-</b>	<b>6 855</b>	<b>-248 094</b>	<b>1 681 430</b>
Equity at 1 January 2020	10 206	1 912 462	-	6 855	-248 094	1 681 430
Total comprehensive income/loss (-) for the period	-	-	-	-	-785 190	-785 190
Share issues, cash	44	-	-	-	-	44
Share based payment	-	-	-	4 085	-	4 085
<b>Equity at 30 September 2020</b>	<b>10 250</b>	<b>1 912 462</b>	<b>-</b>	<b>10 939</b>	<b>-1 033 284</b>	<b>900 368</b>

# Statement of Cash Flows

Amounts in NOK `000	Note	01.01-30.09		01.01-31.12		
		Q3 2020 (unaudited)	Q3 2019 (unaudited)	2020 (unaudited)	2019 (unaudited)	2019 (audited)
<b>Cash flow from operating activities</b>						
Profit / loss (-) before income tax		-527 201	1 459	-1 640 608	454 325	419 396
Income tax paid/received	7	153 865	-49 667	4 865	-48 074	-171 671
Depreciation, depletion and amortization	8	146 854	176 966	520 509	541 347	703 883
Impairment	8, 9, 10	572 181	-	1 503 870	96 658	105 394
Accretion asset retirement obligations	11	774	4 022	2 331	12 021	16 088
Gain from sales of licenses	6	-	-	-	-	-19 063
Interest expense	11	17 463	72 777	144 377	182 737	297 998
Loss on financial assets		-	-	10 615	-	-
Change in trade and other receivables, and inventory		36 479	223 025	40 189	535 898	434 004
Change in trade and other payables		55 188	136 947	-413 803	-49 200	335 354
Change in foreign exchange bond loans and other non-current items		-85 512	157 045	159 203	107 186	-10 267
<b>Net cash flow from / used in (-) operating activities</b>		<b>370 093</b>	<b>722 575</b>	<b>331 549</b>	<b>1 832 898</b>	<b>2 111 116</b>
<b>Cash flow from investment activities</b>						
Investment in exploration and evaluation assets		-1 305	-13 418	-6 223	-19 076	-10 195
Business combination, cash paid		-	-	-	-	-40 000
Investment in oil and gas properties		-320 536	-203 343	-836 085	-583 426	-852 611
Investment in furniture, fixtures and office machines		-815	-1 260	-2 607	-8 442	-11 628
Net investment in (-)/release of restricted cash		-	2 140	-	47 675	48 327
Investment in financial assets		-	-	-10 615	-	-
Proceeds from sales of licenses		-	-	-	-	18 716
<b>Net cash flow from / used in (-) investment activities</b>		<b>-322 656</b>	<b>-215 880</b>	<b>-855 529</b>	<b>-563 269</b>	<b>-847 391</b>
<b>Cash flow from financing activities</b>						
Net proceeds from borrowings, bond loan		-	-	-	-	1 062 157
Repayment/buy-back of borrowings, bond loan		-52 826	-	-104 516	-	-1 107 839
Interest paid		-28 331	-37 408	-151 786	-148 638	-232 412
Net proceeds from share issues		-	290	44	283 177	283 177
<b>Net cash flow from / used in (-) financing activities</b>		<b>-81 157</b>	<b>-37 119</b>	<b>-256 259</b>	<b>134 540</b>	<b>5 083</b>
<b>Net increase/ decrease (-) in cash and cash equivalents</b>		<b>-33 720</b>	<b>469 576</b>	<b>-780 239</b>	<b>1 404 169</b>	<b>1 268 807</b>
Cash and cash equivalents at the beginning of the period		916 958	1 329 263	1 663 478	394 670	394 670
<b>Cash and cash equivalents at the end of the period</b>		<b>883 238</b>	<b>1 798 839</b>	<b>883 238</b>	<b>1 798 839</b>	<b>1 663 478</b>
Restricted cash at the end of the period		-	651	-	651	-
<b>Restricted and unrestricted cash at the end of the period</b>		<b>883 238</b>	<b>1 799 491</b>	<b>883 238</b>	<b>1 799 491</b>	<b>1 663 478</b>

## Notes to the interim financial statements

### Note 1 General and corporate information

These financial statements are the unaudited interim condensed financial statements of OKEA ASA for the third quarter of 2020. OKEA ASA ("OKEA" or the "company") is a public limited liability company incorporated and domiciled in Norway, with its main office located in Trondheim. OKEA ASA's shares were listed on the Oslo Stock Exchange on 18 June 2019. The Company's ticker is OKEA.

