



2021

Q4 Quarterly report



Photo by: Neptune Energy / Rolf Skjong

Fourth quarter 2021 summary

Highlights

- First oil from Yme announced on 25 October
- No serious incidents
- Production of 16,038 (16,315) boepd
- Operating income of NOK 1,725 (1,026) million
- EBITDA of NOK 1,258 (797) million
- Profit / loss (-) before tax of NOK 654 (526) million
- Net profit / loss (-) of NOK 283 (97) million
- Transfer of ownership of the Inspirer rig executed in October
- Sale and leaseback of regional headquarter in Kristiansund of NOK 109 million executed

Important subsequent events:

- On 18 January 2022, OKEA was awarded four licences in the APA 2021, three of which as operator
- On 2 February 2022, the Ginny exploration well on PL1060 was concluded dry

(Amounts in parentheses refer to previous quarter)

Financial and operational summary

	Unit	Q4 2021	Q3 2021	Q4 2020	Full year 2021	Full year 2020
Total operating income	MNOK	1,725	1,026	584	3,882	1,730
EBITDA ¹⁾	MNOK	1,258	797	229	2,607	867
EBITDAX ¹⁾	MNOK	1,347	834	272	2,950	964
Profit/loss (-) before income tax	MNOK	654	526	410	2,106	-1,231
Net profit / loss (-)	MNOK	283	97	182	603	-603
Net cash flow from operations	MNOK	1,003	470	322 ³⁾	2,515	621 ³⁾
Net cash flow from investments	MNOK	-308	-166	-188 ³⁾	-941	-1,044 ³⁾
Net cash flow from financing activities	MNOK	-172	-141	-96	-422	-390
Net interest-bearing debt ¹⁾	MNOK	750	874	1,529	750	1,529
Net IBD ex. other int.bearing liabilities¹⁾	MNOK	256	874	1,529	256	1,529
Net production	Boepd ²⁾	16,038	16,315	16,171	15,530	16,147
Third-party volumes available for sale ⁴⁾	Boepd ²⁾	419	165	0	147	0
Over/underlift/inventory adjustments	Boepd ²⁾	1,645	499	2,623	166	-276
Net sold volume	Boepd ²⁾	18,102	16,979	18,794	15,843	15,871
Production expense per boe ¹⁾	NOK/boe	170.8	108.2	110.4	133.5	104.8
Realised liquids price	USD/boe	78.0	67.4	39.0	65.3	36.3
Realised gas price	USD/scm	1.11	0.57	0.19	0.62	0.11

¹⁾ Definitions of alternative performance measures are available on page 30 of this report

²⁾ Boepd is defined as barrels of oil equivalents per day

³⁾ Reclassified – reference is made to statement of cash flow for further details

⁴⁾ Compensation volumes received from Duva (tie-in to Gjøa) included in Net sold volumes

Financial review

Statement of comprehensive income

Total operating income in the fourth quarter was NOK 1,725 (1,026) million, whereof NOK 1,633 (1,017) million related to revenue from oil and gas sales. Market prices continued to improve during the quarter, which resulted in an average realised price for liquids of USD 78.0 (67.4) per boe and a record-high realised gas price averaging at USD 1.11 (0.57) per standard cubic meter (scm). Total sold volumes were 1,665 (1,562) thousand boe.

Other operating income / loss (-) amounted to NOK 92 (9) million consisting of tariff income at Gjøa of NOK 24 (13) million, income from joint utilisation of logistic resources of NOK 13 (1) million and a net gain from gas forward contracts of NOK 54 (-5) million.

Production expenses amounted to NOK 291 (181) million, corresponding to NOK 170.8 (108.2) per boe. The increase compared to previous quarter was mainly due to increased cost for imported fuel gas and CO₂ quotas in addition to planned maintenance work at Draugen. In addition, fourth quarter was the first quarter with production expenses from the Yme licence following start of production in October. As the volume contribution from Yme is relatively limited in this first quarter of operation, this drives the average cost per boe upwards. In addition, the higher production expense per boe was also due to reduced produced volumes at Gjøa compared to previous quarter.

Changes in over-/underlift positions and production inventory amounted to NOK -41 (9) million. Sold volumes in the quarter exceeded produced volumes by 1,645 (449) boepd. In addition, sold volumes from third-party compensations received from Duva (tie-in to Gjøa) was 419 (165) boepd.

Exploration and evaluation expenses amounted to NOK 89 (37) million and mainly relates to seismic purchase of NOK 46 (5) million, cost incurred on the Ginny dry exploration well of NOK 18 (0) million and various field evaluation activities of NOK 19 (16) million.

NOK 367 (0) million was recognised as impairment in the quarter. The transfer of ownership of the Inspirer rig to the Yme licence was completed in October. For accounting purposes, the transaction results in recognition of a pre-tax impairment charge, largely offset under income taxes for change in deferred taxes following the impairment and reduction in taxes payable from uplift. The impairment charge primarily results from lower net asset present value from the Yme field as uplift becomes deductible. Total tax income recognised in the quarter relating to this effect amounted to NOK 286 (0) million.

General and administrative expenses amounted to NOK 46 (21) million and represent OKEA's share of costs after allocation to licence activities. The increase from previous quarter was mainly due to an annual recalculation of activities distributable to licences including the employee incentive program and increased costs related to various corporate activities.

Net financial items amounted to NOK -61 (-91) million, whereof NOK -50 (-18) million was expensed interest. For further details on financial items, reference is made to note 14.

Profit / loss (-) before tax amounted to NOK 654 (526) million.

Tax expenses (-) / tax income (+) amounted to NOK -370 (-429) million and represents an effective tax rate of 57% (82%). The deviation from the expected 78% was mainly due to positive effects on uplift from ownership

of the Inspirer rig of NOK 63 million and the sale and leaseback transaction of the regional headquarter in Kristiansund being taxed with 22% of NOK 40 million.

Net profit / loss (-) for the fourth quarter was NOK 283 (97) million. Earnings per share were NOK 2.74 (0.94).

Statement of financial position

Goodwill amounted to NOK 769 (769) million consisting of NOK 606 (606) million in technical goodwill and NOK 163 (163) million in ordinary goodwill.

Oil and gas properties amounted to NOK 4,685 (4,585) million at the end of the quarter. The increase mainly relates to the transfer of ownership of Inspirer rig at the Yme licence of NOK 469 million, investments in the Yme New Development, Draugen modifications, Power from shore, and the Hasselmus project of a total of NOK 211 million, partly offset by impairment of Yme asset of NOK 367 million and depreciation from producing assets of NOK 170 million.

Right-of-use assets amounted to NOK 234 (162). In the fourth quarter, OKEA completed a sale and leaseback transaction for OKEA's regional headquarter in Kristiansund. The gross sale price amounted to NOK 109 million. As OKEA will be utilising the property over the remaining economic lifetime, no gain has been recognised from the transaction. OKEA recognised a lease liability equal to the net sales proceeds of NOK 108 million, and the book value of the sold property of NOK 79 million was recognised as right-of-use asset. Other right-of-use assets include logistical resources on operated assets and lease of other offices.

Total asset retirement reimbursement right amounted to NOK 3,108 (3,088) million which relate to Shell's obligation to cover the decommissioning costs for Draugen and Gjøa, whereof NOK 3,024 (3,088) million was classified as non-current assets and NOK 83 (0) million was classified as current.

Cash and cash equivalents amounted to NOK 2,039 (1,504) million. The increase from previous quarter was mainly due to net cash flow from operating activities exceeding cash used in investment activities, interest and buy-back of bonds.

Financial investments amounted to NOK 210 (0) million and relates to liquid investments in low-risk money-market funds and combination funds as an alternative to bank deposits.

Spare parts, equipment and inventory amounted to NOK 253 (227) million whereof NOK 124 (103) million related to oil inventory at Draugen.