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

### Note 2 Basis of preparation

The interim accounts have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim accounts do not include all the information required in the annual accounts and should therefore be read in conjunction with the annual accounts for 2019. The annual accounts for 2019 were prepared in accordance with EU's approved International Financial Reporting Standards (IFRS).

The interim financial statements were authorised for issue by the company's Board of Directors on 27 October 2020.

### Note 3 Accounting policies

The accounting policies adopted in the preparation of the interim accounts are consistent with those followed in the preparation of the annual accounts for 2019. New standards, amendments and interpretations to existing standards effective from 1 January 2020 did not have any significant impact on the financial statements.

## Note 4 Critical accounting estimates and judgements

The preparation of the interim accounts entails the use of judgements, estimates and assumptions that affect the application of accounting policies and the amounts recognised as assets and liabilities, income and expenses. The estimates, and associated assumptions, are based on historical experience and other factors that are considered as reasonable under the circumstances. The actual results may deviate from these estimates. The material assessments underlying the application of the company's accounting policies, and the main sources of uncertainty, are the same for the interim accounts as for the annual accounts for 2019.

## Note 5 Business segments

The Company's only business segment is development and production of oil and gas on the Norwegian Continental Shelf.

## Note 6 Income

### Breakdown of petroleum revenues

Amounts in NOK `000	Q3 2020	Q3 2019	01.01-30.09		01.01-31.12
			2020	2019	2019
Sale of liquids	261 811	537 634	910 470	2 038 732	2 486 165
Sale of gas	46 627	73 926	160 624	363 313	449 470
<b>Total petroleum revenues</b>	<b>308 438</b>	<b>611 560</b>	<b>1 071 094</b>	<b>2 402 045</b>	<b>2 935 635</b>
Sale of liquids (boe*)	935 273	1 074 813	2 789 752	4 106 802	5 024 339
Sale of gas (boe*)	374 099	461 198	1 290 014	1 573 299	2 086 178
<b>Total sale of petroleum in boe*</b>	<b>1 309 372</b>	<b>1 536 011</b>	<b>4 079 766</b>	<b>5 680 101</b>	<b>7 110 517</b>

\*Barrels of oil equivalents

OKEA's commercial sale agreement for Draugen crude is linked to the norm price, and consequently the company has recognised a reduction in revenue of NOK 57 million following the Petroleum Price Board's publication of the provisional norm price assessment for Q2 in September. The adjustment for the Draugen lift in May amounted to USD 8.35 per bbl. This is far out of range for what historical norm price discounts/premium to Brent has been and as such the abnormal discount is treated as a change in estimate with no retrospective adjustment in OKEA's Q3 financial statements.

### Other operating income

Amounts in NOK `000	Q3 2020	Q3 2019	01.01-30.09		01.01-31.12
			2020	2019	2019
Yme compensation contract breach	-	-	-	22 098	22 098
Gain / loss (-) from put options, oil	-3 420	-820	24 213	-9 696	-14 819
Tariff income Gjøa	9 171	11 229	37 667	40 729	56 681
Sale of licenses	-	-	-	-	19 971
Joint utilisation of logistics resources	6 897	-	13 466	-	-
<b>Total other operating income/loss (-)</b>	<b>12 648</b>	<b>10 409</b>	<b>75 346</b>	<b>53 130</b>	<b>83 931</b>

## Note 7 Taxes

### Income taxes recognised in the income statement

Amounts in NOK `000	Q3 2020	Q3 2019	01.01-30.09		01.01-31.12
			2020	2019	2019
Change in deferred taxes current year	259 494	-107 328	88 581	-132 325	-72 117
Taxes payable current year	-	28 740	-	-392 432	-430 778
Tax payable adjustment previous year	-	-	-	-	117 251
Tax refund current year	248 921	-	766 837	-	-
Change in deferred taxes previous year	-	-	-	-	-106 476
Tax refund adjustment previous year	-	-	-	1 592	1 592
<b>Total taxes (-) / tax income (+) recognised in the income statement</b>	<b>508 415</b>	<b>-78 587</b>	<b>855 418</b>	<b>-523 164</b>	<b>-490 527</b>

### Reconciliation of income taxes

Amounts in NOK `000	Q3 2020	Q3 2019	01.01-30.09		01.01-31.12
			2020	2019	2019
<b>Profit / loss (-) before income taxes</b>	<b>-527 201</b>	<b>1 459</b>	<b>-1 640 608</b>	<b>454 325</b>	<b>419 396</b>
Expected income tax at nominal tax rate, 22%	115 984	-321	360 934	-99 952	-92 267
Expected petroleum tax, 56%	295 232	-817	918 741	-254 422	-234 862
Permanent differences, including impairment of goodwill	8 754	-6 891	-502 622	-78 861	-61 583
Effect of uplift	55 413	14 928	157 713	28 184	47 993
Financial and onshore items	33 031	-85 486	-79 347	-119 707	-162 177
Effect of new tax rates	-	-	-	-	-
Change valuation allowance	-	-	-	-	-
Adjustments previous year and other	-	-	-	1 592	12 368
<b>Total income taxes recognised in the income statement</b>	<b>508 415</b>	<b>-78 588</b>	<b>855 418</b>	<b>-523 164</b>	<b>-490 527</b>
<b>Effective income tax rate</b>	<b>96 %</b>	<b>5385 %</b>	<b>52 %</b>	<b>115 %</b>	<b>117 %</b>



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

Amounts in NOK `000	30.09.2020	30.09.2019	31.12.2019
Tangible and intangible non-current assets	-1 754 917	-1 900 863	-1 945 367
Provisions (net ARO), lease liability, pensions and gain/loss account	1 151 533	1 167 156	1 163 869
Interest-bearing loans and borrowings	-6 370	-24 719	-14 661
Current items (spareparts and inventory)	-137 409	-65 608	-47 346
Tax losses carried forward, onshore 22%	1 190	1 053	1 190
Tax losses carried forward, offshore 22%	-	-	-
Tax losses carried forward, offshore 56%	-	-	-
Uplift, offshore 56%	4 136	20 267	11 898
Valuation allowance (uncapitalised deferred tax asset)	-	-	-
<b>Total deferred tax assets / liabilities (-) recognised</b>	<b>-741 836</b>	<b>-802 712</b>	<b>-830 417</b>

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 limitation on the right to carry tax losses forward in Norway.

### Specification of tax refund

Amounts in NOK `000	30.09.2020	30.09.2019	31.12.2019
Tax refund, non-current	39 704	-	-
Tax refund, current	573 268	-	-
<b>Total tax refund</b>	<b>612 972</b>	<b>-</b>	<b>-</b>

Non-current tax refund is the tax value of exploration expenditures, which is paid in November the following year.

Current tax refund is the residual tax value of tax losses in 2020, deducted for tax refund from exploration expenses. Current tax refund is received in six instalments occurring every two months, and is a part of the temporary change to the tax regime for oil and gas companies for the income years 2020 and 2021, as enacted by the Norwegian Parliament in June 2020.

### Specification of tax payable

Amounts in NOK `000	Total
Tax payable at 1 January 2020	294 704
Tax instalment paid	-149 000
<b>Tax payable at 30 June 2020</b>	<b>145 704</b>
Tax payable at 1 July 2020	145 704
Tax instalments paid	-
<b>Tax payable at 30 September 2020</b>	<b>145 704</b>