Equity amounted to NOK 1,709 (1,411) million, corresponding to an equity ratio of 14% (13%). The increase from previous quarter was due to net profit in the period.

Total provisions for asset retirement obligations amounted to NOK 4,237 (4,253) million, whereof the non-current portion amounted to NOK 4,113 (4,253) million and the current portion amounted to NOK 104 (0) million. The current portion relates to activities planned for 2022 at Draugen including permanent plugging of the B1 well, cessation scope topside Draugen to prepare for power from shore and removal of the Christmas tree at the D1 well. The obligation is partly offset by the total asset retirement reimbursement right.

Interest bearing loans, bonds amounted to NOK 2,295 (2,379) million, consisting of the two bond loans on issue, OKEA02 and OKEA03. In the fourth quarter a nominal amount equivalent to NOK 105 million of OKEA02 was bought back, partly offset by unrealised foreign currency loss of NOK 37 million due to a somewhat

weakened NOK compared to USD in the quarter. By end of 2021, OKEA had bought back OKEA02 bonds for nominal value of USD 38.4 million.

Total other interest-bearing liabilities was NOK 493 (0) million, whereof the non-current share was NOK 455 million and the current share was NOK 39 (0) million. The amount represents OKEA's share of the net present value of the future obligations under the bareboat charter (BBC) agreement between the Yme licence and Havila Sirius AS for the Inspirer rig. Reference is made to note 23 for further details.

The lease liability relating to IFRS 16 is split into a non-current liability of NOK 220 (126) million and a current liability of NOK 43 (36) million and represents the liability of the right-of-use assets as described above.

Trade and other payables amounted to NOK 787 (804) million and mainly relate to working capital from joint venture licences, prepayments, and accrued expenses.

Income tax payable was NOK 773 (418) million and mainly consists of accrued tax payable for 2021.

Statement of cash flows

Net cash flows from operating activities amounted to NOK 1,003 (470) million, whereof NOK 46 (18) million was net taxes received. Cash received from sales of oil and gas increased by NOK 514 million compared to previous quarter due to the significantly higher realised petroleum prices, particularly for gas.

Net cash flows used in investment activities amounted to NOK -308 (-166) million of which investment in oil and gas properties amounted to NOK -197 (-166) million, mainly relating to the Yme New Development, Draugen modifications, and the Hasselmus project. In addition, NOK -210 (0) million was invested in low-risk placements like money-market funds and combination funds as an alternative to bank deposits, partly offset by proceeds from sale and leaseback agreement for OKEA's regional headquarter in Kristiansund of NOK 109 (0) million.

Net cash flows used in financing activities amounted to NOK -172 (-141) million, of which interest paid amounted to NOK -69 (-23) million and NOK -109 (-108) million was used for a partial buy-back of the OKEA02 bond loan.

Financial risk management

OKEA uses derivative financial instruments to manage exposures to fluctuations in commodity prices. At 31 December 2021, OKEA had sold forward 30% of the net after tax exposure for natural gas for Q1-22 at an average price of 304 GBp/th, 20% for Q2-22 at an average price of 216 GBp/th and 20% of Q3-22 at an average price of 213 GBp/th.

Unrealised gains from these positions were NOK 52 million per 31 December 2021.

Operational review

Net production to OKEA in the quarter was 16,038 (16,315) boepd. The decrease from previous quarter was mainly driven by lower production from Gjøa partly offset by increased production from Draugen. Further details on each asset are provided in respective sections below.

	Unit	Q4 2021	Q3 2021	Q4 2020	Full year 2021	Full year 2020
Draugen – production reliability ⁵⁾	%	99	97	99	98	99
Draugen – production availability ⁶⁾	%	95	87	98	93	90
Gjøa – production reliability	%	100	97	99	99	99
Gjøa – production availability	%	93	92	95	85	86
Ivar Aasen – production availability	%	99	98	95	97	94
Production volumes						
Draugen – production	Boepd	7,231	6,735	7,592	7,084	7,774
Gjøa – production	Boepd	8,367	9,348	8,293	8,137	8,059
Yme – production	Boepd	217	-	-	54	-
Ivar Aasen – production	Boepd	223	233	286	255	314
Total net production	Boepd	16,038	16,315	16,171	15,530	16,147
Sold volumes						
Draugen – sold volume	Boepd	6,870	6,548	9,272	6,874	7,923
Gjøa – sold volume	Boepd	8,221	10,214	8,360	8,130	7,610
Yme – sold volume	Boepd	139	-	-	35	-
Ivar Aasen – sold volume	Boepd	2,453	52	1,162	656	338
Third-party volumes available for sale*	Boepd	419	165	-	147	-
Total net sold volume	Boepd	18,102	16,979	18,794	15,843	15,871
Total over/underlift/inventory adj.	Boepd	1,645	499	2,623	313	-276

*Compensation volumes from Duva received (tie-in to Gjøa)

Draugen (Operator, 44.56%)

Net production to OKEA from Draugen was 7,231 (6,735) boepd in the quarter. Production availability was 95% (87%) and production reliability was 99% (97%).

The higher production, reliability and availability compared to previous quarter were mainly due to the planned well maintenance campaigns being executed in the third quarter.

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

⁶⁾ **Production availability** = Actual Production / (Actual production + Scheduled deferment + Unscheduled deferment)

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

An emergency shutdown system (ESD) test and safety stop for maintenance was successfully completed during the quarter, in addition to well wash on platform wells A1 and A2 according to plan which contributes to stabilising future production.

Managing the Covid-19 situation remains a high priority. OKEA has mitigating measures in place and has maintained a strict Covid-19 regime during the quarter as the infection pressure in society in general has increased.

Gjøa (Partner, 12.00%)

Net production to OKEA from Gjøa was 8,367 (9,348) boepd in the quarter and production reliability was 100% (97%). The main cause for the lower production was some of the old Gjøa wells being shut-in due to Duva coming onstream in line with production plans. The Gjøa operator continued applying strict offshore and onshore measures to prevent and limit any consequences in case of Covid-19 contamination at the platform.

The Duva field, which is tied-in to Gjøa, has contributed with additional volumes over the Gjøa topside in the quarter which reduced production expense per boe due to processing tariff revenues. In the quarter, Gjøa was also compensated for the deferred production relating to past shutdown for completing tie-in of Duva. Delivered and sold volumes from Duva in the quarter was 419 boepd. Development of the Nova tie-in is progressing as planned with production start expected in 2022. Once Nova commences production, Gjøa will be compensated for the deferred production caused by shutdowns for the tie-in scope.

The exploration well Hamlet in the Gjøa license was sanctioned during the quarter and is planned to spud in the first quarter of 2022. The risked pre-drill volume of a discovery is about 22 mmboe.

Yme (Partner, 15.00%)

Net production to OKEA from Yme in the quarter was 217 (0) boepd.

Activities on Yme in the fourth quarter mainly related to start up activities including hot commissioning, well clean up and successful reperforation of injector wells. Issues related to operation of subsea storage tank with heavy emulsions and high oil in water content halted the production for a period but has now been sorted out and the storage tank is now fully operational.

Following production start in October, the previously announced transfer of ownership and operatorship of the Inspirer rig was completed. The transaction is expected to provide significant cost improvement and cash flow benefits of around NOK 300 million net after tax to OKEA over the next six months.

Activities to complete hot commissioning and clean-up of remaining wells to bring the asset to full production is currently ongoing.

Ivar Aasen (Partner, 0.554%)

Net production to OKEA from Ivar Aasen was 223 (233) boepd and production availability was 99% (98%). A transformer at Edvard Grieg was replaced during the quarter and production at the end of the year was back to normal.

As announced in the press release on 12 November, OKEA has entered into an agreement with Neptune Energy AS to purchase additional 2.223% working interest in the Ivar Aasen field. Total compensation is up to USD 12.7 million dependent on the oil price in 2022. Effective date for the transaction is 1 January 2022 and

completion of the transaction is contingent upon customary government approvals which is expected in H1 2022.

Development projects

Draugen - Hasselmus (Operator, 44.56%)

As operator of Draugen, OKEA is currently developing the Hasselmus field as a single subsea gas well with direct tie-back to the Draugen platform for further processing and export.

The Final Investment Decision (FID) was made in the Draugen licence in May 2021. Production start is planned for Q4 2023 with gross plateau gas production of more than 4,400 barrels boepd.

During the quarter, the project has progressed according to the overall project schedule. Aker Solutions is working on the detail design of the topside scope and SIA (OneSubsea and Subsea 7) for the corresponding subsea scope. Critical long-lead procurement items have been secured and will enable planned drilling activities by COSL in 2022 and offshore installation activities in 2023.

The Hasselmus project is the first field development project for OKEA as operator and demonstrates OKEA's ability to deliver on its organic growth potential. Hasselmus is an important enabler for the long-term development of Draugen and also supports the potential for Draugen as an important hub in the area.

Draugen - power from shore (Operator, 44.56%)

On behalf of the Draugen licence, OKEA is maturing the opportunity to provide power from shore to the Draugen production platform. The project also includes extension of the power supply to the nearby Njord field, and the Draugen and Njord licences have entered into a joint study agreement for concept evaluation of a common infrastructure for power from shore.

Concept selection (DG2) was passed in the fourth quarter of 2021 in both the Draugen and Njord licences. The project is planning for a Final Investment Decision and PDO submission in Q4 2022.

The power from shore project is scheduled to be ready for operation in 2025 and will reduce the annual CO₂ emissions from Draugen alone by approximately 200,000 tonnes which corresponds to a reduction of 95% (reference year: 2019).

Aurora (Operator, 65.00%)

An appraisal well is currently considered for 2022 to ascertain the commerciality of the Aurora discovery and to test an additional prospect in the licence. The project is working towards a potential FID in 2023 with production start in 2025.

Exploration licences

The Equinor-operated Ginny exploration well in PL1060 (WI 40%) was spudded at the end of 2021 and was announced as a dry well on 2 February 2022. A decision to drill the Hamlet exploration well in the Gjøa (PL153) licence was made in the fourth quarter with spud expected in the first quarter of 2022.

During the quarter, OKEA acquired 3D seismic data to further support exploration activities in the Norwegian Sea and the Gjøa area.

Work continues to mature drilling opportunities in other exploration licences.

Health, safety, and environment (HSE)

There were no serious incidents, no recordable injuries, and no accidental spills to external environment in OKEA's activities and operations in the quarter. OKEA has maintained a strict Covid-19 regime and have not experienced any cases of infection on our operated asset Draugen. Due to increased infection pressure in society in general, stricter requirements were introduced in December.

OKEA's senior management team carried out an annual management review during the quarter, evaluating the company's quality & HSE status and results, including identification of activities for further continuous improvement in 2022. The ESG strategy and ESG targets were addressed as part of the review.

The Governance Group evaluates and ranks the largest companies on Oslo Børs on sustainability and ESG reporting. OKEA received an A- grade on the 2020 ESG report, which according to The Governance Group represents "*very good reporting in line with best practice*".

OKEA has a strategic priority to actively work to reduce emissions through cost-effective measures across energy efficiency and technology. The goal is to minimise emissions from our activities by choosing energy-efficient solutions and operations. The joint electrification project with the Draugen and Njord licences will reduce annual CO₂ emissions by 200,000 tonnes per year, corresponding to a 95% reduction (reference year: 2019). As part of OKEA's work for continuous improvement in our activities, a battery package for hybrid energy generation was installed on the supply vessel for the Draugen operations in the quarter. This will reduce the climate gas emissions to air from the vessel by an estimated 650 tonnes of CO₂ equivalents per year.

Subsequent events

Ginny exploration well

The Equinor operated Ginny exploration well was announced as a dry well on 2 February 2022. Cost incurred as of 31 December 2021 amounted to NOK 18 million and was expensed in the fourth quarter.

APA 2021 licence awards

Through the Awards in Pre-defined Areas (APA) for 2021 OKEA ASA has been offered interests in four new production licences on the Norwegian continental shelf, three of which as operator. The three new

OKEA-operated licences are located in the Norwegian Sea. The fourth licence, to be operated by Spirit Energy, is located in the North Sea, north-east of the Aurora discovery.

Outlook

OKEA's production guiding for 2022 is 18,500 - 20,000 boepd including the increased ownership in the Ivar Aasen field, an increase from the previous outlook of 18,000 - 19,000 boepd. The increase is in particular driven by continued solid performance at Draugen and Gjøa. Capex guiding, excluding capitalised interests, for 2022 is NOK 950 - 1,150. Production outlook for 2023 is 17,000 - 19,000 boepd including the increased ownership in the Ivar Aasen field.

The Hamlet appraisal well near Gjøa is planned drilled by the operator Neptune in the first quarter of 2022.

Liftings already completed in the first quarter of 2022 includes 155 kbbl net to OKEA from Gjøa, 22 kbbl net to OKEA from Yme and 593 kbbl net to OKEA Draugen. There are no further liftings planned at Draugen, Gjøa or Ivar Aasen in the first quarter. Due to Yme still being in the startup phase, no further guidance on timing or volumes from Yme is provided for the first quarter.

OKEA has a clear ambition to deliver competitive shareholder returns driven by solid growth, value creation and capital discipline and the strategy will be centred around three growth levers:

- actively pursue further value creation in current portfolio,
- pursuing mergers and acquisitions to add new legs to the portfolio, and
- considering organic projects either adjacent to existing hubs or pursuing new hubs, dependent on financial headroom and attractive risk-reward.

The current cash position is strong, and the company considers the near-term outlook as a good and solid basis for executing on the growth strategy.

As at the date of this report, OKEA has bought back OKEA02 bonds for a total nominal value of USD 41.7 million at an average price of 96.3 to par.

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**> Financial
statements with
notes Q4 2021**

Statement of comprehensive income

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Amounts in NOK `000	Note	Q4 2021 (unaudited)	Q3 2021 (unaudited)	Q4 2020 (unaudited)	2021 (unaudited)	2020 (audited)
Revenues from crude oil and gas sales	6	1 633 062	1 016 933	581 217	3 780 641	1 652 311
Other operating income / loss (-)	6, 25	91 630	9 463	2 566	101 232	77 911
Total operating income		1 724 692	1 026 396	583 782	3 881 873	1 730 222
Production expenses	7	-290 754	-180 677	-189 330	-860 419	-695 877
Changes in over/underlift positions and production inventory	7	-40 581	8 650	-74 221	23 087	16 690
Exploration and evaluation expenses	8	-88 662	-36 677	-43 094	-342 972	-97 036
Depreciation, depletion and amortisation	10	-177 000	-179 335	-178 894	-672 450	-699 403
Impairment (-) / reversal of impairment	10, 11, 12	-366 632	-	116 851	363 765	-1 387 018
General and administrative expenses	13	-46 228	-20 745	-48 371	-95 024	-86 713
Total operating expenses		-1 009 857	-408 784	-417 058	-1 584 014	-2 949 358
Profit / loss (-) from operating activities		714 835	617 612	166 724	2 297 860	-1 219 136
Finance income	14	20 748	19 751	22 641	79 884	105 559
Finance costs	14	-77 067	-43 348	-47 901	-197 001	-268 907
Net exchange rate gain/loss (-)	14	-4 939	-67 754	268 403	-74 761	151 744
Net financial items		-61 259	-91 350	243 144	-191 877	-11 604
Profit / loss (-) before income tax		653 576	526 262	409 868	2 105 982	-1 230 740
Taxes (-) / tax income (+)	9	-370 422	-429 214	-227 404	-1 502 673	628 014
Net profit / loss (-)		283 154	97 048	182 464	603 309	-602 726
Other comprehensive income, net of tax:						
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>						
Remeasurements pensions, actuarial gain/loss (-)		-507	-	-509	-507	-509
Total other comprehensive income, net of tax		-507	-	-509	-507	-509
Total comprehensive income / loss (-)		282 648	97 048	181 955	602 802	-603 235
Weighted average no. of shares outstanding basic		103 197 198	103 005 350	102 502 650	102 921 489	102 394 798
Weighted average no. of shares outstanding diluted		103 950 350	103 005 350	102 502 650	102 921 489	102 394 798
Earnings per share (NOK per share) - Basic		2.74	0.94	1.78	5.86	-5.89
Earnings per share (NOK per share) - Diluted		2.72	0.94	1.78	5.86	-5.89