## Note 8 Tangible assets and right-of-use assets

Amounts in NOK `000	Oil and gas properties in production	Oil and gas properties under development	Buildings	Furniture, fixtures and office machines	Right-of-use assets	Total
Cost at 1 January 2020	3 176 835	1 505 913	92 501	15 056	199 051	4 989 357
Additions	271 447	300 188	-	1 792	-	573 428
Reclassification from inventory	36 511	-	-	-	-	36 511
Removal and decommissioning asset	372	-	-	-	-	372
Disposals	-	-	-	-	-8 746	-8 746
<b>Cost at 30 June 2020</b>	<b>3 485 166</b>	<b>1 806 101</b>	<b>92 501</b>	<b>16 849</b>	<b>190 306</b>	<b>5 590 922</b>
Accumulated depreciation and impairment at 1 January 2020	-796 860	-	-4 625	-3 806	-35 653	-840 944
Depreciation	-356 956	-	-2 313	-2 518	-11 868	-373 655
Impairment	-	-278 607	-	-	-	-278 607
Disposals	-	-	-	-	1 982	1 982
Additional depreciation of IFRS 16 Right-of-use assets presented gross related to leasing contracts entered into as licence operator	-	-	-	-	-13 948	-13 948
<b>Accumulated depreciation and impairment at 30 June 2020</b>	<b>-1 153 815</b>	<b>-278 607</b>	<b>-6 938</b>	<b>-6 325</b>	<b>-59 487</b>	<b>-1 505 172</b>
<b>Carrying amount at 30 June 2020</b>	<b>2 331 350</b>	<b>1 527 494</b>	<b>85 563</b>	<b>10 524</b>	<b>130 819</b>	<b>4 085 750</b>
Cost at 1 July 2020	3 485 166	1 806 101	92 501	16 849	190 306	5 590 922
Additions	173 557	187 135	-	815	-	361 507
Reclassification from inventory	-	-	-	-	-	-
Removal and decommissioning asset	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
<b>Cost at 30 September 2020</b>	<b>3 658 722</b>	<b>1 993 237</b>	<b>92 501</b>	<b>17 664</b>	<b>190 306</b>	<b>5 952 429</b>
Accumulated depreciation and impairment at 1 July 2020	-1 153 815	-278 607	-6 938	-6 325	-59 487	-1 505 172
Depreciation	-142 193	-	-1 156	-1 386	-2 119	-146 854
Impairment	-	-568 641	-	-	-	-568 641
Disposals	-	-	-	-	-	-
Additional depreciation of IFRS 16 Right-of-use assets presented gross related to leasing contracts entered into as licence operator	-	-	-	-	-2 501	-2 501
<b>Accumulated depreciation and impairment at 30 September 2020</b>	<b>-1 296 009</b>	<b>-847 248</b>	<b>-8 094</b>	<b>-7 711</b>	<b>-64 106</b>	<b>-2 223 168</b>
<b>Carrying amount at 30 September 2020</b>	<b>2 362 713</b>	<b>1 145 988</b>	<b>84 407</b>	<b>9 953</b>	<b>126 200</b>	<b>3 729 261</b>

## Note 9 Goodwill

Amounts in NOK `000	Technical goodwill	Ordinary goodwill	Total goodwill
Cost at 1 January 2020	1 114 547	416 415	1 530 962
Additions through business combination	-	-	-
<b>Cost at 30 June 2020</b>	<b>1 114 547</b>	<b>416 415</b>	<b>1 530 962</b>
Accumulated impairment at 1 January 2020	-105 394	-	-105 394
Impairment	-399 883	-253 198	-653 081
<b>Accumulated impairment at 30 June 2020</b>	<b>-505 277</b>	<b>-253 198</b>	<b>-758 475</b>
<b>Carrying amount at 30 June 2020</b>	<b>609 269</b>	<b>163 217</b>	<b>772 487</b>
Cost at 1 July 2020	1 114 547	416 415	1 530 962
Additions through business combination	-	-	-
<b>Cost at 30 September 2020</b>	<b>1 114 547</b>	<b>416 415</b>	<b>1 530 962</b>
Accumulated impairment at 1 July 2020	-505 277	-253 198	-758 475
Impairment	-3 540	-0	-3 540
<b>Accumulated impairment at 30 September 2020</b>	<b>-508 818</b>	<b>-253 198</b>	<b>-762 016</b>
<b>Carrying amount at 30 September 2020</b>	<b>605 729</b>	<b>163 217</b>	<b>768 946</b>

## Note 10 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 30 September 2020:

Year	Oil USD/BOE*	Gas GBP/therm*	Currency rates USD/NOK
Q4 2020	42.1	0.39	9.5
2021	43.6	0.37	9.5
2022	44.7	0.38	9.5
2023	50.5	0.41	9.1
2024	59.4	0.41	8.4
From 2025	65.0	0.43	8.0

\* Prices in real terms

### Other assumptions

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

Future capex, opex and abandonment cost are calculated based on the expected production profiles and the best estimate of 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%.

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

Based on the impairment test, NOK 572 million in impairment charge was recognised in the third quarter and relate to the Yme asset under development of NOK 569 million with an offsetting change in deferred tax of NOK 444 million and technical goodwill on Ivar Aasen with NOK 4 million. Impairments recognised on Yme were primarily driven by a delay of production start until 2021 and increase in capital expenditures, partly offset by increased forward prices for oil.

Based on the Company's impairment assessments including calculation of net present value of assets, no impairment of ordinary goodwill was required as of 30 September 2020.

### Sensitivity analysis

The table below shows what the impairment pre-tax would have been in the third quarter under various alternative assumptions, assuming all other assumptions remaining constant. The total figures shown are combined impairment for CGUs Gjøa, Draugen, Ivar Aasen and Yme.

Assumptions	Change	Alternative calculations of pre-tax impairment in Q3 2020 (NOK '000)	
		Increase in assumption	Decrease in assumption
Oil and gas price	+/- 10%	155 371	1 150 164
Currency rate USD/NOK	+/- 1.0 NOK	557 044	629 571
Discount rate	+/- 1% point	709 828	428 187
Inflation rate	+/- 1% point	473 293	666 142

## Note 11 Financial items

Amounts in NOK `000	Q3 2020	Q3 2019	01.01-30.09		01.01-31.12
			2020	2019	2019
Interest income	98	366	2 801	1 253	5 037
Unwinding of discount asset retirement receivable (indemnification asset)	19 376	24 714	58 074	74 142	98 856
Gain on buy-back bond loan	6 726	-	22 044	-	-
<b>Finance income</b>	<b>26 200</b>	<b>25 080</b>	<b>82 918</b>	<b>75 395</b>	<b>103 893</b>
Interest expense and fees to bondholders	-57 248	-63 328	-240 620	-182 737	-297 882
Capitalised borrowing cost, development projects	39 784	-	96 243	-	-
Interest expense shareholder loan	-	-	-	-	-116
Other interest expense	-160	-676	-945	-1 505	-12 300
Unwinding of discount asset retirement obligations	-20 150	-28 736	-60 405	-86 163	-114 944
Other financial expense	-1 311	-3 322	-15 280	-9 787	-19 639
<b>Finance costs</b>	<b>-39 085</b>	<b>-96 062</b>	<b>-221 007</b>	<b>-280 192</b>	<b>-444 880</b>
Put/call options, foreign exchange*	-	-39 715	-	-32 840	-42 171
Exchange rate gain/loss (-), bond loans	78 256	-170 730	-216 897	-119 670	-3 396
Net exchange rate gain/loss (-), other	10 513	56 076	100 237	39 155	-21 210
<b>Net exchange rate gain/loss (-)</b>	<b>88 769</b>	<b>-154 368</b>	<b>-116 660</b>	<b>-113 355</b>	<b>-66 777</b>
<b>Net financial items</b>	<b>75 884</b>	<b>-225 350</b>	<b>-254 748</b>	<b>-318 152</b>	<b>-407 764</b>

\*Reference is made to note 21 for more information about derivatives.

## Note 12 Other non-current assets

Amounts in NOK `000	
Other non-current assets at 1 January 2019 (Indemnification asset)	2 754 237
Changes in estimates	-327 243
Effect of change in the discount rate	442 651
Unwinding of discount	98 856
<b>Total other non-current assets at 31 December 2019</b>	<b>2 968 502</b>
Other non-current assets at 1 January 2020 (Indemnification asset)	2 968 502
Changes in estimates	4 188
Effect of change in the discount rate	-
Unwinding of discount	58 074
<b>Total other non-current assets at 30 September 2020</b>	<b>3 030 764</b>

Other non-current assets consists of a receivable from the seller Shell from OKEA's acquisition of Draugen and Gjøa assets in 2018. The parties agreed that the seller Shell will cover 80% of the actual abandonment expenses for the Draugen and Gjøa fields up to a predefined after-tax cap amount of NOK 638 million (2018 value) subject to Consumer Price Index (CPI) adjustment. The present value of the expected payments is recognised as a pre-tax receivable from the seller.

In addition, the seller has agreed to pay OKEA an amount of NOK 375 million (2018 value) subject to a CPI adjustment according to a schedule based on the percentage of completion of the decommissioning of the Draugen and Gjøa fields.