Statement of financial position

Amounts in NOK `000	Note	31.12.2021 (unaudited)	30.09.2021 (unaudited)	31.12.2020 (audited)
ASSETS				
Non-current assets				
Goodwill	11, 12	768 946	768 946	768 946
Exploration and evaluation assets	11	10 759	19 794	38 349
Oil and gas properties	10	4 684 752	4 585 287	3 757 546
Buildings	10	-	79 782	83 250
Furniture, fixtures and office equipment	10	11 143	11 831	10 236
Right-of-use assets	10	234 199	161 824	179 235
Asset retirement reimbursement right	15	3 024 562	3 088 440	3 029 367
Total non-current assets		8 734 362	8 715 904	7 866 930
Current assets				
Trade and other receivables	17, 25	1 053 338	714 455	513 601
Financial investments	26	209 961	-	-
Spare parts, equipment and inventory	20	253 318	227 327	228 790
Tax refund, current	9	0	9 368	295 932
Asset retirement reimbursement right, current	15	83 412	-	-
Cash and cash equivalents	18	2 038 745	1 504 336	871 210
Total current assets		3 638 774	2 455 487	1 909 534
TOTAL ASSETS		12 373 136	11 171 391	9 776 464
EQUITY AND LIABILITIES				
Equity				
Share capital	16	10 387	10 301	10 250
Share premium		1 927 859	1 912 462	1 912 462
Other paid in capital		19 064	19 249	11 342
Accumulated loss		-248 527	-531 174	-851 329
Total equity		1 708 783	1 410 837	1 082 725
Non-current liabilities				
Asset retirement obligations	19	4 133 177	4 252 714	4 199 866
Pension liabilities		37 311	34 478	31 988
Lease liability	23	220 266	125 604	143 978
Deferred tax liabilities	9	1 735 720	1 685 649	940 558
Interest bearing loans, bonds	22, 27	2 294 873	2 378 676	2 400 297
Other interest bearing liabilities	23	454 853	-	-
Total non-current liabilities		8 876 200	8 477 122	7 716 687
Current liabilities				
Trade and other payables	21, 25	786 535	803 824	890 362
Other interest bearing liabilities, current	23	38 593	-	-
Income tax payable	9	773 020	417 971	14 207
Lease liability, current	24	43 032	36 220	35 257
Asset retirement obligations, current	19	104 265	-	-
Public dues payable		42 708	25 417	37 227
Total current liabilities		1 788 153	1 283 433	977 052
Total liabilities		10 664 353	9 760 554	8 693 739
TOTAL EQUITY AND LIABILITIES		12 373 136	11 171 391	9 776 464

Statement of changes in equity

Amounts in NOK `000	Share capital	Share premium	Other paid in capital	Accumulated loss	Total equity
Equity at 1 January 2020	10 206	1 912 462	6 855	-248 094	1 681 430
Total comprehensive income/loss (-) for the period	-	-	-	-603 235	-603 235
Share issues, cash	44	-	-	-	44
Share based payment	-	-	4 487	-	4 487
Equity at 31 December 2020	10 250	1 912 462	11 342	-851 329	1 082 725
Equity at 1 January 2021	10 250	1 912 462	11 342	-851 329	1 082 725
Total comprehensive income/loss (-) for the period	-	-	-	602 802	602 802
Share issues, cash	137	15 397	-	-	15 534
Share based payment	-	-	7 722	-	7 722
Equity at 31 December 2021	10 387	1 927 859	19 064	-248 527	1 708 783

Statement of cash flows

01.01-31.12

Amounts in NOK `000	Note	Q4 2021 (unaudited)	Q3 2021 (unaudited)	Q4 2020 (unaudited)	2021 (unaudited)	2020 (audited)
Cash flow from operating activities						
Profit / loss (-) before income tax		653 576	526 262	409 868	2 105 982	-1 230 740
Income tax paid/received	9	45 862	18 247	164 187	355 429	169 052
Depreciation, depletion and amortization	10	177 000	179 335	178 894	672 450	699 403
Impairment / reversal of impairment	10, 11, 12	366 632	-	-116 851	-363 765	1 387 018
Expensed exploration expenditures temporary capitalised**	8, 11	16 839	1 328	-12	184 855	335
Accretion asset retirement obligations/reimbursement right	14, 15, 19	1 258	1 258	774	5 034	3 106
Asset retirement costs from billing (net after reimbursement)	15, 19	-3 770	-	-	-3 770	-
Interest expense	14	46 356	17 886	22 573	94 256	166 950
Loss on financial investments		39	-	-	39	10 615
Change in trade and other receivables, and inventory		-364 874	-176 931	-55 899	-564 623	-15 710
Change in trade and other payables		28 779	-174 619	-61 221	-94 307	-475 024
Change in foreign exchange interest bearing debt and other non-current items		35 394	77 606	-220 390	123 823	-93 596
Net cash flow from / used in (-) operating activities		1 003 092	470 373	321 923	2 515 403	621 410
Cash flow from investment activities						
Investment in exploration and evaluation assets**		-7 804	915	-21 709	-166 671	-28 280
Investment in oil and gas properties	10, 14	-197 349	-166 002	-164 431	-664 129	-1 000 516
Investment in furniture, fixtures and office machines	10	-1 488	-1 055	-1 770	-8 705	-4 377
Cash used on (-)/received from financial investments	26	-210 000	-	-	-210 000	-10 615
Proceeds from sales of buildings	10, 24	109 000	-	-	109 000	-
Net cash flow from / used in (-) investment activities		-307 641	-166 142	-187 911	-940 504	-1 043 788
Cash flow from financing activities						
Repayment/buy-back of borrowings, bonds	22	-108 943	-108 005	-16 439	-216 948	-120 955
Interest paid		-69 603	-23 442	-70 929	-184 430	-222 715
Payments of lease debt	24	-9 090	-9 090	-8 919	-36 359	-46 380
Net proceeds from share issues		15 483	0	0	15 534	44
Net cash flow from / used in (-) financing activities		-172 152	-140 536	-96 286	-422 203	-390 006
Net increase/ decrease (-) in cash and cash equivalents		523 298	163 695	37 726	1 152 696	-812 383
Cash and cash equivalents at the beginning of the period		1 504 336	1 346 099	883 238	871 210	1 663 478
Effect of exchange rate fluctuation on cash held*		11 111	-5 458	-49 754	14 839	20 116
Cash and cash equivalents at the end of the period		2 038 745	1 504 336	871 210	2 038 745	871 210

* Effect of exchange rate fluctuation on cash held has in previous periods before Q2-21 been classified under operating activities. From Q2-21 onwards, this has been reclassified to conform presentation to the current quarters classification.

** Expenditure relating to drilling of dry/non-commercial wells has in previous periods before Q2-21 been classified under operating activities. From Q2-21 onwards, the company has classified such expenditure under investment activities. Cash flow from previous periods are reclassified accordingly.