The net present value of the receivable is calculated using a discount rate of 2.6%.

## Note 13 Share capital

<b>Number of shares</b>	<b>Ordinary shares</b>
Outstanding shares at 1 January 2020	102 064 050
New shares issued during 2020	438 600
<b>Number of outstanding shares at 30 September 2020</b>	<b>102 502 650</b>
Nominal value NOK per share at 30 September 2020	0.1
Share capital NOK at 30 September 2020	10 250 265

As per 30 September 2020, 1,235,000 equity-settled warrants are still outstanding. Reference is made to note 10 in the 2019 Annual Statements for further details.

## Note 14 Trade and other receivables

<b>Amounts in NOK `000</b>	<b>30.09.2020</b>	<b>30.09.2019</b>	<b>31.12.2019</b>
Accounts receivable and receivables from operated licences	48 759	76 252	254 626
Accrued revenue	28 633	128 634	73 211
Prepayments	14 993	14 866	9 883
Working capital and overcall, joint operations/licences	116 577	69 294	17 249
Underlift of petroleum products	239 423	183 943	262 095
VAT receivable	1 334	5 798	4 063
Other short term receivables	-	-	-
Fair value put options, oil	2 230	1 398	786
<b>Total trade and other receivables</b>	<b>451 949</b>	<b>480 186</b>	<b>621 913</b>

## Note 15 Cash and cash equivalents

Cash and cash equivalents:

<b>Amounts in NOK `000</b>	<b>30.09.2020</b>	<b>30.09.2019</b>	<b>31.12.2019</b>
Bank deposits, unrestricted	873 452	1 788 099	1 647 436
Bank deposit, employee taxes	9 786	10 741	16 041
<b>Total cash and cash equivalents</b>	<b>883 238</b>	<b>1 798 839</b>	<b>1 663 478</b>

## Note 16 Asset retirement obligations

Amounts in NOK `000	Total non-current
Provision at 1 January 2019	3 859 308
Additions and adjustments	-
Changes in estimates	-536 803
Effects of change in the discount rate	586 971
Unwinding of discount	114 944
<b>Total provisions at 31 December 2019</b>	<b>4 024 420</b>
Provision at 1 January 2020	4 024 420
Additions and adjustments	-
Changes in estimates	4 560
Effects of change in the discount rate	-
Unwinding of discount	60 405
<b>Total provisions at 30 September 2020</b>	<b>4 089 385</b>

### 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%. The assumptions are based on the economic environment at balance sheet date. Actual asset retirement costs will ultimately depend upon future market prices for the necessary works which will reflect market conditions at the relevant time. Furthermore, the timing of the close-down is likely to depend on when the field ceases to produce at economically viable rates. This in turn will depend upon future oil and gas prices, which are inherently uncertain.

For recovery of costs of decommissioning related to assets acquired from Shell, reference is made to note 12.

## Note 17 Spareparts, equipment and inventory

Amounts in NOK `000	30.09.2020	30.09.2019	31.12.2019
Inventory of petroleum products	136 492	88 503	22 909
Spare parts and equipment	99 063	123 072	119 381
<b>Total spareparts, equipment and inventory</b>	<b>235 555</b>	<b>211 575</b>	<b>142 291</b>

## Note 18 Trade and other payables

Amounts in NOK `000	30.09.2020	30.09.2019	31.12.2019
Trade creditors	8 911	13 887	339 909
Accrued holiday pay and other employee benefits	47 850	57 140	69 294
Working capital, joint operations/licences	463 073	484 826	613 329
Accrued interest bond loans	29 866	30 670	6 120
Accrued consideration from acquisitions of interests in licenses	-	124 406	-0
Prepayments from customers	284 688	167 808	174 324
Fair value put options, foreign exchange	-	48 404	-
Loan from shareholder OKEA Holdings Ltd	1 257	1 141	1 257
Other accrued expenses	152 828	179 861	167 354
<b>Total trade and other payables</b>	<b>988 473</b>	<b>1 108 142</b>	<b>1 371 587</b>

## Note 19 Interest-bearing loans and borrowings

Amounts in NOK `000	OKEA02	OKEA03	Total
Bond loans at 1 January 2020	1 540 153	1 016 417	2 556 570
Amortisation of transaction costs	7 501	4 080	11 581
Buy-back	-126 560	-	-126 560
Increased redemption price at maturity to 101%	16 781	11 593	28 374
Foreign exchange movement	132 980	83 917	216 897
Capitalised transaction costs, adjustment previous year	-	1 425	1 425
<b>Bond loans at 30 September 2020</b>	<b>1 570 855</b>	<b>1 117 432</b>	<b>2 688 287</b>

During 2019 and 2020 the company was in compliance with the covenants under the bond agreements.

The revised bond terms affecting the covenants in the waiver period effective from 30 June 2020 to and including 31 December 2021 are for both OKEA02 and OKEA03 as following:

### Leverage Ratio covenant:

Shall not exceed:

- (i) 3:1 to and including 30 June 2020;
- (ii) 5:1 from 1 July 2020 to and including 30 September 2020;
- (iii) 7:1 from 1 October 2020 to and including 30 June 2021;
- (iv) 6:1 from 1 July 2021 to and including 30 September 2021; and
- (v) 3:1 from 1 October 2021 to and including 31 December 2021.

During the waiver period, a breach of the Leverage Ratio covenant will only result in a default if the company is in breach on two consecutive calculation dates.

### Capital Employment Ratio covenant:

The covenant shall be calculated in USD by converting the cash equity capital using the NOK/USD exchange rate applicable at the time of registering the share capital.

### Other terms:

- Alignment of the definition of permitted hedging in the OKEA02 bond terms with OKEA03 bond terms
- All call prices are increased by 1%
- Outstanding bonds shall be redeemed at 101% of the nominal amount at the maturity date
- All put prices are increased by 1%
- The company shall not declare or make any dividends or grant any loans or other transfer of value to its shareholders
- Security in any additional tax refund claims if at any time Norwegian law permits this
- Extraordinary put option on 30 June 2021 up to 15% of outstanding bonds at 100% of the nominal amount



## Note 20 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 logistic resources such as platform supply vessel with associated Remote Operated Vehicle (ROV), base and warehouse for spare parts.

### Amounts in NOK `000

Lease liability 1 January 2020	163 540
Additions/disposals lease contracts	-6 763
Accretion lease liability	6 865
Payments of lease liability	-37 461
<b>Total lease debt at 30 September 2020</b>	<b>126 181</b>

### Break down of lease liability

Short-term	26 752
Long-term	99 429
<b>Total lease liability</b>	<b>126 181</b>

### Future minimum lease payments under non-cancellable lease agreements:

Amounts in NOK `000	30.09.2020
Within 1 year	26 752
1 to 5 years	104 707
After 5 years	53 918
<b>Total</b>	<b>185 376</b>

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

## Note 21 Derivatives

Amounts in NOK `000	30.09.2020	30.09.2019	31.12.2019
Premium commodity contracts	2 825	1 519	4 785
Unrealised gain/loss (-) commodity contracts	-595	-122	-4 000
Short-term derivatives included in assets	2 230	1 398	786
Premium currency contracts	-	-	-
Unrealised gain/loss (-) currency contracts	-	-48 404	-
Short-term derivatives included in assets/liabilities (-)	-	-48 404	-

## Note 22 Fair value of financial instruments

It is assessed that the carrying amounts of financial assets and liabilities, except for interest-bearing loans and borrowings, is approximately equal to its fair values. For interest-bearing loans and borrowings, the fair value is estimated to be NOK 2 401 928 thousand at 30 September 2020. The OKEA02 and OKEA03 bond loans are listed on the Oslo Stock Exchange and the fair value is based on the latest quoted market prices (level 1 in the fair value hierarchy according to IFRS 13) as per balance sheet date.

## Note 23 Events after the balance sheet date

OKEA has acquired Equinor Energy AS's 40% operated working interest in PL195 & PL195 B, including the Aurora gas discovery located between the Vega and Gjøa fields. The transaction and change in operatorship were approved by the Ministry of Petroleum and Energy 14 October 2020 and the transaction will be completed 31 October 2020.

Subsequent to the end of third quarter, Gjøa was impacted by the strike imposed by the Norwegian Organisation of Managers and Executives (No: Lederne) by reduced production from 4 October until the strike was called off on 9 October.



## 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.



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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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