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 fourth quarter of 2021. OKEA ASA ("OKEA" or the "company") is a public limited liability company incorporated and domiciled in Norway, with its main office located in Trondheim. The company's shares are listed on the Oslo Stock Exchange under the ticker OKEA.

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

Note 2 Basis of preparation

The interim accounts have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim accounts do not include all the information required in the annual accounts and should therefore be read in conjunction with the annual accounts for 2020. The annual accounts for 2020 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 10 February 2022.

Note 3 Accounting policies

The accounting policies adopted in the preparation of the interim accounts are consistent with those followed in the preparation of the annual accounts for 2020. New standards, amendments and interpretations to existing standards effective from 1 January 2021 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 2020.

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	Q4 2021	Q3 2021	Q4 2020	01.01-31.12	
				2021	2020
Sale of liquids	713 775	650 511	463 524	2 198 055	1 373 994
Sale of gas	919 287	366 423	117 693	1 582 586	278 317
Total petroleum revenues	1 633 062	1 016 933	581 217	3 780 641	1 652 311
Sale of liquids (boe*)	1 069 877	1 100 827	1 289 436	3 935 445	4 079 188
Sale of gas (boe*)	595 467	461 233	439 628	1 847 140	1 729 642
Total sale of petroleum in boe*	1 665 344	1 562 060	1 729 064	5 782 585	5 808 830

*Barrels of oil equivalents

Other operating income

Amounts in NOK '000	Q4 2021	Q3 2021	Q4 2020	01.01-31.12	
				2021	2020
Gain / loss (-) from put/call options, oil	-	-	-14 645	-32 766	9 568
Gain / loss (-) from forward contracts, gas	54 314	-5 312	-	49 002	-
Tariff income Gjøa	24 263	13 393	15 570	61 960	53 237
Joint utilisation of logistics resources	13 054	1 382	1 641	23 036	15 107
Total other operating income/loss (-)	91 630	9 463	2 566	101 232	77 911

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

Production expenses

Amounts in NOK '000	Q4 2021	Q3 2021	Q4 2020	01.01-31.12	
				2021	2020
From licence billings - producing assets	251 323	167 767	157 528	753 181	591 305
From licence billings - assets under construction - various preparations for operation	1 397	3 483	7 813	17 884	7 813
Other production expenses (insurance, transport)	38 034	9 426	23 989	89 354	96 759
Total production expenses	290 754	180 677	189 330	860 419	695 877

Changes in over/underlift positions and production inventory

Amounts in NOK '000	Q4 2021	Q3 2021	Q4 2020	01.01-31.12	
				2021	2020
Changes in over/underlift positions	-61 856	17 761	-54 751	15 852	-77 423
Changes in production inventory	21 275	-9 111	-19 470	7 236	94 112
Total changes income/loss (-)	-40 581	8 650	-74 221	23 087	16 690

Note 8 Exploration and evaluation expenses

Amounts in NOK `000	Q4 2021	Q3 2021	Q4 2020	01.01-31.12	
				2021	2020
Share of exploration and evaluation expenses from participation in licences excluding dry well impairment, from billing	20 505	26 620	26 550	95 278	74 942
Share of exploration expenses from participation in licences, dry well write off, from billing *	16 839	1 328	-12	184 855	335
Seismic and other exploration and evaluation expenses, outside billing	51 317	8 730	16 555	62 839	21 759
Total exploration and evaluation expenses	88 662	36 677	43 094	342 972	97 036

* The drilling of exploration well Jerv in licence PL973 was completed in Q1 2021 and concluded as a non-commercial discovery. The drilling of exploration well Ilder in licence PL973 was completed in Q2 2021 and the well was dry. In Q1 2022 the drilling of exploration well Ginny on licence PL1060 was completed and concluded dry.

Note 9 Taxes

Income taxes recognised in the income statement

Amounts in NOK `000	Q4 2021	Q3 2021	Q4 2020	01.01-31.12	
				2021	2020
Change in deferred taxes current year	-51 867	-57 703	-200 527	-796 958	-111 946
Taxes payable current year	-320 064	-371 511	-	-711 980	-
Tax payable adjustment previous year	1 508	-	-12 046	1 508	-12 046
Tax refund current year	-	-	-14 832	-	752 006
Tax refund adjustment previous year	-	-	-	4 757	-
Total taxes (-) / tax income (+) recognised in the income statement	-370 422	-429 214	-227 404	-1 502 673	628 014

Reconciliation of income taxes

Amounts in NOK `000	Q4 2021	Q3 2021	Q4 2020	01.01-31.12	
				2021	2020
Profit / loss (-) before income taxes	653 576	526 262	409 868	2 105 982	-1 230 740
Expected income tax at nominal tax rate, 22%	-143 787	-115 778	-90 171	-463 316	270 763
Expected petroleum tax, 56%	-366 003	-294 707	-229 526	-1 179 350	689 214
Permanent differences, including impairment of goodwill	1 716	2 437	-1 983	-2 419	-504 605
Effect of sale and leaseback transaction	39 839	-	-	39 839	-
Effect of uplift	99 985	33 666	22 901	196 977	180 613
Financial and onshore items	-2 451	-53 448	82 775	-94 459	3 429
Change valuation allowance	1 230	-1 384	-	-4 887	-
Adjustments previous year and other	-952	-	-11 401	4 941	-11 401
Total income taxes recognised in the income statement	-370 422	-429 214	-227 404	-1 502 673	628 014
Effective income tax rate	57 %	82 %	55 %	71 %	51 %

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

Amounts in NOK `000	31.12.2021	30.09.2021	31.12.2020
Tangible and intangible non-current assets	-2 939 348	-2 865 570	-2 113 571
Provisions (net ARO), lease liability, pensions and gain/loss account	1 352 475	1 297 484	1 299 894
Interest bearing loans	-3 429	-4 849	-7 240
Current items (spareparts and inventory)	-145 419	-113 102	-122 180
Tax losses carried forward, onshore 22%	4 887	6 116	992
Tax losses carried forward, offshore 22%	-	-	-
Tax losses carried forward, offshore 56%	-	-	-
Uplift, offshore 56%	-	387	1 548
Valuation allowance (uncapitalised deferred tax asset)	-4 887	-6 116	-
recognised	-1 735 720	-1 685 649	-940 558

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	31.12.2021	30.09.2021	31.12.2020
Tax value of exploration expenditures	-	84 267	85 735
Residual tax value of tax losses	-	-74 899	210 197
Total tax refund	-	9 368	295 932

Tax value of exploration expenditures is paid in November the following year.

Residual tax value of tax losses in 2020 and 2021, deducted for tax refund from exploration expenses, 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.

Estimated taxes payable/refundable are due in six instalments occurring every two months. Any difference between actual tax payable/refund according to the tax return and the instalments are settled annually in fourth quarter following year.

Specification of tax payable

Amounts in NOK `000	Total
Tax payable at 1 January 2021	14 207
Tax payable adjustment previous year	-1 508
Taxes payable current year	711 980
Taxes recognised on acquisition of licences	-6 399
Tax refunded related to current year, to be repaid	54 740
Tax payable at 31 December 2021	773 020

In the fourth quarter net taxes received was NOK 45.9 million consisting of two tax instalments of NOK 18.2 million and net amount of NOK 9.4 million from 2020 exploration refund received and 2020 residual tax paid.

For 2021 total net taxes received was NOK 355.4 million which was the sum of tax refund as of 31.12.2020 of NOK 295.9 million, tax refunded related to estimated tax year 2021 of NOK 54.7 million and tax refund adjustments previous years of NOK 4.8 million.

Note 10 Tangible assets and right-of-use assets

Amounts in NOK '000	Oil and gas properties in production	Oil and gas properties under development	Buildings	Furniture, fixtures and office machines	Right-of-use assets	Total
Cost at 1 January 2021	3 918 980	2 037 626	92 501	19 434	249 439	6 317 979
Additions	236 608	332 481	-	7 217	1 340	577 646
Reclassification from inventory	358	-	-	-	-	358
Reclassification from exploration	-	3 008	-	-	-	3 008
Removal and decommissioning asset	-	-	-	-	-	-
Disposals	-	-	-	-33	-	-33
Cost at 30 September 2021	4 155 946	2 373 115	92 501	26 618	250 779	6 898 958
Accumulated depreciation and impairment at 1 January 2021	-1 468 663	-730 397	-9 250	-9 198	-70 204	-2 287 711
Depreciation	-475 111	-	-3 469	-5 622	-11 249	-495 450
Impairment (-) / reversal of impairment	-	730 397	-	-	-	730 397
Disposals	-	-	-	33	-	33
Additional depreciation of IFRS 16 Right-of-use assets presented gross related to leasing contracts entered into as licence operator	-	-	-	-	-7 502	-7 502
Accumulated depreciation and impairment at 30 September 2021	-1 943 774	-	-12 719	-14 787	-88 955	-2 060 234
Carrying amount at 30 September 2021	2 212 173	2 373 115	79 782	11 831	161 824	4 838 724
Cost at 1 October 2021	4 155 946	2 373 115	92 501	26 618	250 779	6 898 958
Additions	647 349	33 304	-	1 488	78 625	760 767
Reclassification from inventory	-	-	-	-	-	-
Reclassification from exploration	-	-	-	-	-	-
Removal and decommissioning asset	-44 638	-	-	-	-	-44 638
Transfer from development to production	2 406 419	-2 406 419	-	-	-	-
Disposals	-	-	-92 501	-7 593	-	-100 094
Cost at 31 December 2021	7 165 077	-	-	20 512	329 404	7 514 993
Accumulated depreciation and impairment at 1 October 2021	-1 943 774	-	-12 719	-14 787	-88 955	-2 060 234
Depreciation	-169 918	-	-1 156	-2 176	-3 750	-177 000
Impairment (-) / reversal of impairment	-366 632	-	-	-	-	-366 632
Disposals	-	-	13 875	7 593	-	21 469
Additional depreciation of IFRS 16 Right-of-use assets presented gross related to leasing contracts entered into as licence operator	-	-	-	-	-2 501	-2 501
Accumulated depreciation and impairment at 31 December 2021	-2 480 324	-	-	-9 370	-95 205	-2 584 899
Carrying amount at 31 December 2021	4 684 752	-	-	11 143	234 199	4 930 094

See note 24 for information about the sale and leaseback transaction for the property Råket 2 completed in December 2021.

Note 11 Goodwill, exploration and evaluation assets

Amounts in NOK '000	Exploration and evaluation assets	Technical goodwill	Ordinary goodwill	Total goodwill
Cost at 1 January 2021	38 349	1 114 547	416 415	1 530 962
Additions	152 468	-	-	-
Reclassification to oil and gas properties under development	-3 008	-	-	-
Expensed exploration expenditures temporarily capitalised	-168 015	-	-	-
Cost at 30 September 2021	19 794	1 114 547	416 415	1 530 962
Accumulated impairment at 1 January 2021	-	-508 818	-253 198	-762 016
Impairment	-	-	-	-
Accumulated impairment at 30 September 2021	-	-508 818	-253 198	-762 016
Carrying amount at 30 September 2021	19 794	605 729	163 217	768 946
Cost at 1 October 2021	19 794	1 114 547	416 415	1 530 962
Additions	7 804	-	-	-
Reclassification to oil and gas properties under development	-	-	-	-
Expensed exploration expenditures temporarily capitalised	-16 839	-	-	-
Cost at 31 December 2021	10 759	1 114 547	416 415	1 530 962
Accumulated impairment at 1 October 2021	-	-508 818	-253 198	-762 016
Impairment	-	-	-	-
Accumulated impairment at 31 December 2021	-	-508 818	-253 198	-762 016
Carrying amount at 31 December 2021	10 759	605 729	163 217	768 946

Note 12 Impairment / reversal of impairment

Tangible and intangible assets are tested for impairment / reversal of impairment whenever indicators are identified and at least on an annual basis. Impairment is recognised when the book value of an asset or cash generating unit exceeds the recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. The recoverable amount is estimated based on discounted future after tax cash flows. The expected future cash flows are discounted to net present value by applying a discount rate after tax that reflects the weighted average cost of capital (WACC).

Technical goodwill arises as an offsetting account to the deferred tax recognised in business combinations and is allocated to each Cash Generating Unit (CGU). When deferred tax from the initial recognition decreases, more goodwill is as such exposed for impairments.

Fair value assessment of the company's right-of-use (ROU) assets portfolio are included in the impairment test.

Below is an overview of the key assumptions applied in the impairment test as of 31 December 2021:

Year	Oil USD/BOE*	Gas GBP/therm*	Currency rates USD/NOK
2022	74.7	1.61	8.8
2023	69.1	1.05	8.4
From 2024	66.3	0.48	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 related cost. For fair value testing the discount rate applied is 9.0% post tax, reduced from 10.0% in Q3 2021. The main driver for reduced WACC is lower cost of debt.

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

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

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

Based on the company's impairment assessments NOK 367 million was recognised as impairment in the fourth quarter. The transfer of ownership of the Inspirer rig to the Yme licence was completed during Q4. For accounting purposes, the transaction results in recognition of a pre-tax impairment charge, materially offset under income taxes for change in deferred taxes following the impairment and reduction in taxes payable from uplift. The impairment charge primarily results from lower net asset value from the Yme field as uplift reduces tax payable.

No impairment of technical and ordinary goodwill or ROU assets was required in the three month period ending on 31 December 2021.

Sensitivity analysis

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

Assumptions	Change	Alternative calculations of pre-tax impairment/reversal (-) in Q4 2021 (NOK '000)		Increase / decrease (-) of pre- tax impairment Q4 2021 (NOK '000)	
		Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Oil and gas price	+/- 10%	-	903 906	-366 632	537 274
Currency rate USD/NOK	+/- 1.0 NOK	-	1 009 376	-366 632	642 743
Discount rate	+/- 1% point	454 982	274 524	88 350	-92 108
Environmental cost (CO ₂ and NOx)	+/- 20%	444 497	288 768	77 864	-77 864

Note 13 General and administrative expenses

Amounts in NOK '000	01.01-31.12				
	Q4 2021	Q3 2021	Q4 2020	2021	2020
Salary and other employee benefits expenses	136 482	111 867	140 020	484 758	438 868
Consultants and other operating expenses	62 871	50 685	53 321	196 276	160 498
Allocated to operated licences	-151 651	-140 853	-141 668	-581 578	-502 367
Reclassified to oil and gas properties under development	-1 473	-954	-3 302	-4 432	-10 286
Total general and administrative expenses	46 228	20 745	48 371	95 024	86 713

Note 14 Financial items

Amounts in NOK '000	01.01-31.12				
	Q4 2021	Q3 2021	Q4 2020	2021	2020
Interest income	1 057	60	1 235	1 120	4 036
Unwinding of discount asset retirement reimbursement right (indemnification asset)	19 691	19 691	19 376	78 764	77 450
Gain on buy-back bond loan	-	-	2 031	-	24 074
Finance income	20 748	19 751	22 641	79 884	105 559
Interest expense and fees from loans and borrowings	-60 699	-51 100	-50 617	-210 907	-291 237
Capitalised borrowing cost, development projects	14 400	33 214	28 100	116 709	124 344
Interest expense shareholder loan	-57	-	-57	-57	-57
Other interest expense	-3 371	-42	-3 386	-3 986	-4 331
Unwinding of discount asset retirement obligations	-20 949	-20 949	-20 150	-83 797	-80 555
Loss on buy-back bond loan	-3 756	-2 608	-	-6 364	-
Loss on financial investments	-39	-	-	-39	-
Other financial expense	-2 596	-1 862	-1 791	-8 558	-17 071
Finance costs	-77 067	-43 348	-47 901	-197 001	-268 907
Exchange rate gain/loss (-), interest-bearing loans and borrowings	-36 878	-63 370	274 068	-107 918	57 171
Net exchange rate gain/loss (-), other	31 939	-4 383	-5 664	33 158	94 573
Net exchange rate gain/loss (-)	-4 939	-67 754	268 403	-74 761	151 744
Net financial items	-61 259	-91 350	243 144	-191 877	-11 604

Note 15 Asset retirement reimbursement right

Amounts in NOK '000	
Asset retirement reimbursement right at 1 January 2021 (indemnification asset)	3 029 367
Changes in estimates	2 860
Effect of change in the discount rate	-
Asset retirement costs from billing, reimbursement from Shell	-3 016
Unwinding of discount	78 764
Asset retirement reimbursement right at 31 December 2021 (indemnification asset)	3 107 974
Of this:	
Asset retirement reimbursement right, non-current	3 024 562
Asset retirement reimbursement right, current	83 412
Asset retirement reimbursement right at 31 December 2021 (indemnification asset)	3 107 974

Asset retirement reimbursement right consists of a receivable from the seller Shell from OKEA's acquisition of Draugen and Gjøa assets in 2018. The parties agreed that the seller Shell will cover 80% of the actual abandonment expenses for the Draugen and Gjøa fields up to a predefined after-tax cap amount of NOK 716 million (2021 value) subject to Consumer Price Index (CPI) adjustment. The present value of the expected payments is recognised as a pre-tax receivable from the seller.

In addition, the seller has agreed to pay OKEA an amount of NOK 421 million (2021 value) subject to a CPI adjustment according to a schedule based on the percentage of completion of the decommissioning of the Draugen and Gjøa fields.

The net present value of the receivable is calculated using a discount rate of 2.6%, unchanged from year end 2020.

Note 16 Share capital

Number of shares	Ordinary shares
Outstanding shares at 1 January 2021	102 502 650
New shares issued during 2021	1 367 700
Number of outstanding shares at 31 December 2021	103 870 350
Nominal value NOK per share at 31 December 2021	0.1
Share capital NOK at 31 December 2021	10 387 035

As per 31 December 2021, 80,000 equity-settled warrants are still outstanding. Reference is made to note 10 in the 2020 annual financial statements for further details.

Note 17 Trade and other receivables

Amounts in NOK '000	31.12.2021	30.09.2021	31.12.2020
Accounts receivable and receivables from operated licences*	68 275	81 463	67 640
Accrued revenue	487 424	201 213	64 807
Prepayments	48 300	19 310	30 906
Working capital and overcall, joint operations/licences	164 226	130 316	161 392
Underlift of petroleum products	225 079	278 126	184 672
VAT receivable	7 317	3 967	4 184
Accrued interest income	830	60	-
Fair value forward contracts, gas	51 885	-	-
Total trade and other receivables	1 053 338	714 455	513 601

* There is no provision for bad debt on receivables.

Note 18 Cash and cash equivalents

Cash and cash equivalents:

Amounts in NOK '000	31.12.2021	30.09.2021	31.12.2020
Bank deposits, unrestricted	1 035 711	1 093 807	853 903
Bank deposit, time deposit	980 000	400 000	-
Bank deposit, restricted	5 001	-	-
Bank deposit, restricted, employee taxes	18 033	10 529	17 307
Total cash and cash equivalents	2 038 745	1 504 336	871 210

See note 26 for information about investments of part of excess liquidity.

Note 19 Asset retirement obligations

Amounts in NOK '000	
Provision at 1 January 2021	4 199 866
Additions	9 327
Reclassified to other current provision, see note 21	-10 000
Changes in estimates	-41 778
Effects of change in the discount rate	-
Asset retirement costs from billing	-3 770
Unwinding of discount	83 797
Asset retirement obligations at 31 December 2021	4 237 442
Of this:	
Asset retirement obligations, non-current	4 133 177
Asset retirement obligations, current	104 265
Asset retirement obligations at 31 December 2021	4 237 442

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%, unchanged from year end 2020. The assumptions are based on the economic environment at balance sheet date. Actual asset retirement costs will ultimately depend upon future market prices for the necessary works which will reflect market conditions at the relevant time. Furthermore, the timing of the close-down is likely to depend on when the field ceases to produce at economically viable rates. This in turn will depend upon future oil and gas prices, which are inherently uncertain.

For recovery of costs of decommissioning related to assets acquired from Shell, reference is made to note 15.

Note 20 Spare parts, equipment and inventory

Amounts in NOK '000	31.12.2021	30.09.2021	31.12.2020
Inventory of petroleum products	124 258	102 983	117 022
Spare parts and equipment	129 061	124 344	111 768
Total spare parts, equipment and inventory	253 318	227 327	228 790

Note 21 Trade and other payables

Amounts in NOK '000	31.12.2021	30.09.2021	31.12.2020
Trade creditors	117 721	18 824	46 509
Accrued holiday pay and other employee benefits	110 947	77 600	89 595
Working capital, joint operations/licences	430 608	472 605	451 217
Overlift of petroleum products	24 555	15 747	-
Accrued interest bond loans	5 096	27 653	5 008
Prepayments from customers	17	111 160	199 001
Fair value put/call options, oil	-	-	7 169
Fair value forward contracts, gas	-	5 312	-
Loan from shareholder OKEA Holdings Ltd	1 371	1 314	1 314
Accrued consideration from acquisitions of interests in licences	10 000	10 000	-
Other accrued expenses	86 220	63 609	90 550
Total trade and other payables	786 535	803 824	890 362

Note 22 Interest bearing loans, bonds

Amounts in NOK '000	Bond loan OKEA02	Bond loan OKEA03	Total
Interest bearing loans, bonds at 1 January 2021	1 395 997	1 004 299	2 400 297
Amortisation of transaction costs	15 227	6 557	21 784
Bond buy-back	-210 584	-	-210 584
Foreign exchange movement	48 617	34 760	83 377
Interest bearing loans, bonds at 31 December 2021	1 249 257	1 045 616	2 294 873

Amounts in NOK '000	Bond loan OKEA02	Bond loan OKEA03	Total
Interest bearing loans, bonds at 1 January 2021	1 395 997	1 004 299	2 400 297
Cash flows:			
Gross proceeds from borrowings	-	-	-
Transaction costs	-	-	-
Repayment/buy-back of borrowings	-216 948	-	-216 948
Total cash flows:	-216 948	-	-216 948
Non-cash changes:			
Amortisation of transaction costs	15 227	6 557	21 784
Foreign exchange movement	48 617	34 760	83 377
Loss / gain (-) on buy-back	6 364	-	6 364
Interest bearing loans, bonds at 31 December 2021	1 249 257	1 045 616	2 294 873

Bond loans OKEA02 and OKEA03

During 2021 the company has been in full compliance with the covenants under the bond agreements.

Revised bond terms affecting the covenants in the waiver period effective from 30 June 2020 to an including 31 December 2021 comprise OKEA02 and OKEA03 and can be summarised as follows:

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 would only result in a default if the company is in breach on two consecutive calculation dates.

From 01.01.2022 the covenant leverage ratio shall not exceed 2:1 in accordance to the original bond agreements.

Note 23 Other interest bearing liabilities

In October 2021 the Yme licence completed the acquisition of the Inspirer jack-up rig through a bareboat charter (BBC) agreement with Havila Sirius AS (Havila). The part of the lease payments to Havila corresponding to the purchase price (paid by Havila to Maersk) is considered as an investment in a rig with a corresponding liability, while the remaining amount of the total payments is treated as interest expenses. This treatment is based on the underlying assessment that the reality of the transaction is that it is an investment in a rig financed with a interest bearing liability, rather than a lease. OKEA's proportionate share of the investment and corresponding liability is USD 55.95 million.

The liability carries a fixed interest rate of 5.21% p.a., and will be repaid with the lease payments to Havila with the last lease payment in October 2031.

Amounts in NOK '000	Liability Yme rig	Total
Other interest bearing liabilities at 1 January 2021	-	-
Financing Yme Rig	468 904	468 904
Foreign exchange movement	24 541	24 541
Other interest bearing liabilities at 31 December 2021	493 445	493 445
Of this:		
Other interest bearing liabilities, non-current	454 853	454 853
Other interest bearing liabilities, current	38 593	38 593
Other interest bearing liabilities at 31 December 2021	493 445	493 445

Amounts in NOK '000	Liability Yme rig	Total
Other interest bearing liabilities at 1 January 2021	-	-
Cash flows:		
Gross proceeds from borrowings	-	-
Repayment of borrowings	-	-
Total cash flows:	-	-
Non-cash changes:		
Financing Yme Rig	468 904	468 904
Foreign exchange movement	24 541	24 541
Other interest bearing liabilities at 31 December 2021	493 445	493 445

Note 24 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.

Sale and leaseback of the property Råket 2

In December 2021 OKEA completed a sale and leaseback (SLB) transaction for OKEA's regional headquarter in Kristiansund. The SLB agreement is based on OKEA leasing the property for 20 years with additional extension options for OKEA for up to 10 years. The sale price amounted to NOK 109 million. The buyer is Råket 2 AS, a fully owned subsidiary of Asset Buyout Partners AS (ABP). No gain from the transaction has been recognised, OKEA has recognised a lease liability equal to the net sales proceeds of NOK 107.7 million, and the book value of the sold property of NOK 78.6 million is recognised as right-of-use asset. This is based on the assessment that OKEA will be utilising the property over the remaining economic lifetime.

Amounts in NOK `000

Lease liability 1 January 2021	179 235
Additions lease contracts	109 065
Accretion lease liability	11 357
Payments of lease debt	-36 359
Total lease debt at 31 December 2021	263 298

Break down of lease liability

Short-term (within 1 year)	43 032
Long-term	220 266
Total lease liability	263 298

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

Amounts in NOK `000	31.12.2021
Within 1 year	43 032
1 to 5 years	154 750
After 5 years	184 755
Total	382 537

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

Note 25 Derivatives

Amounts in NOK `000	31.12.2021	30.09.2021	31.12.2020
Premium commodity contracts	-	-	6 653
Unrealised gain/loss (-) commodity contracts included in other operating income / loss(-)	51 885	-5 312	-13 821
Short-term derivatives included in assets/liabilities (-)	51 885	-5 312	-7 169

OKEA uses derivative financial instruments to manage exposures to fluctuations in commodity prices. At 31 December 2021, OKEA had outstanding forward contracts for;

Quantity - therms of gas	Fixed price GBP per therm	Expiration
845 000	2.84	2022-01-28
760 000	3.30	2022-02-25
480 000	2.99	2022-03-30
390 000	2.44	2022-04-29
550 000	2.14	2022-05-30
520 000	2.13	2022-06-29
525 000	2.14	2022-07-29
580 000	2.13	2022-08-30
555 000	2.13	2022-09-29

Note 26 Financial investments

Amounts in NOK '000	31.12.2021	30.09.2021	31.12.2020
Investments in money-market funds and combination funds	209 961	-	-
Total financial investments	209 961	-	-

Note 27 Fair value of financial instruments

It is assessed that the carrying amounts of financial assets and liabilities, except for interest bearing bond loans, is approximately equal to its fair values. For interest bearing bond loans, the fair value is estimated to be NOK 2 410 448 thousand at 31 December 2021. 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.

For other interest bearing liabilities it is assessed that the fair value is approximately equal to the carrying amount at 31 December 2021. This assessment is based on the transaction completed in October 2021 as described in note 23, and assuming no significant change in interest rate level and credit spread since the completion of the transaction (level 2 in the fair value hierarchy).

Fair value of forward contracts gas is based on quoted market prices at the balance sheet date (level 2 in the fair value hierarchy). The fair value of forward contracts gas is equal to its carrying amount.

Note 28 Events after the balance sheet date

OKEA ASA has been offered interests in four new production licences on the Norwegian continental shelf, three of which as operator, through the Awards in Pre-Defined Areas (APA) for 2021.

The Equinor operated Ginny exploration well was announced as a dry well on 2 February 2022. Cost incurred as of 31 December 2021 amounts to NOK 18 million and was expensed in the fourth quarter.

Alternative performance measures

Reconciliations

EBITDA	Q4 2021	Q3 2021	Q4 2020	2021	2020
Amounts in NOK `000	3 months	3 months	3 months	12 months	12 months
Profit / loss (-) from operating activities	714 835	617 612	166 724	2 297 860	-1 219 136
Add: depreciation, depletion and amortisation	177 000	179 335	178 894	672 450	699 403
Add: impairment	366 632	-	-116 851	-363 765	1 387 018
EBITDA	1 258 467	796 947	228 767	2 606 545	867 286

EBITDAX	Q4 2021	Q3 2021	Q4 2020	2021	2020
Amounts in NOK `000	3 months	3 months	3 months	12 months	12 months
Profit / loss (-) from operating activities	714 835	617 612	166 724	2 297 860	-1 219 136
Add: depreciation, depletion and amortisation	177 000	179 335	178 894	672 450	699 403
Add: impairment / reversal of impairment	366 632	-	-116 851	-363 765	1 387 018
Add: exploration and evaluation expenses	88 662	36 677	43 094	342 972	97 036
EBITDAX	1 347 129	833 625	271 860	2 949 517	964 322

Production expense per boe	Q4 2021	Q3 2021	Q4 2020	2021	2020
Amounts in NOK `000	3 months	3 months	3 months	12 months	12 months
Productions expense	290 754	180 677	189 330	860 419	695 877
Less: processing tariff income	-24 263	-13 393	-15 570	-61 960	-53 237
Less: joint utilisation of resources	-13 054	-1 382	-1 641	-23 036	-15 107
Less: preparation for operation asset under construction	-1 397	-3 483	-7 813	-17 884	-7 813
Divided by: produced volumes (boe)	1 475 448	1 500 961	1 487 762	5 668 579	5 909 921
Production expense NOK per boe	170.8	108.2	110.4	133.6	104.9

Net interest-bearing debt	31.12.2021	30.09.2021	31.12.2020
Amounts in NOK `000			
Interest bearing loans, bonds	2 294 873	2 378 676	2 400 297
Other interest bearing liabilities	454 853	-	-
Other interest bearing liabilities, current	38 593	-	-
Less: Cash and cash equivalents	-2 038 745	-1 504 336	-871 210
Net interest-bearing debt	749 574	874 340	1 529 086

Net interest-bearing debt excl. other interest bearing liabilities	31.12.2021	30.09.2021	31.12.2020
Amounts in NOK `000			
Interest bearing loans, bonds	2 294 873	2 378 676	2 400 297
Less: Cash and cash equivalents	-2 038 745	-1 504 336	-871 210
Net interest-bearing debt excl. other interest bearing liabilities	256 128	874 340	1 529 086

Definitions

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

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

Net interest-bearing debt is book value of current and non-current interest-bearing loans, bonds and other interest-bearing liabilities excluding lease liability (IFRS 16) less cash and cash equivalents.

Net interest-bearing debt excl. other interest bearing liabilities is book value of interest-bearing loans, bonds less cash and cash equivalents.

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



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

OKEA ASA

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